

PINNACLE WEST CAPITAL CORP

FORM 8-K (Current report filing)

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**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): September 30, 2008

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

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 by Pinnacle West Capital Corporation and Arizona Public Service Company. Each registrant is filing 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 any information that does not relate to such registrant, and therefore makes no representation as to any such information.

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Item 2.02. Results of Operations and Financial Condition

On November 4, 2008, Pinnacle West Capital Corporation (the “Company” or “Pinnacle West”) issued a press release regarding its financial results for its fiscal quarter ended September 30, 2008. A copy of the press release is attached hereto as Exhibit 99.8.

Certain of the Information referenced in Item 7.01 below relates to the Company’s results of operations for its fiscal quarter ended September 30, 2008. This Information is attached hereto as Exhibits 99.2, 99.3 and 99.8.

Item 7.01. Regulation FD Disclosure

Financial and Business Information

The Company is providing quarterly consolidated statistical summaries and a glossary of relevant terms (collectively, “Information”) to help interested parties better understand its business (see Exhibits 99.1, 99.2, 99.3, 99.4, 99.5, 99.6 and 99.7). This Information is concurrently being posted to the Company’s website at www.pinnaclewest.com. The Information may not represent all of the factors that could affect the Company’s operating or financial results for various periods. Some of the Information is preliminary in nature and could be subject to significant adjustment. Some of the Information is based on information received from third parties and may contain inaccuracies. The Company is not responsible for any such inaccuracies. Although the Company may update or correct the Information if it is aware that such Information has been revised or is inaccurate, the Company assumes no obligation to update or correct the Information and reserves the right to discontinue the provision of all or any portion of the Information at any time or to change the type of Information provided.

2008 Earnings Outlook

We continue to estimate that our on-going consolidated earnings for 2008 will be within a reasonable range of \$2.50 per share. We estimate that Arizona Public Service Company (“APS”) will contribute substantially all of the 2008 on-going earnings and that SunCor Development Company’s (“SunCor”) 2008 earnings contribution will be minimal. Our 2008 on-going earnings estimate excludes \$0.30 per share of tax credits related to prior years recorded in the fiscal quarter ended June 30, 2008. In this discussion, earnings per share amounts are after income taxes and are based on diluted average common shares outstanding. The earnings guidance in this Form 8-K supersedes all previous earnings guidance provided by Pinnacle West. Our earnings forecasts are subject to numerous risks, including those described under “Forward-Looking Statements” below.

“On-going earnings” is a “non-GAAP financial measure,” as defined in Item 10(e) of Regulation S-K of the Securities Exchange Act of 1934. We believe on-going earnings provide investors with a useful indicator of our results that is comparable among periods because it excludes the effects of unusual items that may occur on an irregular basis. Investors should note that these non-GAAP financial measures involve judgments by management, including whether an item is classified as an unusual item. We use on-going earnings, or similar concepts, to measure our performance internally in reports for management.

Forward-Looking Statements

Our earnings forecasts are subject to numerous risks, including those described below. This Form 8-K contains forward-looking statements regarding our 2008 earnings outlook. Neither the Company nor APS assumes any obligation to update these statements or make any further statements on any of these issues, except as required by applicable law. Because actual results may differ materially from expectations, we caution readers not to place undue reliance on these statements. A number of factors could cause future results to differ materially from historical results, or from results or outcomes currently expected or sought by Pinnacle West or APS. In addition to the Risk Factors described in Item 1A of the Pinnacle West/APS Annual Report on Form 10-K for the fiscal year ended December 31, 2007, these factors include, but are not limited to, state and federal regulatory and legislative decisions and actions, including the outcome or timing of any pending APS rate cases; increases in our capital expenditures and operating costs and our ability to achieve timely and adequate rate recovery of these increased costs; our ability to reduce capital expenditures and other costs while maintaining reliability and customer service levels, and unexpected developments that would limit us from achieving all or some of our planned capital expenditure reductions; volatile fuel and purchased power costs, including fluctuations in market prices for natural gas, coal, uranium and other fuels used in our generating facilities, and availability of supplies of such commodities; the outcome of regulatory, legislative and judicial proceedings, both current and future, including those related to environmental matters and climate change; the potential for additional restructuring of the electric industry, including decisions impacting wholesale competition and the introduction of retail electric competition in Arizona; regional, national and international economic and market conditions, including the strength of the housing, credit and financial markets; the potential adverse impact of current economic conditions on our results of operations; the cost of debt and equity capital and access to capital markets; changes in the market price of our common stock; entering into credit agreements that restrict dividends or contain other burdensome provisions; our ability to meet debt service obligations; current credit ratings remaining in effect for any given period of time; the performance of the stock market and the changing interest rate environment, which affect the value of our nuclear decommissioning trusts, pension and other postretirement benefit plan assets, the amount of required contributions to Pinnacle West’s pension plan and contributions to APS’ nuclear decommissioning trust funds, as well as the reported costs of providing pension and other postretirement benefits; volatile market liquidity, any deteriorating counterparty credit and the use of derivative contracts in our business (including the interpretation of the subjective and complex accounting rules related to these contracts); changes in accounting principles generally accepted in the United States of America and the interpretation of those principles; customer growth and energy usage; weather variations affecting local and regional customer energy usage; power plant performance and outages; transmission outages and constraints; the completion of generation and transmission construction in the region, which could affect customer growth and the cost of power supplies; the ability of our power plant participants to meet contractual or other obligations; technological developments in the electric industry; the results of litigation and other proceedings resulting from the California and Pacific Northwest energy situations; the performance of our subsidiaries and any resulting effects on our cash flows; the strength of the real estate market and economic and other conditions affecting the real estate market in SunCor’s market areas, which include Arizona, Idaho, New Mexico and Utah; and other

uncertainties, all of which are difficult to predict and many of which are beyond the control of Pinnacle West and APS.

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Item 9.01. Financial Statements and Exhibits

(d) Exhibits.

Exhibit No.	Registrant(s)	Description
99.1	Pinnacle West APS	Pinnacle West Capital Corporation quarterly consolidated statistical summary (cover page and list of contents).
99.2	Pinnacle West APS	Pinnacle West Capital Corporation quarterly consolidated statistical summary for the three-month and nine-month periods ended September 30, 2008 and 2007.
99.3	Pinnacle West APS	Pinnacle West Capital Corporation consolidated statistics by quarter for 2008.
99.4	Pinnacle West APS	Pinnacle West Capital Corporation consolidated statistics by quarter for 2007.
99.5	Pinnacle West APS	Pinnacle West Capital Corporation consolidated statistics by quarter for 2006.
99.6	Pinnacle West APS	Pinnacle West Capital Corporation consolidated statistics by quarter for 2005.
99.7	Pinnacle West APS	Glossary of Terms.
99.8	Pinnacle West APS	Earnings News Release issued on November 4, 2008.

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: November 4, 2008

By: /s/ James R. Hatfield
James R. Hatfield
Senior Vice President and
Chief Financial Officer

ARIZONA PUBLIC SERVICE COMPANY
(Registrant)

Dated: November 4, 2008

By: /s/ James R. Hatfield
James R. Hatfield
Senior Vice President and
Chief Financial Officer

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Pinnacle West Capital Corporation
Quarterly Consolidated Statistical Summary
Periods Ended September 30, 2008 and 2007

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2008 Third Quarter Summary

2008 by Quarter

2007 by Quarter

2006 by Quarter

2005 by Quarter

Quarters may not sum to totals due to rounding.

The definitions of terms used in this statistical summary are contained in the "Glossary of Terms" on the Pinnacle West website at:
<http://www.pinnaclewest.com/files/investors/2008Q3QuarStatsGloss.pdf>

This statistical data may be graphed in various quarterly or annual comparisons using the "Interactive Charts" tool on the Pinnacle West website at:
<http://www.pinnaclewest.com/main/pnw/investors/financials/quarterly/landing.html>

Pinnacle West Capital Corporation
Quarterly Consolidated Statistical Summary
Periods Ended September 30, 2008 and 2007

Line		3 Mo. Ended September			9 Mo. Ended September		
		2008	2007	Incr (Decr)	2008	2007	Incr (Decr)
EARNINGS CONTRIBUTION BY SUBSIDIARY (\$ Millions)							
1	Arizona Public Service	\$ 160	\$ 204	\$ (44)	\$ 279	\$ 284	\$ (5)
2	Pinnacle West Energy	—	—	—	—	—	—
3	APS Energy Services	(1)	2	(3)	(2)	1	(3)
4	SunCor	(7)	(1)	(6)	(13)	9	(22)
5	El Dorado	(1)	(3)	2	(8)	(5)	(3)
6	Parent Company	—	—	—	4	8	(4)
7	Income From Continuing Operations	151	202	(51)	260	297	(37)
Income (Loss) From Discontinued Operations — Net of Tax							
8	Silverhawk	—	—	—	—	—	—
9	SunCor	1	7	(6)	21	7	14
10	Other	—	—	—	—	—	—
11	Total	1	7	(6)	21	7	14
12	Net Income	<u>\$ 152</u>	<u>\$ 209</u>	<u>\$ (57)</u>	<u>\$ 281</u>	<u>\$ 304</u>	<u>\$ (23)</u>
EARNINGS PER SHARE BY SUBSIDIARY — DILUTED							
13	Arizona Public Service	\$ 1.58	\$ 2.03	\$ (0.45)	\$ 2.76	\$ 2.82	\$ (0.06)
14	Pinnacle West Energy	—	—	—	—	—	—
15	APS Energy Services	(0.01)	0.01	(0.02)	(0.02)	0.01	(0.03)
16	SunCor	(0.07)	(0.01)	(0.06)	(0.12)	0.09	(0.21)
17	El Dorado	(0.01)	(0.03)	0.02	(0.08)	(0.05)	(0.03)
18	Parent Company	—	—	—	0.04	0.08	(0.04)
19	Income From Continuing Operations	1.49	2.00	(0.51)	2.58	2.95	(0.37)
Income (Loss) From Discontinued Operations — Net of Tax							
20	Silverhawk	—	—	—	—	—	—
21	SunCor	0.01	0.07	(0.06)	0.20	0.07	0.13
22	Other	—	—	—	—	—	—
23	Total	0.01	0.07	(0.06)	0.20	0.07	0.13
24	Net Income	<u>\$ 1.50</u>	<u>\$ 2.07</u>	<u>\$ (0.57)</u>	<u>\$ 2.78</u>	<u>\$ 3.02</u>	<u>\$ (0.24)</u>
25	BOOK VALUE PER SHARE	\$ 35.84	\$ 35.55	\$ 0.29	\$ 35.84	\$ 35.55	\$ 0.29
COMMON SHARES OUTSTANDING (Thousands)							
26	Average — Diluted	101,018	100,829	189	100,911	100,767	144
27	End of Period	100,799	100,367	432	100,799	100,367	432



Pinnacle West Capital Corporation
Quarterly Consolidated Statistical Summary
Periods Ended September 30, 2008 and 2007

Line	3 Mo. Ended September			9 Mo. Ended September			
	2008	2007	Incr (Decr)	2008	2007	Incr (Decr)	
ELECTRIC OPERATING REVENUES (Dollars in Millions)							
REGULATED ELECTRICITY SEGMENT							
Retail							
28	Residential	\$ 555	\$ 574	\$ (19)	\$ 1,191	\$ 1,155	\$ 36
29	Business	427	425	2	1,123	1,031	92
30	Total retail	982	999	(17)	2,314	2,186	128
Wholesale revenue on delivered electricity							
31	Traditional contracts	23	12	11	58	27	31
32	Off-system sales	14	16	(2)	68	33	35
33	Transmission for others	11	8	3	25	22	3
34	Other miscellaneous services	10	9	1	28	23	5
35	Total regulated operating electricity revenues	1,040	1,044	(4)	2,493	2,291	202
MARKETING AND TRADING							
36	Electricity and other commodity sales	12	99	(87)	120	264	(144)
37	Total operating electric revenues	\$ 1,052	\$ 1,143	\$ (91)	\$ 2,613	\$ 2,555	\$ 58
ELECTRIC SALES (GWH)							
REGULATED ELECTRICITY SEGMENT							
Retail sales							
38	Residential	4,876	5,084	(208)	10,762	11,105	(343)
39	Business	4,447	4,426	21	11,775	11,715	60
40	Total retail	9,323	9,510	(187)	22,537	22,820	(283)
Wholesale electricity delivered							
41	Traditional contracts	335	296	39	876	733	143
42	Off-system sales	525	478	47	1,551	1,031	520
43	Retail load hedge management	486	529	(43)	807	900	(93)
44	Total regulated electricity	10,669	10,813	(144)	25,771	25,484	287
MARKETING AND TRADING							
45	Wholesale sales of electricity	320	3,146	(2,826)	2,134	7,717	(5,583)
46	Total electric sales	10,989	13,959	(2,970)	27,905	33,201	(5,296)

See Glossary of Terms.

