

# PINNACLE WEST CAPITAL CORP

## FORM 8-K

(Current report filing)

Filed 02/04/03 for the Period Ending 12/31/02

Address	400 NORTH FIFTH STREET MS8695 PHOENIX, AZ 85004
Telephone	602 250 1000
CIK	0000764622
Symbol	PNW
SIC Code	4911 - Electric Services
Industry	Electric Utilities
Sector	Utilities
Fiscal Year	12/31

# 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): December 31, 2002

## PINNACLE WEST CAPITAL CORPORATION

(Exact name of registrant as specified in its charter)

Arizona  
(State or other jurisdiction  
of incorporation)

1-8962  
(Commission  
File Number)

86-0512431  
(IRS Employer  
Identification Number)

400 North Fifth Street, P.O. Box 53999, Phoenix, Arizona 85072-3999  
(Address of principal executive offices) (Zip Code)

(602) 250-1000  
(Registrant's telephone number, including area code)

NONE  
(Former name or former address, if changed since last report)

## ITEM 5. OTHER EVENTS

### TRACK B

As previously reported, on September 10, 2002, the Arizona Corporation Commission (the "ACC") issued an order that, among other things, established a requirement that Arizona Public Service Company ("APS") competitively procure, at a minimum, any required power that it cannot produce from its existing assets in accordance with the ultimate outcome of the pending "Track B" ACC proceedings. See "Track A Order" in Note 5 of Notes to Condensed Consolidated Financial Statements of the Pinnacle West Capital Corporation Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2002. On October 25, 2002, the ACC Staff issued its report in the Track B proceeding proposing a process by which APS would procure power not supplied by its own resources. This report was subsequently modified at the November hearing on Track B. Under the ACC Staff's modified proposal, we believe APS would be required to competitively bid for about 2,500 MW of capacity on peak during 2003, increasing to about 3,000 MW in 2006 based on projections of increasing customer loads. On January 30, 2003, an ACC administrative law judge ("ALJ") issued a recommended order on Track B. The ALJ's recommendation generally adopts the ACC Staff's position. The parties must file comments on the recommended order no later than February 10, 2003. APS expects to file comments. The ACC has scheduled a special open meeting on February 21, 2003 to consider this matter.

## ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS

### (c) EXHIBITS.

EXHIBIT NO. ---	DESCRIPTION -----
99.1	Pinnacle West Capital Corporation quarterly consolidated statistical summary (cover page and list of contents).
99.2	Pinnacle West Capital Corporation quarterly consolidated statistical summary for the periods ended December 31, 2002 and 2001.
99.3	Pinnacle West Capital Corporation consolidated statistics by quarter for 2002.
99.4	Pinnacle West Capital Corporation consolidated statistics by quarter for 2001.
99.5	Pinnacle West Capital Corporation consolidated statistics by quarter for 2000.

- 99.6 Pinnacle West Capital Corporation consolidated statistics by quarter for 1999.
- 99.7 Pinnacle West Capital Corporation earnings variance explanations for the periods ended December 31, 2002 and 2001 and condensed consolidated statements of income for the three months, nine months and twelve months ended December 31, 2002 and 2001.
- 99.8 Glossary of Terms.

## **ITEM 9. REGULATION FD DISCLOSURE**

The Company is providing quarterly consolidated statistical summaries, earnings variance explanations, and a glossary of relevant terms (collectively, "Information") to help interested parties better understand its business. This Information is concurrently being posted to the Company's website at [www.pinnaclewest.com](http://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.

## **SIGNATURES**

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

**PINNACLE WEST CAPITAL CORPORATION**  
(Registrant)

Dated: February 3, 2003 By: Barbara M. Gomez Barbara M. Gomez Treasurer

**Last Updated 2/3/2003**

**PINNACLE WEST CAPITAL CORPORATION**

**QUARTERLY CONSOLIDATED STATISTICAL SUMMARY  
PERIODS ENDED DECEMBER 31, 2002 AND 2001**

**LIST OF CONTENTS**

**2002 FOURTH-QUARTER SUMMARY**

**2002 YEAR-TO-DATE**

**2001 BY QUARTER**

**2000 BY QUARTER**

**1999 BY QUARTER**

See the Glossary of Terms on this website for definitions of terms used in this summary. Quarters may not sum to totals due to rounding.