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Pinnacle West Capital Corporation
Quarterly Consolidated Statistical Summary
Periods Ended September 30, 2008 and 2007

Line	3 Mo. Ended September			9 Mo. Ended September			
	2008	2007	Incr (Decr)	2008	2007	Incr (Decr)	
	POWER SUPPLY ADJUSTOR ("PSA") - REGULATED ELECTRICITY SEGMENT (Dollars in Millions)						
47	Deferred fuel and purchased power regulatory asset — beginning balance	\$ 23	\$ 137	\$ (114)	\$ 111	160	\$ (49)
48	Deferred fuel and purchased power costs — current period	79	69	10	103	198	(95)
49	Regulatory disallowance	—	—	—	—	(14)	14
50	Interest on deferred fuel	—	2	(2)	2	5	(3)
51	Amounts recovered through revenues	(44)	(58)	14	(158)	(199)	41
52	Deferred fuel and purchased power regulatory asset — ending balance	<u>\$ 58</u>	<u>\$ 150</u>	<u>\$ (92)</u>	<u>\$ 58</u>	<u>\$ 150</u>	<u>\$ (92)</u>

**MARKETING AND TRADING
PRETAX GROSS MARGIN
ANALYSIS (Dollars in Millions)**

Realized and Mark-To-Market Components							
53	Electricity and other commodity sales, realized (a)	\$ 4	\$ 6	\$ (2)	\$ 14	\$ 46	\$ (32)
54	Mark-to-market reversals on realized sales (a) (b)	(2)	(3)	1	—	(13)	13
55	Change in mark-to-market value of forward sales	—	2	(2)	—	5	(5)
56	Total gross margin	<u>\$ 2</u>	<u>\$ 5</u>	<u>\$ (3)</u>	<u>\$ 14</u>	<u>\$ 38</u>	<u>\$ (24)</u>

By Pinnacle West Entity

57	APS	\$ —	\$ —	\$ —	\$ —	\$ 6	\$ (6)
58	Pinnacle West	3	1	2	14	22	(8)
59	APS Energy Services	(1)	4	(5)	—	10	(10)
60	Pinnacle West Energy	—	—	—	—	—	—
61	Total gross margin	<u>\$ 2</u>	<u>\$ 5</u>	<u>\$ (3)</u>	<u>\$ 14</u>	<u>\$ 38</u>	<u>\$ (24)</u>

Future Marketing and Trading Mark-to-Market Realization

As of September 30, 2008, Pinnacle West had accumulated net mark-to-market losses of \$1 million related to our power marketing and trading activities.

- (a) Net effect on pretax gross margin from realization of prior-period mark-to-market included in line 53 and in line 54 is zero. Realization of prior-period mark-to-market relates to cash flow recognition, not earnings recognition. The arithmetic opposites of amounts included in line 53 are included in line 54. For example, line 54 shows that a prior-period mark-to-market gain of \$2 million was transferred to "realized" for the third quarter of 2008. A \$2 million realized gain is included in the \$4 million on line 53 for the third quarter of 2008.
- (b) Quarterly amounts do not total to annual amounts because of intra-year mark-to-market eliminations.

See Glossary of Terms.

Pinnacle West Capital Corporation
Quarterly Consolidated Statistical Summary
Periods Ended September 30, 2008 and 2007

Line	3 Mo. Ended September			9 Mo. Ended September			
	2008	2007	Incr (Decr)	2008	2007	Incr (Decr)	
AVERAGE ELECTRIC CUSTOMERS							
Retail customers							
62	Residential	973,455	963,874	9,581	977,169	963,799	13,370
63	Business	124,329	120,918	3,411	123,655	119,786	3,869
64	Total	1,097,784	1,084,792	12,992	1,100,824	1,083,585	17,239
65	Wholesale customers	51	61	(10)	52	62	(10)
66	Total customers	1,097,835	1,084,853	12,982	1,100,876	1,083,647	17,229
67	Customer growth (% over prior year)	1.2%	3.2%	(2.0)%	1.6%	3.5%	(1.9)%
RETAIL SALES (GWH) - WEATHER NORMALIZED							
68	Residential	4,893	4,810	83	10,834	10,687	147
69	Business	4,448	4,368	80	11,782	11,573	209
70	Total	9,341	9,178	163	22,616	22,260	356
RETAIL USAGE (KWh/Average Customer)							
71	Residential	5,009	5,275	(266)	11,013	11,522	(509)
72	Business	35,768	36,601	(833)	95,225	97,799	(2,574)
RETAIL USAGE - WEATHER NORMALIZED (KWh/Average Customer)							
73	Residential	5,027	4,990	37	11,087	11,088	(1)
74	Business	35,777	36,126	(349)	95,279	96,614	(1,335)
ELECTRICITY DEMAND (MW)							
75	Native load peak demand	7,026	7,128	(102)	7,026	7,128	(102)

See Glossary of Terms.

Pinnacle West Capital Corporation
Quarterly Consolidated Statistical Summary
Periods Ended September 30, 2008 and 2007

Line	3 Mo. Ended September			9 Mo. Ended September			
	2008	2007	Incr (Decr)	2008	2007	Incr (Decr)	
ENERGY SOURCES (GWH)							
Generation production							
76	Nuclear	2,454	2,218	236	6,626	6,363	263
77	Coal	3,611	3,563	48	9,744	9,992	(248)
78	Gas, oil and other	2,357	2,480	(123)	5,022	5,149	(127)
79	Total generation production	<u>8,422</u>	<u>8,261</u>	<u>161</u>	<u>21,392</u>	<u>21,504</u>	<u>(112)</u>
Purchased power							
80	Firm load	2,047	2,521	(474)	4,390	4,475	(85)
81	Marketing and trading	1,239	3,993	(2,754)	3,865	9,218	(5,353)
82	Total purchased power	<u>3,286</u>	<u>6,514</u>	<u>(3,228)</u>	<u>8,255</u>	<u>13,693</u>	<u>(5,438)</u>
83	Total energy sources	<u>11,708</u>	<u>14,775</u>	<u>(3,067)</u>	<u>29,647</u>	<u>35,197</u>	<u>(5,550)</u>

POWER PLANT PERFORMANCE

Capacity Factors							
84	Nuclear	97%	89%	8%	88%	86%	2%
85	Coal	94%	93%	1%	85%	88%	(3)%
86	Gas, oil and other	32%	34%	(2)%	23%	24%	(1)%
87	System average	61%	61%	0%	52%	53%	(1)%

**Generation Capacity Out of Service and
Replaced for Native Load (average
MW/day) (a)**

88	Nuclear	27	76	(49)	111	131	(20)
89	Coal	64	79	(15)	177	156	21
90	Gas	76	147	(71)	200	273	(73)
91	Total	<u>167</u>	<u>302</u>	<u>(135)</u>	<u>488</u>	<u>560</u>	<u>(72)</u>

(a) Includes planned and unplanned outages

See Glossary of Terms.

Pinnacle West Capital Corporation
Quarterly Consolidated Statistical Summary
Periods Ended September 30, 2008 and 2007

Line	3 Mo. Ended September			9 Mo. Ended September			
	2008	2007	Incr (Decr)	2008	2007	Incr (Decr)	
ENERGY MARKET INDICATORS (a)							
Electricity Average Daily Spot Prices (\$/MWh)							
On-Peak							
92	Palo Verde	\$80.43	\$69.26	\$ 11.17	\$ 80.10	\$ 62.84	\$ 17.26
93	SP15	\$86.34	\$68.84	\$ 17.50	\$ 87.62	\$ 65.87	\$ 21.75
Off-Peak							
94	Palo Verde	\$53.47	\$37.03	\$ 16.44	\$ 56.35	\$ 40.18	\$ 16.17
95	SP15	\$59.33	\$41.23	\$ 18.10	\$ 62.80	\$ 44.41	\$ 18.39
WEATHER INDICATORS							
Actual							
96	Cooling degree-days	2,533	2,686	(153)	4,178	4,566	(388)
97	Heating degree-days	—	—	—	583	597	(14)
98	Average humidity	33%	30%	3%	30%	28%	2%
10-Year Averages							
99	Cooling degree-days	2,544	2,544	—	4,194	4,194	—
100	Heating degree-days	—	—	—	545	545	—
101	Average humidity	32%	32%	0%	32%	32%	0%
ECONOMIC INDICATORS							
Building Permits — Metro Phoenix (b) (d)							
102	Single-family	1,974	3,812	(1,838)	8,684	18,276	(9,592)
103	Multi-family	1,441	2,178	(737)	5,686	9,888	(4,202)
104	Total	<u>3,415</u>	<u>5,990</u>	<u>(2,575)</u>	<u>14,370</u>	<u>28,164</u>	<u>(13,794)</u>
Arizona Job Growth (c) (d)							
105	Payroll job growth (% over prior year)	(1.8)%	1.0%	(2.8)%	(0.7)%	1.7%	(2.4)%
106	Unemployment rate (% , seasonally adjusted)	5.4%	3.7%	1.7%	4.5%	3.7%	0.8%

Sources:

- (a) Average of daily prices obtained and used with permission from Dow Jones & Company, Inc.
(b) Arizona Real Estate Center, Arizona State University W.P. Carey College of Business
(c) Arizona Department of Economic Security
(d) Economic indicators reflect periods ended August 31, 2008 (latest available data) and August 31, 2007.

See Glossary of Terms.

Pinnacle West Capital Corporation
Consolidated Statistics By Quarter
2008

Line		<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year-To-Date</u>	<u>Increase (Decrease) vs Prior YTD</u>
EARNINGS CONTRIBUTION BY SUBSIDIARY (\$ Millions)							
1	Arizona Public Service	\$ (6)	\$ 125	\$ 160		\$ 279	\$ (5)
2	Pinnacle West Energy	—	—	—		—	—
3	APS Energy Services	—	—	(1)		(2)	(3)
4	SunCor	(1)	(5)	(7)		(13)	(22)
5	El Dorado	(1)	(5)	(1)		(8)	(3)
6	Parent Company	4	(1)	—		4	(4)
7	Income From Continuing Operations	(4)	114	151	—	260	(37)
Income (Loss) From Discontinued Operations — Net of Tax							
8	Silverhawk	—	—	—		—	—
9	SunCor	—	20	1		21	14
10	Other	—	—	—		—	—
11	Total	—	20	1	—	21	14
12	Net Income	<u>\$ (4)</u>	<u>\$ 134</u>	<u>\$ 152</u>	<u>\$ —</u>	<u>\$ 281</u>	<u>\$ (23)</u>
EARNINGS PER SHARE BY SUBSIDIARY — DILUTED							
13	Arizona Public Service	\$ (0.06)	\$ 1.24	\$ 1.58		\$ 2.76	\$ (0.06)
14	Pinnacle West Energy	—	—	—		—	—
15	APS Energy Services	—	—	(0.01)		(0.02)	(0.03)
16	SunCor	(0.01)	(0.05)	(0.07)		(0.12)	(0.21)
17	El Dorado	(0.02)	(0.05)	(0.01)		(0.08)	(0.03)
18	Parent Company	0.04	(0.01)	—		0.04	(0.04)
19	Income From Continuing Operations	(0.05)	1.13	1.49	—	2.58	(0.37)
Income (Loss) From Discontinued Operations — Net of Tax							
20	Silverhawk	—	—	—		—	—
21	SunCor	—	0.20	0.01		0.20	0.13
22	Other	0.01	—	—		—	—
23	Total	0.01	0.20	0.01	—	0.20	0.13
24	Net Income	<u>\$ (0.04)</u>	<u>\$ 1.33</u>	<u>\$ 1.50</u>	<u>\$ —</u>	<u>\$ 2.78</u>	<u>\$ (0.24)</u>
25	BOOK VALUE PER SHARE	\$ 35.22	\$ 37.22	\$ 35.84		\$ 35.84	\$ 0.29
COMMON SHARES OUTSTANDING (Thousands)							
26	Average — Diluted	100,521	100,917	101,018		100,911	144
27	End of Period	100,486	100,706	100,799		100,799	432



Pinnacle West Capital Corporation
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2008

Line	<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year-To-Date</u>	<u>Increase (Decrease) vs Prior YTD</u>
ELECTRIC OPERATING REVENUES						
(Dollars in Millions)						
REGULATED ELECTRICITY SEGMENT						
Retail						
28	\$ 271	\$ 365	\$ 555		\$ 1,191	\$ 36
29	300	396	427		1,123	92
30	571	761	982	—	2,314	128
Wholesale revenue on delivered electricity						
31	12	22	23		58	31
32	24	30	14		68	35
33	7	8	11		25	3
34	9	8	10		28	5
35	623	829	1,040	—	2,493	202
MARKETING AND TRADING						
36	57	51	12		120	(144)
37	\$ 680	\$ 880	\$ 1,052	\$ —	\$ 2,613	\$ 58
ELECTRIC SALES (GWH)						
REGULATED ELECTRICITY SEGMENT						
Retail sales						
38	2,774	3,112	4,876		10,762	(343)
39	3,338	3,990	4,447		11,775	60
40	6,112	7,102	9,323	—	22,537	(283)
Wholesale electricity delivered						
41	222	319	335		876	143
42	416	610	525		1,551	520
43	162	159	486		807	(93)
44	6,912	8,190	10,669	—	25,771	287
MARKETING AND TRADING						
45	920	894	320		2,134	(5,583)
46	7,832	9,084	10,989	—	27,905	(5,296)

See Glossary of Terms.

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2008

Line	<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year-To-Date</u>	<u>Increase (Decrease) vs Prior YTD</u>
POWER SUPPLY ADJUSTOR ("PSA") - REGULATED ELECTRICITY SEGMENT (Dollars in Millions)						
47						
Deferred fuel and purchased power regulatory asset — beginning balance	\$ 111	\$ 50	\$ 23		\$ 111	\$ (49)
48						
Deferred fuel and purchased power costs — current period	(11)	37	79		103	(95)
49						
Regulatory disallowance	—	—	—		—	14
50						
Interest on deferred fuel	1	—	—		2	(3)
51						
Amounts recovered through revenues	(51)	(64)	(44)		(158)	41
52						
Deferred fuel and purchased power regulatory asset — ending balance	<u>\$ 50</u>	<u>\$ 23</u>	<u>\$ 58</u>	<u>\$ —</u>	<u>\$ 58</u>	<u>\$ (92)</u>

**MARKETING AND TRADING
PRETAX GROSS MARGIN
ANALYSIS (Dollars in Millions)**

Realized and Mark-To-Market Components						
53						
Electricity and other commodity sales, realized (a)	\$ 5	\$ 4	\$ 4		\$ 14	\$ (32)
54						
Mark-to-market reversals on realized sales (a) (b)	—	1	(2)		—	13
55						
Change in mark-to-market value of forward sales	1	—	—		—	(5)
56						
Total gross margin	<u>\$ 6</u>	<u>\$ 5</u>	<u>\$ 2</u>	<u>\$ —</u>	<u>\$ 14</u>	<u>\$ (24)</u>

By Pinnacle West Entity

57						
APS	\$ —	\$ —	\$ —		\$ —	\$ (6)
58						
Pinnacle West	7	4	3		14	(8)
59						
APS Energy Services	(1)	1	(1)		—	(10)
60						
Pinnacle West Energy	—	—	—		—	—
61						
Total gross margin	<u>\$ 6</u>	<u>\$ 5</u>	<u>\$ 2</u>	<u>\$ —</u>	<u>\$ 14</u>	<u>\$ (24)</u>

Future Marketing and Trading Mark-to-Market Realization

As of September 30, 2008, Pinnacle West had accumulated net mark-to-market losses of \$1 million related to our power marketing and trading activities.

- (a) Net effect on pretax gross margin from realization of prior-period mark-to-market included in line 53 and in line 54 is zero. Realization of prior-period mark-to-market relates to cash flow recognition, not earnings recognition. The arithmetic opposites of amounts included in line 53 are included in line 54. For example, line 54 shows that a prior-period mark-to-market gain of \$2 million was transferred to "realized" for the third quarter of 2008. A \$2 million realized gain is included in the \$4 million on line 53 for the third quarter of 2008.
- (b) Quarterly amounts do not total to annual amounts because of intra-year mark-to-market eliminations.

Pinnacle West Capital Corporation
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2008

Line	<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year-To-Date</u>	<u>Increase (Decrease) vs Prior YTD</u>
AVERAGE ELECTRIC CUSTOMERS						
Retail customers						
62 Residential	982,459	975,594	973,455		977,169	13,370
63 Business	122,833	123,802	124,329	—	123,655	3,869
64 Total	1,105,292	1,099,396	1,097,784	—	1,100,824	17,239
65 Wholesale customers	50	54	51	—	52	(10)
66 Total customers	<u>1,105,342</u>	<u>1,099,450</u>	<u>1,097,835</u>	<u>—</u>	<u>1,100,876</u>	<u>17,229</u>
67 Customer growth (% over prior year)	2.0%	1.6%	1.2%		1.6%	(1.9)%
RETAIL SALES (GWH) - WEATHER NORMALIZED						
68 Residential	2,694	3,247	4,893		10,834	147
69 Business	3,300	4,034	4,448	—	11,782	209
70 Total	<u>5,994</u>	<u>7,281</u>	<u>9,341</u>	<u>—</u>	<u>22,616</u>	<u>356</u>
RETAIL USAGE (KWh/Average Customer)						
71 Residential	2,824	3,190	5,009		11,013	(509)
72 Business	27,175	32,229	35,768		95,225	(2,574)
RETAIL USAGE - WEATHER NORMALIZED (KWh/Average Customer)						
73 Residential	2,742	3,328	5,027		11,087	(1)
74 Business	26,865	32,581	35,777		95,279	(1,335)
ELECTRICITY DEMAND (MW)						
75 Native load peak demand	4,404	6,778	7,026		7,026	(102)

See Glossary of Terms.

Pinnacle West Capital Corporation
Consolidated Statistics By Quarter
2008

Line		<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year-To-Date</u>	<u>Increase (Decrease) vs Prior YTD</u>
	ENERGY SOURCES (GWH)						
	Generation production						
76	Nuclear	2,315	1,856	2,454		6,626	263
77	Coal	2,906	3,227	3,611		9,744	(248)
78	Gas, oil and other	1,148	1,516	2,357		5,022	(127)
79	Total generation production	<u>6,369</u>	<u>6,599</u>	<u>8,422</u>	—	<u>21,392</u>	<u>(112)</u>
	Purchased power						
80	Firm load	740	1,603	2,047		4,390	(85)
81	Marketing and trading	1,205	1,421	1,239		3,865	(5,353)
82	Total purchased power	<u>1,945</u>	<u>3,024</u>	<u>3,286</u>	—	<u>8,255</u>	<u>(5,438)</u>
83	Total energy sources	<u>8,314</u>	<u>9,623</u>	<u>11,708</u>	—	<u>29,647</u>	<u>(5,550)</u>
	POWER PLANT PERFORMANCE						
	Capacity Factors						
84	Nuclear	92%	74%	97%		88%	2%
85	Coal	76%	85%	94%		85%	(3)%
86	Gas, oil and other	16%	21%	32%		23%	(1)%
87	System average	47%	49%	61%		52%	(1)%
	Generation Capacity Out of Service and Replaced for Native Load (average MW/day) (a)						
88	Nuclear	8	298	27		111	(4)
89	Coal	327	152	64		177	21
90	Gas	356	180	76		200	(73)
91	Total	<u>691</u>	<u>630</u>	<u>167</u>	—	<u>488</u>	<u>(56)</u>

(a) Includes planned and unplanned outages

See Glossary of Terms.

Pinnacle West Capital Corporation
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Line		<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year-To-Date</u>	<u>Increase (Decrease) vs Prior YTD</u>
ENERGY MARKET INDICATORS (a)							
Electricity Average Daily Spot Prices (\$/MWh)							
On-Peak							
92	Palo Verde	\$ 69.40	\$ 90.47	\$ 80.43		\$ 80.10	\$ 17.26
93	SP15	\$ 79.09	\$ 97.41	\$ 86.34		\$ 87.62	\$ 21.75
Off-Peak							
94	Palo Verde	\$ 56.39	\$ 59.20	\$ 53.47		\$ 56.35	\$ 16.17
95	SP15	\$ 62.35	\$ 66.73	\$ 59.33		\$ 62.80	\$ 18.39
WEATHER INDICATORS							
Actual							
96	Cooling degree-days	105	1,540	2,533		4,178	(388)
97	Heating degree-days	583	—	—		583	(14)
98	Average humidity	40%	17%	33%		30%	2%
10-Year Averages							
99	Cooling degree-days	96	1,554	2,544		4,194	—
100	Heating degree-days	517	28	—		545	—
101	Average humidity	42%	22%	32%		32%	0%
ECONOMIC INDICATORS							
Building Permits — Metro Phoenix (b) (d)							
102	Single-family	2,991	3,719	1,974		8,684	(9,592)
103	Multi-family	<u>1,888</u>	<u>2,357</u>	<u>1,441</u>		<u>5,686</u>	<u>(4,202)</u>
104	Total	<u>4,879</u>	<u>6,076</u>	<u>3,415</u>	<u>—</u>	<u>14,370</u>	<u>(13,794)</u>
Arizona Job Growth (c) (d)							
105	Payroll job growth (% over prior year)	0.1%	(0.8)%	(1.8)%		(0.7)%	(2.4)%
106	Unemployment rate (% , seasonally adjusted)	4.1%	4.4%	5.4%		4.5%	0.8%

Sources:

- (a) Average of daily prices obtained and used with permission from Dow Jones & Company, Inc.
(b) Arizona Real Estate Center, Arizona State University W.P. Carey College of Business
(c) Arizona Department of Economic Security
(d) Economic indicators reflect periods ended August 31, 2008 (latest available data).