Last Updated 2/3/2003

## PINNACLE WEST CAPITAL CORPORATION

QUARTERLY CONSOLIDATED STATISTICAL SUMMARY  
PERIODS ENDED DECEMBER 31, 2002 AND 2001

Line	3 MO. ENDED DECEMBER 31			12 MO. ENDED DECEMBER 31			
	2002	2001	INCR (DECR)	2002	2001	INCR (DECR)	
EARNINGS CONTRIBUTION BY SUBSIDIARY (\$ MILLIONS)							
1	Arizona Public Service	\$ 16	\$ 39	\$ (23)	\$ 199	\$ 281	\$ (82)
2	Pinnacle West Energy	(31)	4	(35)	(19)	18	(37)
3	APS Energy Services	8	--	8	28	(10)	38
4	SunCor	10	--	10	19	3	16
5	El Dorado	(37)	--	(37)	(55)	--	(55)
6	Parent Company	19	(7)	26	43	35	8
7	Income Before Accounting Change	(15)	36	(51)	215	327	(112)
8	Cumulative Effect of Change in Accounting - Net of Tax	(66)	--	(66)	(66)	(15)	(51)
9	Net Income	\$ (81)	\$ 36	\$ (117)	\$ 149	\$ 312	\$ (163)
EARNINGS PER SHARE BY SUBSIDIARY - DILUTED							
10	Arizona Public Service	\$ 0.19	\$ 0.46	\$ (0.27)	\$ 2.35	\$ 3.30	\$ (0.95)
11	Pinnacle West Energy	(0.37)	0.04	(0.41)	(0.23)	0.21	(0.44)
12	APS Energy Services	0.09	--	0.09	0.33	(0.12)	0.45
13	SunCor	0.11	0.01	0.10	0.22	0.04	0.18
14	El Dorado	(0.43)	--	(0.43)	(0.65)	--	(0.65)
15	Parent Company	0.24	(0.09)	0.33	0.51	0.42	0.09
16	Income Before Accounting Change	(0.17)	0.42	(0.59)	2.53	3.85	(1.32)
17	Cumulative Effect of Change in Accounting - Net of Tax	(0.78)	--	(0.78)	(0.77)	(0.17)	(0.60)
18	Net Income	\$ (0.95)	\$ 0.42	\$ (1.37)	\$ 1.76	\$ 3.68	\$ (1.92)
19	BOOK VALUE PER SHARE	\$ 29.40	\$ 29.46	\$ (0.06)	\$ 29.40	\$ 29.46	\$ (0.06)
COMMON SHARES OUTSTANDING - DILUTED (THOUSANDS)							
20	Average	85,302	84,824	478	84,964	84,930	34
21	End of Period	91,255	84,724	6,531	91,255	84,724	6,531

See Glossary of Terms.

## PINNACLE WEST CAPITAL CORPORATION

QUARTERLY CONSOLIDATED STATISTICAL SUMMARY  
PERIODS ENDED DECEMBER 31, 2002 AND 2001

Line	3 MO. ENDED DECEMBER 31			12 MO. ENDED DECEMBER 31			
	2002	2001	INCR (DECR)	2002	2001	INCR (DECR)	
ELECTRIC OPERATING REVENUES (DOLLARS IN MILLIONS)							
Retail							
22	Residential	\$ 172	\$ 180	\$ (8)	\$ 906	\$ 915	\$ (9)
23	Business	212	219	(7)	928	952	(24)
24	Total retail	384	399	(15)	1,834	1,867	(33)
Wholesale revenue on delivered electricity							
25	Traditional contracts	3	2	1	9	73	(64)
26	Retail load hedge management	11	27	(16)	123	578	(455)
Marketing and trading -- delivered							
27	Generation sales other than native load	32	6	26	50	148	(98)
28	Realized margins on electricity trading	3	38	(35)	49	62	(13)
29	Other delivered electricity (a)	81	29	52	207	329	(122)
30	Total delivered marketing and trading	116	73	43	306	539	(233)
31	Total delivered wholesale electricity	130	102	28	438	1,190	(752)
Other marketing and trading							
32	Realized margins on delivered commodities other than electricity (a)	6	4	2	8	(14)	22
33	Prior period mark-to-market (gains) losses on contracts delivered during current period (a)	(8)	(51)	43	(40)	(1)	(39)
34	Change in mark-to-market for future-period deliveries	(1)	(9)	8	52	127	(75)
35	Total other marketing and trading	(3)	(56)	53	20	112	(92)
36	Transmission for others	12	8	4	30	26	4
37	Other miscellaneous services	7	1	6	17	18	(1)
38	Total electric operating revenues	\$ 530	\$ 454	\$ 76	\$ 2,339	\$ 3,213	\$ (874)
ELECTRIC SALES (GWH)							
Retail sales							
39	Residential	2,056	2,149	(93)	10,444	10,335	109
40	Business	3,036	3,071	(35)	12,917	13,064	(147)
41	Total retail	5,092	5,220	(128)	23,361	23,399	(38)
Wholesale electricity delivered							
42	Traditional contracts	140	83	57	474	1,213	(739)
43	Retail load hedge management	296	382	(86)	2,642	3,040	(398)
Marketing and trading -- delivered							
44	Generation sales other than native load	1,051	256	795	1,791	1,388	403
45	Electricity trading	4,312	3,828	484	16,925	12,031	4,894
46	Other delivered electricity	1,733	746	987	4,139	2,582	1,557
47	Total delivered marketing and trading	7,096	4,830	2,266	22,855	16,001	6,854
48	Total delivered wholesale electricity	7,532	5,295	2,237	25,971	20,254	5,717
49	Total electric sales	12,624	10,515	2,109	49,332	43,653	5,679