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Line		<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year-To-Date</u>	<u>Increase (Decrease) vs Prior YTD</u>
EARNINGS CONTRIBUTION BY SUBSIDIARY (\$ Millions)							
1	Arizona Public Service	\$ 4	\$ 75	\$ 204	\$ —	\$ 284	\$ 14
2	Pinnacle West Energy	—	—	—	—	—	—
3	APS Energy Services	1	(1)	2	(2)	—	3
4	SunCor	9	1	(1)	6	14	(36)
5	El Dorado	(2)	—	(3)	(1)	(6)	(3)
6	Parent Company	5	4	—	1	9	6
7	Income From Continuing Operations	17	79	202	4	301	(16)
Income (Loss) From Discontinued Operations — Net of Tax							
8	Silverhawk	—	—	—	—	—	(1)
9	SunCor	—	—	7	2	9	(1)
10	Other	—	—	—	(3)	(3)	(2)
11	Total	—	—	7	(1)	6	(4)
12	Net Income	<u>\$ 17</u>	<u>\$ 79</u>	<u>\$ 209</u>	<u>\$ 3</u>	<u>\$ 307</u>	<u>\$ (20)</u>
EARNINGS PER SHARE BY SUBSIDIARY — DILUTED							
13	Arizona Public Service	\$ 0.04	\$ 0.75	\$ 2.03	\$ —	\$ 2.82	\$ 0.12
14	Pinnacle West Energy	—	—	—	—	—	—
15	APS Energy Services	0.01	(0.01)	0.01	(0.02)	(0.01)	0.02
16	SunCor	0.09	0.01	(0.01)	0.06	0.15	(0.35)
17	El Dorado	(0.02)	—	(0.03)	(0.01)	(0.06)	(0.03)
18	Parent Company	0.04	0.04	—	0.01	0.09	0.06
19	Income From Continuing Operations	0.16	0.79	2.00	0.04	2.99	(0.18)
Income (Loss) From Discontinued Operations — Net of Tax							
20	Silverhawk	—	—	—	—	—	—
21	SunCor	—	(0.01)	0.07	0.02	0.08	(0.02)
22	Other	—	—	—	(0.03)	(0.02)	(0.02)
23	Total	—	(0.01)	0.07	(0.01)	0.06	(0.04)
24	Net Income	<u>\$ 0.16</u>	<u>\$ 0.78</u>	<u>\$ 2.07</u>	<u>\$ 0.03</u>	<u>\$ 3.05</u>	<u>\$ (0.22)</u>
25	BOOK VALUE PER SHARE	\$ 34.45	\$ 34.13	\$ 35.55	\$ 35.15	\$ 35.15	\$ 0.67
COMMON SHARES OUTSTANDING (Thousands)							
26	Average — Diluted	100,622	100,779	100,829	100,963	100,835	825
27	End of Period	100,115	100,290	100,367	100,486	100,486	838



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2007

Line	<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year-To-Date</u>	<u>Increase (Decrease) vs Prior YTD</u>
ELECTRIC OPERATING REVENUES						
(Dollars in Millions)						
REGULATED ELECTRICITY SEGMENT						
Retail						
28	\$ 246	\$ 335	\$ 574	\$ 263	\$ 1,418	\$ 147
29	<u>264</u>	<u>342</u>	<u>425</u>	<u>323</u>	<u>1,355</u>	<u>116</u>
30	510	677	999	586	2,773	263
Wholesale revenue on delivered electricity						
31	5	9	12	7	34	12
32	7	10	16	17	49	3
33	7	7	8	7	29	3
34	<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>	<u>33</u>	<u>2</u>
35	536	711	1,044	627	2,918	283
MARKETING AND TRADING						
36	<u>72</u>	<u>93</u>	<u>99</u>	<u>78</u>	<u>342</u>	<u>11</u>
37	<u>\$ 608</u>	<u>\$ 804</u>	<u>\$ 1,143</u>	<u>\$ 705</u>	<u>\$ 3,260</u>	<u>\$ 294</u>
ELECTRIC SALES (GWH)						
REGULATED ELECTRICITY SEGMENT						
Retail sales						
38	2,734	3,287	5,084	2,667	13,771	777
39	<u>3,285</u>	<u>4,004</u>	<u>4,426</u>	<u>3,685</u>	<u>15,400</u>	<u>424</u>
40	6,019	7,291	9,510	6,352	29,171	1,201
Wholesale electricity delivered						
41	175	262	296	190	923	40
42	243	310	478	448	1,481	(132)
43	<u>117</u>	<u>254</u>	<u>529</u>	<u>125</u>	<u>1,026</u>	<u>(564)</u>
44	6,554	8,117	10,813	7,115	32,601	545
MARKETING AND TRADING						
45	<u>1,923</u>	<u>2,648</u>	<u>3,146</u>	<u>1,681</u>	<u>9,397</u>	<u>(6,958)</u>
46	<u>8,477</u>	<u>10,765</u>	<u>13,959</u>	<u>8,796</u>	<u>41,998</u>	<u>(6,413)</u>

See Glossary of Terms.

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Consolidated Statistics By Quarter
2007

Line	<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year-To-Date</u>	<u>Increase (Decrease) vs Prior YTD</u>	
POWER SUPPLY ADJUSTOR ("PSA") — REGULATED ELECTRICITY SEGMENT (Dollars in Millions)							
47	Deferred fuel and purchased power regulatory asset — beginning balance	\$ 160	\$ 118	\$ 137	\$ 150	\$ 160	\$ (13)
48	Deferred fuel and purchased power costs — current period	25	104	69	(9)	189	(55)
49	Regulatory disallowance	—	(14)	—	—	(14)	(14)
50	Interest on deferred fuel	2	1	2	2	7	(1)
51	Amounts recovered through revenues	(69)	(72)	(58)	(32)	(231)	34
52	Deferred fuel and purchased power regulatory asset — ending balance	<u>\$ 118</u>	<u>\$ 137</u>	<u>\$ 150</u>	<u>\$ 111</u>	<u>\$ 111</u>	<u>\$ (49)</u>

**MARKETING AND TRADING
PRETAX GROSS MARGIN
ANALYSIS (Dollars in Millions)**

Realized and Mark-To-Market Components							
53	Electricity and other commodity sales, realized (a)	\$ 13	\$ 23	\$ 6	\$ 11	\$ 54	\$ —
54	Mark-to-market reversals on realized sales (a) (b)	(8)	1	(3)	(3)	(7)	7
55	Change in mark-to-market value of forward sales	10	(6)	2	2	1	1
56	Total gross margin	<u>\$ 15</u>	<u>\$ 18</u>	<u>\$ 5</u>	<u>\$ 10</u>	<u>\$ 48</u>	<u>\$ 8</u>

By Pinnacle West Entity

57	APS	\$ (1)	\$ 7	\$ —	\$ —	\$ 7	\$ (7)
58	Pinnacle West	11	10	1	9	31	14
59	APS Energy Services	5	1	4	1	10	1
60	Pinnacle West Energy	—	—	—	—	—	—
61	Total gross margin	<u>\$ 15</u>	<u>\$ 18</u>	<u>\$ 5</u>	<u>\$ 10</u>	<u>\$ 48</u>	<u>\$ 8</u>

Future Marketing and Trading Mark-to-Market Realization

As of December 31, 2007, Pinnacle West had accumulated net mark-to-market gains of \$9 million related to our power marketing and trading activities. We estimate that these gains will be reclassified to realized gains as the underlying commodities are delivered, as follows: 2008, \$2 million; and thereafter, \$7 million.

- (a) Net effect on pretax gross margin from realization of prior-period mark-to-market included in line 53 and in line 54 is zero. Realization of prior-period mark-to-market relates to cash flow recognition, not earnings recognition. The arithmetic opposites of amounts included in line 53 are included in line 54. For example, line 54 shows that a prior-period mark-to-market gain of \$7 million was transferred to "realized" for the total year of 2007. A \$7 million realized gain is included in the \$54 million on line 53 for the total year of 2007.
- (b) Quarterly amounts do not total to annual amounts because of intra-year mark-to-market eliminations.



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Line	<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year-To-Date</u>	<u>Increase (Decrease) vs Prior YTD</u>
AVERAGE ELECTRIC CUSTOMERS						
Retail customers						
62 Residential	965,428	962,095	963,874	972,654	966,013	29,549
63 Business	<u>118,649</u>	<u>119,792</u>	<u>120,918</u>	<u>121,898</u>	<u>120,314</u>	<u>4,883</u>
64 Total	<u>1,084,077</u>	<u>1,081,887</u>	<u>1,084,792</u>	<u>1,094,552</u>	<u>1,086,327</u>	<u>34,432</u>
65 Wholesale customers	<u>63</u>	<u>62</u>	<u>61</u>	<u>56</u>	<u>61</u>	<u>(16)</u>
66 Total customers	<u><u>1,084,140</u></u>	<u><u>1,081,949</u></u>	<u><u>1,084,853</u></u>	<u><u>1,094,608</u></u>	<u><u>1,086,388</u></u>	<u><u>34,416</u></u>
67 Customer growth (% over prior year)	3.8%	3.5%	3.2%	2.6%	3.3%	(1.1)%
RETAIL SALES (GWH) — WEATHER NORMALIZED						
68 Residential	2,657	3,220	4,810	2,704	13,390	378
69 Business	<u>3,228</u>	<u>3,977</u>	<u>4,368</u>	<u>3,663</u>	<u>15,236</u>	<u>223</u>
70 Total	<u><u>5,885</u></u>	<u><u>7,197</u></u>	<u><u>9,178</u></u>	<u><u>6,367</u></u>	<u><u>28,626</u></u>	<u><u>601</u></u>
RETAIL USAGE (KWh/Average Customer)						
71 Residential	2,832	3,417	5,275	2,742	14,256	380
72 Business	27,687	33,425	36,601	30,230	127,998	(1,751)
RETAIL USAGE — WEATHER NORMALIZED (KWh/Average Customer)						
73 Residential	2,752	3,346	4,990	2,780	13,861	(33)
74 Business	27,205	33,199	36,126	30,047	126,633	(3,431)
ELECTRICITY DEMAND (MW)						
75 Native load peak demand	4,496	6,705	7,128	5,089	7,128	(92)

See Glossary of Terms.

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2007

Line	<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year-To-Date</u>	<u>Increase (Decrease) vs Prior YTD</u>	
ENERGY SOURCES (GWH)							
Generation production							
76	Nuclear	2,299	1,846	2,218	1,430	7,794	806
77	Coal	3,164	3,265	3,563	3,350	13,342	166
78	Gas, oil and other	1,151	1,518	2,480	1,554	6,703	(681)
79	Total generation production	<u>6,614</u>	<u>6,629</u>	<u>8,261</u>	<u>6,334</u>	<u>27,839</u>	<u>291</u>
Purchased power							
80	Firm load	278	1,676	2,521	913	5,388	1,098
81	Marketing and trading	2,128	3,097	3,993	2,078	11,296	(7,572)
82	Total purchased power	<u>2,406</u>	<u>4,773</u>	<u>6,514</u>	<u>2,991</u>	<u>16,684</u>	<u>(6,474)</u>
83	Total energy sources	<u><u>9,020</u></u>	<u><u>11,402</u></u>	<u><u>14,775</u></u>	<u><u>9,325</u></u>	<u><u>44,523</u></u>	<u><u>(6,183)</u></u>
POWER PLANT PERFORMANCE							
Capacity Factors							
84	Nuclear	94%	75%	89%	57%	79%	8%
85	Coal	84%	86%	93%	87%	87%	0%
86	Gas, oil and other	16%	21%	34%	21%	23%	(2)%
87	System average	50%	49%	61%	47%	52%	1%
Generation Capacity Out of Service and Replaced for Native Load (average MW/day) (a)							
88	Nuclear	57	260	76	470	216	63
89	Coal	203	189	79	164	158	76
90	Gas	267	405	147	264	271	182
91	Total	<u><u>527</u></u>	<u><u>854</u></u>	<u><u>302</u></u>	<u><u>898</u></u>	<u><u>645</u></u>	<u><u>321</u></u>

(a) Includes planned and unplanned outages

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Line		<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year-To-Date</u>	<u>Increase (Decrease) vs Prior YTD</u>
ENERGY MARKET INDICATORS (a)							
Electricity Average Daily Spot Prices (\$/MWh)							
On-Peak							
92	Palo Verde	\$ 54.62	\$ 64.64	\$ 69.26	\$ 57.18	\$ 61.43	\$ 4.67
93	SP15	\$ 60.02	\$ 68.75	\$ 68.84	\$ 68.13	\$ 66.44	\$ 4.49
Off-Peak							
94	Palo Verde	\$ 42.06	\$ 41.46	\$ 37.03	\$ 44.39	\$ 41.24	\$ 4.15
95	SP15	\$ 45.86	\$ 46.14	\$ 41.23	\$ 50.71	\$ 45.99	\$ 5.38
WEATHER INDICATORS							
Actual							
96	Cooling degree-days	172	1,708	2,686	595	5,161	466
97	Heating degree-days	589	8	—	398	995	144
98	Average humidity	36%	18%	30%	30%	30%	2%
10-Year Averages							
99	Cooling degree-days	96	1,554	2,544	441	4,635	—
100	Heating degree-days	517	28	—	394	939	—
101	Average humidity	42%	22%	32%	38%	33%	0%
ECONOMIC INDICATORS							
Building Permits — Metro Phoenix (b)							
102	Single-family	7,017	7,447	4,827	1,530	20,821	(7,155)
103	Multi-family	4,131	3,573	2,687	2,193	12,833	2,726
104	Total	<u>11,148</u>	<u>11,020</u>	<u>7,514</u>	<u>3,723</u>	<u>33,654</u>	<u>(4,429)</u>
Arizona Job Growth (c)							
105	Payroll job growth (% over prior year)	4.1%	3.3%	2.6%	0.1%	2.5%	(2.9)%
106	Unemployment rate (%, seasonally adjusted)	4.0%	3.7%	3.6%	4.1%	3.9%	(0.2)%

Sources:

- (a) Average of daily prices obtained and used with permission from Dow Jones & Company, Inc.
(b) Arizona Real Estate Center, Arizona State University W.P. Carey College of Business
(c) Arizona Department of Economic Security

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Line		<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year-To-Date</u>	<u>Increase (Decrease) vs Prior YTD</u>
EARNINGS CONTRIBUTION BY SUBSIDIARY (\$ Millions)							
1	Arizona Public Service	\$ (6)	\$ 94	\$ 169	\$ 13	\$ 270	\$ 100
2	Pinnacle West Energy	—	—	—	—	—	85
3	APS Energy Services	1	—	(2)	(2)	(3)	3
4	SunCor	21	8	17	3	50	11
5	El Dorado	(1)	—	—	(1)	(3)	(1)
6	Parent Company	(3)	9	—	(3)	3	(104)
7	Income From Continuing Operations	12	111	184	10	317	94
Income (Loss) From Discontinued Operations — Net of Tax							
8	Silverhawk	—	—	—	—	1	68
9	SunCor	1	1	—	8	10	(7)
10	Other	—	—	—	—	(1)	(4)
11	Total	1	1	—	8	10	57
12	Net Income	<u>\$ 13</u>	<u>\$ 112</u>	<u>\$ 184</u>	<u>\$ 18</u>	<u>\$ 327</u>	<u>\$ 151</u>
EARNINGS PER SHARE BY SUBSIDIARY — DILUTED							
13	Arizona Public Service	\$ (0.06)	\$ 0.95	\$ 1.69	\$ 0.13	\$ 2.70	\$ 0.93
14	Pinnacle West Energy	—	—	—	—	—	0.89
15	APS Energy Services	0.01	—	(0.02)	(0.02)	(0.03)	0.03
16	SunCor	0.21	0.07	0.17	0.03	0.50	0.10
17	El Dorado	(0.01)	—	—	(0.01)	(0.03)	(0.01)
18	Parent Company	(0.03)	0.09	—	(0.03)	0.03	(1.08)
19	Income From Continuing Operations	0.12	1.11	1.84	0.10	3.17	0.86
Income (Loss) From Discontinued Operations — Net of Tax							
20	Silverhawk	—	—	—	—	—	0.69
21	SunCor	0.01	0.02	—	0.08	0.10	(0.07)
22	Other	—	—	—	—	—	(0.03)
23	Total	0.01	0.02	—	0.08	0.10	0.59
24	Net Income	<u>\$ 0.13</u>	<u>\$ 1.13</u>	<u>\$ 1.84</u>	<u>\$ 0.18</u>	<u>\$ 3.27</u>	<u>\$ 1.45</u>
25	BOOK VALUE PER SHARE	\$ 32.37	\$ 33.08	\$ 34.07	\$ 34.48	\$ 34.48	\$ (0.10)
COMMON SHARES OUTSTANDING (Thousands)							
26	Average — Diluted	99,449	99,640	99,973	100,474	100,010	3,420
27	End of Period	99,187	99,284	99,648	99,959	99,959	902



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ELECTRIC OPERATING REVENUES (Dollars in Millions)						
REGULATED ELECTRICITY SEGMENT						
Retail						
28	\$ 202	\$ 337	\$ 490	\$ 242	\$ 1,271	\$ 192
29	233	333	371	302	1,239	198
30	<u>435</u>	<u>670</u>	<u>861</u>	<u>544</u>	<u>2,510</u>	<u>390</u>
Wholesale revenue on delivered electricity						
31	6	7	12	(3)	22	(1)
32	12	22	—	12	46	6
33	6	6	7	7	26	—
34	<u>7</u>	<u>8</u>	<u>7</u>	<u>9</u>	<u>31</u>	<u>3</u>
35	466	713	887	569	2,635	398
MARKETING AND TRADING						
36	<u>85</u>	<u>90</u>	<u>85</u>	<u>71</u>	<u>331</u>	<u>(21)</u>
37	<u>\$ 551</u>	<u>\$ 803</u>	<u>\$ 972</u>	<u>\$ 640</u>	<u>\$ 2,966</u>	<u>\$ 377</u>
ELECTRIC SALES (GWH)						
REGULATED ELECTRICITY SEGMENT						
Retail sales						
38	2,419	3,284	4,720	2,571	12,994	771
39	<u>3,199</u>	<u>3,971</u>	<u>4,222</u>	<u>3,584</u>	<u>14,976</u>	<u>722</u>
40	5,618	7,255	8,942	6,155	27,970	1,493
Wholesale electricity delivered						
41	215	181	321	166	883	33
42	672	218	219	504	1,613	277
43	<u>178</u>	<u>622</u>	<u>450</u>	<u>340</u>	<u>1,590</u>	<u>(1,420)</u>
44	6,683	8,276	9,932	7,165	32,056	383
MARKETING AND TRADING						
45	<u>3,962</u>	<u>3,862</u>	<u>4,841</u>	<u>3,690</u>	<u>16,355</u>	<u>(7,217)</u>
46	<u>10,645</u>	<u>12,138</u>	<u>14,773</u>	<u>10,855</u>	<u>48,411</u>	<u>(6,834)</u>

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POWER SUPPLY ADJUSTOR ("PSA") — REGULATED ELECTRICITY SEGMENT (Dollars in Millions)							
47	Deferred fuel and purchased power regulatory asset — beginning balance	\$ 173	\$ 169	\$ 175	\$ 209	\$ 173	\$ 173
48	Deferred fuel and purchased power costs — current period	13	78	134	19	244	73
49	Regulatory disallowance	—	—	—	—	—	—
50	Interest on deferred fuel	1	3	2	2	8	6
51	Amounts recovered through revenues	(18)	(75)	(102)	(70)	(265)	(265)
52	Deferred fuel and purchased power regulatory asset — ending balance	<u>\$ 169</u>	<u>\$ 175</u>	<u>\$ 209</u>	<u>\$ 160</u>	<u>\$ 160</u>	<u>\$ (13)</u>

**MARKETING AND TRADING
PRETAX GROSS MARGIN
ANALYSIS (Dollars in Millions)**

Realized and Mark-To-Market Components							
53	Electricity and other commodity sales, realized (a)	\$ 10	\$ 17	\$ 7	\$ 17	\$ 54	\$ (1)
54	Mark-to-market reversals on realized sales (a) (b)	(1)	(1)	(1)	(6)	(14)	2
55	Change in mark-to-market value of forward sales	1	—	(3)	(3)	—	(20)
56	Total gross margin	<u>\$ 10</u>	<u>\$ 16</u>	<u>\$ 3</u>	<u>\$ 8</u>	<u>\$ 40</u>	<u>\$ (19)</u>

By Pinnacle West Entity

57	APS	\$ 8	\$ 2	\$ (3)	\$ 5	\$ 14	\$ 20
58	Pinnacle West	(1)	11	4	2	17	(42)
59	APS Energy Services	3	3	2	1	9	8
60	Pinnacle West Energy	—	—	—	—	—	(5)
61	Total gross margin	<u>\$ 10</u>	<u>\$ 16</u>	<u>\$ 3</u>	<u>\$ 8</u>	<u>\$ 40</u>	<u>\$ (19)</u>

Future Marketing and Trading Mark-to-Market Realization

As of December 31, 2006, Pinnacle West had accumulated net mark-to-market gains of \$30 million related to our power marketing and trading activities. We estimate that these gains will be reclassified to realized gains as the underlying commodities are delivered, as follows: 2007, \$16 million; and 2008, \$14 million.

- (a) Net effect on pretax gross margin from realization of prior-period mark-to-market included in line 53 and in line 54 is zero. Realization of prior-period mark-to-market relates to cash flow recognition, not earnings recognition. The arithmetic opposites of amounts included in line 53 are included in line 54. For example, line 54 shows that a prior-period mark-to-market gain of \$14 million was transferred to "realized" for the total year 2006. A \$14 million realized gain is included in the \$54 million on line 53 for the total year 2006.
- (b) Quarterly amounts do not total to annual amounts because of intra-year mark-to-market eliminations.



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AVERAGE ELECTRIC CUSTOMERS						
Retail customers						
62 Residential	930,799	930,402	935,523	949,132	936,464	39,992
63 Business	<u>113,570</u>	<u>114,803</u>	<u>116,009</u>	<u>117,342</u>	<u>115,431</u>	<u>4,263</u>
64 Total	<u>1,044,369</u>	<u>1,045,205</u>	<u>1,051,532</u>	<u>1,066,474</u>	<u>1,051,895</u>	<u>44,255</u>
65 Wholesale customers	<u>75</u>	<u>76</u>	<u>76</u>	<u>80</u>	<u>77</u>	<u>(1)</u>
66 Total customers	<u><u>1,044,444</u></u>	<u><u>1,045,281</u></u>	<u><u>1,051,608</u></u>	<u><u>1,066,554</u></u>	<u><u>1,051,972</u></u>	<u><u>44,254</u></u>
67 Customer growth (% over prior year)	4.5%	4.6%	4.4%	4.1%	4.4%	0.1%
RETAIL SALES (GWH) - WEATHER NORMALIZED						
68 Residential	2,471	3,129	4,779	2,633	13,012	690
69 Business	<u>3,247</u>	<u>3,932</u>	<u>4,230</u>	<u>3,604</u>	<u>15,013</u>	<u>730</u>
70 Total	<u><u>5,718</u></u>	<u><u>7,061</u></u>	<u><u>9,009</u></u>	<u><u>6,237</u></u>	<u><u>28,025</u></u>	<u><u>1,420</u></u>
RETAIL USAGE (KWh/Average Customer)						
71 Residential	2,763	3,530	5,045	2,709	13,876	241
72 Business	30,444	34,590	36,394	30,552	129,749	1,235
RETAIL USAGE - WEATHER NORMALIZED (KWh/Average Customer)						
73 Residential	2,655	3,363	5,108	2,774	13,894	149
74 Business	28,589	34,252	36,463	30,716	130,064	1,579
ELECTRICITY DEMAND (MW)						
75 Native load peak demand	3,954	6,306	7,220	5,022	7,220	647

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Line	<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year-To-Date</u>	<u>Increase (Decrease) vs Prior YTD</u>
ENERGY SOURCES (GWH)						
Generation production						
76	Nuclear	1,720	1,198	2,202	1,868	6,988 (521)
77	Coal	3,083	3,182	3,574	3,337	13,176 116
78	Gas, oil and other	<u>1,323</u>	<u>2,000</u>	<u>2,433</u>	<u>1,628</u>	<u>7,384</u> (1,051)
79	Total generation production	<u>6,126</u>	<u>6,380</u>	<u>8,209</u>	<u>6,833</u>	<u>27,548</u> (1,456)
Purchased power						
80	Firm load	365	1,740	1,962	223	4,290 816
81	Marketing and trading	<u>4,592</u>	<u>4,597</u>	<u>5,353</u>	<u>4,326</u>	<u>18,868</u> (6,845)
82	Total purchased power	<u>4,957</u>	<u>6,337</u>	<u>7,315</u>	<u>4,549</u>	<u>23,158</u> (6,029)
83	Total energy sources	<u><u>11,083</u></u>	<u><u>12,717</u></u>	<u><u>15,524</u></u>	<u><u>11,382</u></u>	<u><u>50,706</u></u> (7,485)
POWER PLANT PERFORMANCE						
Capacity Factors						
84	Nuclear	71%	49%	88%	75%	71% (6)%
85	Coal	83%	84%	94%	87%	87% 0%
86	Gas, oil and other	18%	28%	34%	22%	25% (3)%
87	System average	46%	48%	61%	50%	51% (2)%
Generation Capacity Out of Service and Replaced for Native Load (average MW/day) (a)						
88	Nuclear	306	553	97	267	153 39
89	Coal	257	184	62	155	82 9
90	Gas	<u>201</u>	<u>117</u>	<u>109</u>	<u>286</u>	<u>89</u> (4)
91	Total	<u><u>764</u></u>	<u><u>854</u></u>	<u><u>268</u></u>	<u><u>708</u></u>	<u><u>324</u></u> 44

(a) Includes planned and unplanned outages

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Line	<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year-To-Date</u>	<u>Increase (Decrease) vs Prior YTD</u>	
ENERGY MARKET INDICATORS (a)							
Electricity Average Daily Spot Prices (\$/MWh)							
On-Peak							
92	Palo Verde	\$ 53.78	\$ 54.63	\$ 65.89	\$ 52.72	\$ 56.76	\$ (9.64)
93	SP15	\$ 58.34	\$ 55.39	\$ 71.89	\$ 62.16	\$ 61.95	\$ (10.99)
Off-Peak							
94	Palo Verde	\$ 41.92	\$ 28.38	\$ 38.45	\$ 39.62	\$ 37.09	\$ (10.46)
95	SP15	\$ 44.79	\$ 27.43	\$ 43.94	\$ 46.27	\$ 40.61	\$ (11.45)
WEATHER INDICATORS							
Actual							
96	Cooling degree-days	43	1,740	2,455	457	4,695	32
97	Heating degree-days	464	4	—	383	851	85
98	Average humidity	28%	18%	33%	33%	28%	(6)%
10-Year Averages							
99	Cooling degree-days	96	1,554	2,544	441	4,635	—
100	Heating degree-days	517	28	—	394	939	—
101	Average humidity	42%	22%	32%	38%	33%	0%
ECONOMIC INDICATORS							
Building Permits — Metro Phoenix (b)							
102	Single-family	8,716	8,883	5,969	4,408	27,976	(15,282)
103	Multi-family	2,887	2,976	3,215	1,029	10,107	2,329
104	Total	<u>11,603</u>	<u>11,859</u>	<u>9,184</u>	<u>5,437</u>	<u>38,083</u>	<u>(12,953)</u>
Arizona Job Growth (c)							
105	Payroll job growth (% over prior year)	6.2%	5.3%	5.1%	4.9%	5.4%	0.0%
106	Unemployment rate (%, seasonally adjusted)	4.2%	4.1%	4.0%	4.1%	4.1%	(0.5)%

Sources:

- (a) Average of daily prices obtained and used with permission from Dow Jones & Company, Inc.
(b) Arizona Real Estate Center, Arizona State University W.P. Carey College of Business
(c) Arizona Department of Economic Security

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2005

Line		<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year-To-Date</u>	<u>Increase (Decrease) vs Prior YTD</u>
EARNINGS CONTRIBUTION BY SUBSIDIARY (\$ Millions)							
1	Arizona Public Service	\$ 27	\$ 64	\$ 61	\$ 18	\$ 170	\$ (30)
2	Pinnacle West Energy	(21)	12	(71)	(6)	(85)	(27)
3	APS Energy Services	(3)	1	—	(3)	(6)	(9)
4	SunCor	9	10	7	13	39	(2)
5	El Dorado	(1)	—	—	—	(2)	(35)
6	Parent Company	19	(2)	88	2	107	79
7	Income From Continuing Operations	30	85	85	24	223	(24)
Income (Loss) From Discontinued Operations — Net of Tax							
8	Silverhawk	(7)	(59)	1	(3)	(67)	(55)
9	SunCor	1	1	14	—	17	13
10	Other	—	—	4	—	3	(1)
11	Total	(6)	(58)	19	(3)	(47)	(43)
12	Net Income	<u>\$ 24</u>	<u>\$ 27</u>	<u>\$ 104</u>	<u>\$ 21</u>	<u>\$ 176</u>	<u>\$ (67)</u>
EARNINGS PER SHARE BY SUBSIDIARY — DILUTED							
13	Arizona Public Service	\$ 0.30	\$ 0.66	\$ 0.62	\$ 0.19	\$ 1.77	\$ (0.41)
14	Pinnacle West Energy	(0.23)	0.13	(0.72)	(0.06)	(0.89)	(0.26)
15	APS Energy Services	(0.04)	0.01	—	(0.04)	(0.06)	(0.09)
16	SunCor	0.09	0.11	0.07	0.13	0.40	(0.05)
17	El Dorado	(0.01)	—	(0.01)	(0.01)	(0.02)	(0.38)
18	Parent Company	0.21	(0.03)	0.90	0.03	1.11	0.81
19	Income From Continuing Operations	0.32	0.88	0.86	0.24	2.31	(0.38)
Income (Loss) From Discontinued Operations — Net of Tax							
20	Silverhawk	(0.06)	(0.61)	—	(0.03)	(0.69)	(0.57)
21	SunCor	0.01	0.01	0.15	0.01	0.17	0.13
22	Other	—	—	0.04	—	0.03	(0.02)
23	Total	(0.05)	(0.60)	0.19	(0.02)	(0.49)	(0.46)
24	Net Income	<u>\$ 0.27</u>	<u>\$ 0.28</u>	<u>\$ 1.05</u>	<u>\$ 0.22</u>	<u>\$ 1.82</u>	<u>\$ (0.84)</u>
25	BOOK VALUE PER SHARE	\$ 32.50	\$ 32.89	\$ 35.81	\$ 34.58	\$ 34.58	\$ 2.44
COMMON SHARES OUTSTANDING (Thousands)							
26	Average — Diluted	92,045	96,299	98,816	99,050	96,590	5,058
27	End of Period	92,103	98,442	98,881	99,057	99,057	7,264



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ELECTRIC OPERATING REVENUES (Dollars in Millions)						
REGULATED ELECTRICITY SEGMENT						
Retail						
28	\$ 190	\$ 268	\$ 414	\$ 207	\$ 1,079	\$ 95
29	209	281	308	243	1,041	63
30	<u>399</u>	<u>549</u>	<u>722</u>	<u>450</u>	<u>2,120</u>	<u>158</u>
Wholesale revenue on delivered electricity						
31	3	5	9	6	23	7
32	—	12	8	20	40	40
33	7	7	7	5	26	(6)
34	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>28</u>	<u>3</u>
35	416	580	753	488	2,237	202
MARKETING AND TRADING						
36	<u>89</u>	<u>71</u>	<u>107</u>	<u>84</u>	<u>352</u>	<u>(49)</u>
37	<u>\$ 505</u>	<u>\$ 651</u>	<u>\$ 860</u>	<u>\$ 572</u>	<u>\$ 2,589</u>	<u>\$ 153</u>
ELECTRIC SALES (GWH)						
REGULATED ELECTRICITY SEGMENT						
Retail sales						
38	2,367	2,889	4,449	2,518	12,223	696
39	3,042	3,684	4,100	3,427	14,254	428
40	<u>5,409</u>	<u>6,573</u>	<u>8,549</u>	<u>5,945</u>	<u>26,477</u>	<u>1,124</u>
Wholesale electricity delivered						
41	155	200	269	227	850	141
42	—	598	212	526	1,336	1,336
43	<u>750</u>	<u>702</u>	<u>1,026</u>	<u>532</u>	<u>3,010</u>	<u>278</u>
44	6,314	8,073	10,056	7,230	31,673	2,879
MARKETING AND TRADING						
45	<u>6,060</u>	<u>5,009</u>	<u>7,263</u>	<u>5,240</u>	<u>23,572</u>	<u>(6,606)</u>
46	<u>12,374</u>	<u>13,082</u>	<u>17,319</u>	<u>12,470</u>	<u>55,245</u>	<u>(3,727)</u>

See Glossary of Terms.

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Pinnacle West Capital Corporation
Consolidated Statistics By Quarter
2005

Line	<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year-To-Date</u>	<u>Increase (Decrease) vs Prior YTD</u>	
POWER SUPPLY ADJUSTOR ("PSA") — REGULATED ELECTRICITY SEGMENT (Dollars in Millions)							
47	Deferred fuel and purchased power regulatory asset — beginning balance	\$ —	\$ —	\$ 38	\$ 143	\$ —	\$ —
48	Deferred fuel and purchased power costs — current period	—	38	104	29	171	171
49	Regulatory disallowance	—	—	—	—	—	—
50	Interest on deferred fuel	—	—	1	1	2	2
51	Amounts recovered through revenues	—	—	—	—	—	—
52	Deferred fuel and purchased power regulatory asset — ending balance	<u>\$ —</u>	<u>\$ 38</u>	<u>\$ 143</u>	<u>\$ 173</u>	<u>\$ 173</u>	<u>\$ 173</u>

**MARKETING AND TRADING
PRETAX GROSS MARGIN
ANALYSIS (Dollars in Millions)**

Realized and Mark-To-Market Components							
53	Electricity and other commodity sales, realized (a)	\$ 12	\$ 18	\$ 3	\$ 23	\$ 55	\$ (9)
54	Mark-to-market reversals on realized sales (a) (b)	(3)	(8)	3	(17)	(16)	(11)
55	Change in mark-to-market value of forward sales	10	3	14	1	20	(1)
56	Total gross margin	<u>\$ 19</u>	<u>\$ 13</u>	<u>\$ 20</u>	<u>\$ 7</u>	<u>\$ 59</u>	<u>\$ (21)</u>

By Pinnacle West Entity

57	APS	\$ (4)	\$ 3	\$ (8)	\$ 3	\$ (6)	\$ (1)
58	Pinnacle West	21	6	26	6	59	34
59	APS Energy Services	(3)	4	2	(2)	1	(13)
60	Pinnacle West Energy	5	—	—	—	5	(41)
61	Total gross margin	<u>\$ 19</u>	<u>\$ 13</u>	<u>\$ 20</u>	<u>\$ 7</u>	<u>\$ 59</u>	<u>\$ (21)</u>

- (a) Net effect on pretax gross margin from realization of prior-period mark-to-market included in line 53 and in line 54 is zero. Realization of prior-period mark-to-market relates to cash flow recognition, not earnings recognition. The arithmetic opposites of amounts included in line 53 are included in line 54. For example, line 54 shows that a prior-period mark-to-market gain of \$16 million was transferred to "realized" for the total year 2005. A \$16 million realized gain is included in the \$55 million on line 53 for the total year 2005.
- (b) Quarterly amounts do not total to annual amounts because of intra-year mark-to-market eliminations.

Pinnacle West Capital Corporation
Consolidated Statistics By Quarter
2005

Line	<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year-To-Date</u>	<u>Increase (Decrease) vs Prior YTD</u>
AVERAGE ELECTRIC CUSTOMERS						
Retail customers						
62 Residential	889,967	888,509	895,789	911,623	896,472	37,403
63 Business	<u>109,795</u>	<u>110,658</u>	<u>111,648</u>	<u>112,569</u>	<u>111,168</u>	<u>4,053</u>
64 Total	999,762	999,167	1,007,437	1,024,192	1,007,640	41,456
65 Wholesale customers	<u>81</u>	<u>76</u>	<u>78</u>	<u>77</u>	<u>78</u>	<u>(3)</u>
66 Total customers	<u>999,843</u>	<u>999,243</u>	<u>1,007,515</u>	<u>1,024,269</u>	<u>1,007,718</u>	<u>41,453</u>
67 Customer growth (% over prior year)	4.0%	4.2%	4.5%	4.5%	4.3%	0.6%
RETAIL SALES (GWH) - WEATHER NORMALIZED						
68 Residential	2,431	2,931	4,434	2,525	12,322	572
69 Business	<u>3,061</u>	<u>3,704</u>	<u>4,105</u>	<u>3,414</u>	<u>14,283</u>	<u>412</u>
70 Total	<u>5,492</u>	<u>6,635</u>	<u>8,539</u>	<u>5,939</u>	<u>26,605</u>	<u>984</u>
RETAIL USAGE (KWh/Average Customer)						
71 Residential	2,660	3,252	4,967	2,763	13,635	217
72 Business	27,706	33,292	36,723	30,444	128,514	(878)
RETAIL USAGE - WEATHER NORMALIZED (KWh/Average Customer)						
73 Residential	2,732	3,298	4,950	2,770	13,745	68
74 Business	27,876	33,471	36,770	30,324	128,485	(1,011)
ELECTRICITY DEMAND (MW)						
75 Native load peak demand	3,763	6,159	6,573	4,904	6,573	555

See Glossary of Terms.

Pinnacle West Capital Corporation
Consolidated Statistics By Quarter
2005

Line		<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year-To-Date</u>	<u>Increase (Decrease) vs Prior YTD</u>
ENERGY SOURCES (GWH)							
Generation production							
76	Nuclear	2,247	1,619	2,147	1,496	7,509	(674)
77	Coal	2,940	3,088	3,574	3,458	13,060	394
78	Gas, oil and other	<u>1,128</u>	<u>2,129</u>	<u>3,064</u>	<u>2,114</u>	<u>8,434</u>	<u>3,106</u>
79	Total generation production	<u>6,315</u>	<u>6,836</u>	<u>8,785</u>	<u>7,068</u>	<u>29,003</u>	<u>2,826</u>
Purchased power							
80	Firm load	586	880	1,589	402	3,474	(851)
81	Marketing and trading	<u>5,832</u>	<u>5,984</u>	<u>7,795</u>	<u>6,102</u>	<u>25,713</u>	<u>(4,479)</u>
82	Total purchased power	<u>6,418</u>	<u>6,864</u>	<u>9,384</u>	<u>6,504</u>	<u>29,187</u>	<u>(5,330)</u>
83	Total energy sources	<u><u>12,733</u></u>	<u><u>13,700</u></u>	<u><u>18,169</u></u>	<u><u>13,572</u></u>	<u><u>58,190</u></u>	<u><u>(2,504)</u></u>
POWER PLANT PERFORMANCE							
Capacity Factors							
84	Nuclear	94%	67%	88%	61%	77%	(7)%
85	Coal	80%	83%	95%	92%	87%	3%
86	Gas, oil and other	17%	29%	39%	27%	28%	9%
87	System average	49%	51%	62%	50%	53%	2%
Generation Capacity Out of Service and Replaced for Native Load (average MW/day) (a)							
88	Nuclear	52	329	107	419	114	(45)
89	Coal	195	244	47	103	73	(55)
90	Gas	<u>212</u>	<u>164</u>	<u>140</u>	<u>226</u>	<u>93</u>	<u>45</u>
91	Total	<u><u>459</u></u>	<u><u>737</u></u>	<u><u>294</u></u>	<u><u>748</u></u>	<u><u>280</u></u>	<u><u>(54)</u></u>

(a) Includes planned and unplanned outages

See Glossary of Terms.

Pinnacle West Capital Corporation
Consolidated Statistics By Quarter
2005

Line		<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year-To-Date</u>	<u>Increase (Decrease) vs Prior YTD</u>
ENERGY MARKET INDICATORS (a)							
Electricity Average Daily Spot Prices (\$/MWh)							
On-Peak							
92	Palo Verde	\$ 49.74	\$ 53.33	\$ 78.94	\$ 83.58	\$ 66.40	\$ 17.10
93	SP15	\$ 55.70	\$ 55.19	\$ 83.21	\$ 97.65	\$ 72.94	\$ 17.74
Off-Peak							
94	Palo Verde	\$ 37.04	\$ 33.03	\$ 52.35	\$ 67.79	\$ 47.55	\$ 12.81
95	SP15	\$ 40.96	\$ 34.73	\$ 56.08	\$ 76.45	\$ 52.06	\$ 13.44
WEATHER INDICATORS							
Actual							
96	Cooling degree-days	34	1,538	2,583	508	4,663	(31)
97	Heating degree-days	457	1	—	308	766	(219)
98	Average humidity	56%	20%	29%	30%	34%	2%
10-Year Averages							
99	Cooling degree-days	96	1,554	2,544	441	4,635	—
100	Heating degree-days	517	28	—	394	939	—
101	Average humidity	42%	22%	32%	38%	33%	0%
ECONOMIC INDICATORS							
Building Permits — Metro Phoenix (b)							
102	Single-family	10,356	12,013	11,577	9,312	43,258	(4,859)
103	Multi-family	<u>1,741</u>	<u>1,645</u>	<u>2,360</u>	<u>2,032</u>	<u>7,778</u>	<u>192</u>
104	Total	<u><u>12,097</u></u>	<u><u>13,658</u></u>	<u><u>13,937</u></u>	<u><u>11,344</u></u>	<u><u>51,036</u></u>	<u><u>(4,667)</u></u>
Arizona Job Growth (c)							
105	Payroll job growth (% over prior year)	4.8%	5.5%	6.0%	5.2%	5.4%	1.7%
106	Unemployment rate (%, seasonally adjusted)	4.6%	4.7%	4.7%	4.6%	4.6%	(0.3)%

Sources:

- (a) Average of daily prices obtained and used with permission from Dow Jones & Company, Inc.
(b) Arizona Real Estate Center, Arizona State University W.P. Carey College of Business
(c) Arizona Department of Economic Security

See Glossary of Terms.

Pinnacle West Capital Corporation
Quarterly Consolidated Statistical Summary
and Earnings Variance Explanations
Glossary of Terms

Amounts Recovered Through Revenues	Amounts recovered from retail customers through the power supply adjustor in the current period.
APS	Arizona Public Service Company, a subsidiary of Pinnacle West.
APSES	APS Energy Services Company, Inc., a subsidiary of Pinnacle West.
Arizona Job Growth	Percentage growth over the prior year in total non-farm payroll employment for the state of Arizona, non-seasonally adjusted.
Base Fuel Rate	The portion of APS' retail base rates attributable to fuel and purchased power costs.
Building Permits – Metro Phoenix	The number of residential dwellings permitted to be built by authorized agencies in Maricopa County, Arizona. Single-family refers to detached buildings intended to be occupied by one family each. Multi-family permits represent the number of units authorized to be built in condominium, townhouse and apartment complexes.
Capacity Factor	The ratio of the average operating load of an electric power generating unit for a period of time to the capacity rating of the unit during that period.
Change in Mark-To-Market Value of Forward Sales	The gross margin related to the change in mark-to-market value in the current period of transactions which have been entered into during the current period or prior periods for which the commodities are scheduled for delivery in a future period.
Company	Pinnacle West Capital Corporation.
Deferred Fuel and Purchased Power Costs – Current Period	Deferrals recorded in the period for recovery or refund to the extent actual retail fuel and purchased power costs vary from the amount included in base retail rates (currently \$0.0325 per kWh).
Deferred Fuel and Purchased Power Regulatory Asset	Balance of accumulated deferrals, net of amounts recovered through revenues, recorded for recovery or refund to the extent actual retail fuel and purchased power costs vary from the amount included in base retail rates (currently \$0.0325 per kWh).

Degree-Days — Cooling	A measure of temperatures designed to indicate the amount of electricity demand for cooling purposes. Cooling degree-days are calculated by summing the difference between each day's actual average temperature and a base temperature of 65°F for the month. Average temperatures less than the base temperature are ignored.
Degree-Days — Heating	A measure of temperatures designed to indicate the amount of electricity demand for heating purposes. Heating degree-days are calculated by summing the difference between each day's actual average temperature and a base temperature of 65°F for the month. Average temperatures greater than the base temperature are ignored.
El Dorado	El Dorado Investment Company, a subsidiary of Pinnacle West.
Electricity and Other Commodity Sales, Realized	Marketing and trading gross margin related to electricity and other commodities that were delivered in the then-current period.
Electricity Spot Prices — Palo Verde – Off-Peak	Electricity average daily spot prices at Palo Verde substation during off-peak hours. It measures electric prices at the producer level and is the result of real time prices used for benchmarking, price comparisons, and establishing price contracts. Measured in dollars per megawatt-hour.
Electricity Spot Prices — Palo Verde – On-Peak	Electricity average daily spot prices at Palo Verde substation during on-peak hours. It measures electric prices at the producer level and is the result of real time prices used for benchmarking, price comparisons, and establishing price contracts. Measured in dollars per megawatt-hour.
Electricity Spot Prices — SP15 – Off-Peak	Electricity average daily spot prices at SP15, a region of California substations, during off-peak hours. It measures electric prices at the producer level and is the result of real time prices used for benchmarking, price comparisons, and establishing price contracts. Measured in dollars per megawatt-hour.
Electricity Spot Prices — SP15 – On-Peak	Electricity average daily spot prices at SP15, a region of California substations, during on-peak hours. It measures electric prices at the producer level and is the result of real time prices used for benchmarking, price comparisons, and establishing price contracts. Measured in dollars per megawatt-hour.

Generation Capacity Out of Service and Replaced for Native Load	Total capacity required and economic, yet unavailable for retail customers and traditional wholesale contracts due to scheduled or unscheduled outages. Measured in megawatts per day.
Generation Production — Coal	Amount of net energy produced by coal-fueled generators. Measured in gigawatt-hours.
Generation Production — Gas/Oil/Other	Amount of net energy predominately produced by natural gas and oil-fueled generators. A small amount of energy from hydroelectric and solar power plants is also included. Measured in gigawatt-hours.
Generation Production — Nuclear	Amount of net energy produced by nuclear-fueled generators. Measured in gigawatt-hours.
Gigawatt-hour (GWH)	A unit of energy equivalent to 1,000 megawatt-hours or 1,000,000 kilowatt-hours.
Marketing and Trading Gross Margin – Pretax	Revenues from marketing and trading activities (other than retail sales, traditional wholesale sales and retail load hedge management) less the costs of the related commodities, with mark-to-market gains or losses, before income taxes.
Mark-To-Market	Adjustments to revenues or costs to recognize value of sales and purchase contracts, for which the commodities are scheduled for delivery in a future period, at current forward wholesale prices.
Mark-To-Market Reversals on Realized Sales	The reversal of the gross margin related to mark-to-market transactions entered into in prior periods for which the commodities were delivered in the current period. Realization of prior-period mark-to-market relates to cash flow recognition, not revenue recognition or earnings recognition, because in accordance with mark-to-market accounting, the margin was already recorded in the prior period. A negative amount shown in this category represents the arithmetic opposite of a gain recognized in the period in which the commodities were delivered; an equal positive amount is reflected in the realized revenue or margin for delivered commodities. A positive amount shown in this category represents the arithmetic opposite of a loss recognized in the period in which the commodities were delivered; an equal negative amount is reflected in the realized revenue or margin for delivered commodities.
Megawatt (MW)	One million watts.
Megawatt-hour (MWh)	A unit of energy equivalent to 1,000 kilowatt-hours.

Native Load	Retail and wholesale sales supplied under traditional cost-based rate regulation.
Native Load Peak Demand	The demand for electricity during the one hour of highest use each month. Measured in megawatts.
Off-System Sales	Sales of electricity from generation owned or contracted by the company that is over and above the amount required to serve retail customers and traditional wholesale contracts.
Palo Verde	Palo Verde Nuclear Generating Station.
Pinnacle West	Pinnacle West Capital Corporation (the Company)
Pinnacle West Energy (PWEC)	Pinnacle West Energy Corporation, a subsidiary of the Company, dissolved as of August 31, 2006.
Pinnacle West Marketing & Trading	Pinnacle West Marketing & Trading Co., LLC, a subsidiary of Pinnacle West.
Power Supply Adjustor (“PSA”)	Power supply adjustor provides for recovery or refund of variations in actual fuel and purchased power costs compared with the amount included in base retail rates (currently \$0.0325 per kWh) subject to certain specified parameters.
Purchased Power – Firm Load	Power purchased from wholesale market sources used to serve regulated retail demand and traditional wholesale contracts. Measured in gigawatt-hours.
Purchased Power – Marketing and Trading	Power purchased from wholesale market sources used to serve marketing and trading sales not served by company-owned generation. Measured in gigawatt-hours.
Realized and Mark-to-Market Components	Marketing and trading gross margin, before income taxes, for off-system sales and for sales and purchases of electricity and other commodities by the company in the wholesale market, summarized by the period of delivery and whether the margin is realized or mark-to-market. Realized margins relate to commodities that have been delivered. Mark-to-market margins relate to commodities that have delivery dates in future periods.
Retail Customer Growth	Percentage growth over the prior year in the number of retail customers.
Retail Electricity Usage	Total retail sales for a period divided by the average retail customers for the same period. Measured in kilowatt-hours per average customer.

Retail Load Hedge Management	Wholesale sales to liquidate electricity purchases originally intended to meet firm load during peak times, which purchases were not needed ultimately for firm load. These sales are made to other electric companies, power marketers, or public entities for the purpose of resale. Measured in gigawatt-hours.
Retail Sales	Sales of electricity made directly to retail customers or ultimate customers. Residential retail sales are sales to households. Business retail sales include commercial, industrial, irrigation, and streetlighting sales. Measured in gigawatt-hours.
SunCor	SunCor Development Company, a subsidiary of Pinnacle West.
Traditional Contracts	Wholesale sales resulting from unique cost-based, long-term contracts held by the company with various entities for the supply of electricity at agreed-upon prices.
Weather Normalized	Adjusted to exclude the effects of abnormal weather patterns.
Wholesale Sales of Electricity	All wholesale sales of electricity not accounted for in sales under traditional contracts or retail load hedge management. These sales are made to other electric companies, power marketers, or public entities for the purpose of resale. Measured in gigawatt-hours.

**FOR IMMEDIATE RELEASE**

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November 4, 2008

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PINNACLE WEST REPORTS LOWER THIRD QUARTER RESULTS*APS Earnings Decrease 22 Percent; Palo Verde Performance Excels*

PHOENIX — Pinnacle West Capital Corp. (NYSE: PNW) today reported consolidated net income for the quarter ended September 30, 2008, of \$151.6 million, or \$1.50 per diluted share of common stock. This result compares with \$208.7 million, or \$2.07 per diluted share, for the same period in 2007.

Rising costs incurred by Arizona Public Service (APS) to operate, maintain and expand its electric system and summertime temperatures that were closer to historical averages (versus last year's record temperatures) drove the lower results. Higher fuel costs; the absence of tax credits recorded in 2007 and not repeated in the 2008 quarter; and decreased earnings from Pinnacle West's real estate operations also contributed to the quarterly decline.

Pinnacle West Chairman Bill Post said the lower results were in line with expectations given the milder weather compared with last year's third quarter; and the fact that APS' current retail prices do not cover the utility's true costs of doing business.

"Despite the current economic slowdown, we still are experiencing customer growth in our service territory," he said. "To meet Arizona's current and future electricity demand, we must continue working with our regulators to establish a comprehensive plan for Arizona's energy future."

Post said that plan should include significant additional investments in new infrastructure, new technology, energy efficiency and more sustainable resources. "To accomplish this plan, however, we need a financially strong utility that can finance needed infrastructure at the lowest possible cost while providing high customer service and reliability. This will require timely and supportive regulatory treatment."

For the third quarter of 2008, APS reported lower net income of \$159.8 million, compared with net income of \$204.3 million for the same period a year ago. The Company and its customers benefited from strong performance at the Palo Verde Nuclear Generating Station, which operated at 97 percent capacity and generated its highest-ever summer production. Palo Verde's three units also operated for 100 consecutive days this summer. Additionally, the plant's solid operation helped minimize the need for

more expensive natural gas generation and purchased power.

SunCor Development Co, Pinnacle West's real estate subsidiary, reported a net loss of \$6.1 million for the current-year third quarter, compared with net income of \$6.0 million in the 2007 quarter. The decrease reflects the distressed national real estate markets.

For more information on Pinnacle West's operating statistics and earnings, please visit www.pinnaclewest.com/financials.

Conference Call

Pinnacle West invites interested parties to listen to the live web cast of management's conference call to discuss the Company's 2008 third-quarter earnings and recent developments at noon (ET) today, November 4. The web cast can be accessed at www.pinnaclewest.com/presentations and will be available for replay on the web site for 30 days. To access the live conference call by telephone, dial (877) 356-3961 and enter Conference ID 68083352. A replay of the call also will be available until 11:55 p.m. (ET), Tuesday, November 11, 2008, by calling (800) 642-1687 in the U.S. and Canada or (706) 645-9291 internationally and entering the same Conference ID number as above.

Pinnacle West is a Phoenix-based company with consolidated assets of about \$11.5 billion. Through its subsidiaries, the Company generates, sells and delivers electricity and sells energy-related products and services to retail and wholesale customers in the western United States. It also develops residential, commercial, and industrial real estate projects.

PINNACLE WEST CAPITAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(unaudited)

(in thousands, except per share amounts)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2008	2007	2008	2007
Operating Revenues				
Regulated electricity segment	\$1,040,348	\$1,043,723	\$2,492,627	\$2,291,067
Real estate segment	18,965	46,711	103,587	171,662
Marketing and trading	11,737	99,203	119,868	264,311
Other revenues	8,925	15,597	26,824	36,113
Total	<u>1,079,975</u>	<u>1,205,234</u>	<u>2,742,906</u>	<u>2,763,153</u>
Operating Expenses				
Regulated electricity segment fuel and purchased power	419,979	407,242	1,016,918	880,932
Real estate segment operations	28,941	46,075	118,906	153,328
Marketing and trading fuel and purchased power	9,503	93,860	106,270	226,337
Operations and maintenance	212,327	178,419	601,360	527,307
Depreciation and amortization	98,568	94,730	291,959	276,584
Taxes other than income taxes	28,423	34,940	94,826	104,416
Other expenses	8,321	11,246	21,081	28,537
Total	<u>806,062</u>	<u>866,512</u>	<u>2,251,320</u>	<u>2,197,441</u>
Operating Income	<u>273,913</u>	<u>338,722</u>	<u>491,586</u>	<u>565,712</u>
Other				
Allowance for equity funds used during construction	4,673	5,235	16,211	14,874
Other income	2,274	4,276	10,050	11,976
Other expense	(7,132)	(6,744)	(22,103)	(13,685)
Total	<u>(185)</u>	<u>2,767</u>	<u>4,158</u>	<u>13,165</u>
Interest Expense				
Interest charges	51,231	53,151	157,580	155,104
Capitalized interest	(3,976)	(5,435)	(14,593)	(15,455)
Total	<u>47,255</u>	<u>47,716</u>	<u>142,987</u>	<u>139,649</u>
Income From Continuing Operations Before Income Taxes	226,473	293,773	352,757	439,228
Income Taxes	<u>75,970</u>	<u>92,055</u>	<u>92,489</u>	<u>141,809</u>
Income From Continuing Operations	150,503	201,718	260,268	297,419
Income From Discontinued Operations				
Net of Income Taxes	<u>1,083</u>	<u>6,990</u>	<u>20,707</u>	<u>6,813</u>
Net Income	<u>\$ 151,586</u>	<u>\$ 208,708</u>	<u>\$ 280,975</u>	<u>\$ 304,232</u>
Weighted-Average Common Shares Outstanding — Basic	100,750	100,324	100,642	100,200
Weighted-Average Common Shares Outstanding — Diluted	101,018	100,829	100,911	100,767
Earnings Per Weighted-Average Common Share Outstanding				
Income from continuing operations — basic	\$ 1.49	\$ 2.01	\$ 2.59	\$ 2.97
Net income — basic	\$ 1.50	\$ 2.08	\$ 2.79	\$ 3.04
Income from continuing operations — diluted	\$ 1.49	\$ 2.00	\$ 2.58	\$ 2.95
Net income — diluted	\$ 1.50	\$ 2.07	\$ 2.78	\$ 3.02