(a) The net effect on net electric operating revenues from realization of prior-period mark-to-market included in line 38 is zero. Realization of prior-period mark-to-market relates to cash flow recognition, not revenue recognition. The arithmetic opposites of amounts included in line 33 are included in lines 28 and 32. For example, line 33 shows that a prior-period mark-to-market gain of \$8 million was transferred to "realized" for the fourth quarter of 2002. Lines 28 and 32 include amounts totaling \$9 million of realized revenues for the fourth quarter of 2002.

See Glossary of Terms.



## PINNACLE WEST CAPITAL CORPORATION

QUARTERLY CONSOLIDATED STATISTICAL SUMMARY  
PERIODS ENDED DECEMBER 31, 2002 AND 2001

Line	3 MO. ENDED DECEMBER 31			12 MO. ENDED DECEMBER 31			
	2002	2001	INCR (DECR)	2002	2001	INCR (DECR)	
MARKETING AND TRADING SEGMENT							
PRETAX GROSS MARGIN ANALYSIS (DOLLARS IN MILLIONS)							
REALIZED AND MARK-TO-MARKET COMPONENTS							
Current Period Effects							
Realized margin on delivered commodities							
Electricity							
50	Generation sales other than native load	\$ 9	\$ 3	\$ 6	\$ 14	\$ 80	\$ (66)
51	Other electricity marketing and trading (a)	23	56	(33)	99	117	(18)
52	Total electricity	32	59	(27)	113	197	(84)
53	Other commodities (a)	6	4	2	8	(14)	22
54	Total realized margin	38	63	(25)	121	183	(62)
Prior-period mark-to-market (gains) losses on contracts delivered during current period							
55	Electricity (a)	(4)	(38)	34	(30)	(11)	(19)
56	Other commodities (a)	(4)	(4)	--	(11)	25	(36)
57	Charge related to trading activities with Enron and its affiliates	--	(8)	8	--	(8)	8
58	Subtotal	(8)	(50)	42	(41)	6	(47)
59	Total current period effects (b)	30	13	17	80	189	(109)
Change in mark-to-market gains (losses) for future period deliveries (b)							
61	Electricity	6	(2)	8	63	146	(83)
62	Other commodities	(7)	(7)	--	(11)	(18)	7
63	Subtotal	(1)	(9)	8	52	128	(76)
64	Total gross margin	\$ 29	\$ 4	\$ 25	\$ 132	\$ 317	\$ (185)

## FUTURE MARKETING AND TRADING MARK-TO-MARKET REALIZATION

As of December 31, 2002, Pinnacle West had accumulated mark-to-market net gains of \$41 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: 2003, \$4 million; 2004, \$10 million; 2005 and thereafter, \$27 million.

(a) The net effect on pretax gross margin from realization of prior-period mark-to-market included in line 59 and in line 64 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 55 are included in line 51. The opposites of amounts included in line 56 are included in line 53. For example, line 55 shows that a prior-period mark-to-market gain of \$4 million was transferred to "realized" for the fourth quarter of 2002. A \$4 million realized gain is included in the \$23 million on line 51 for the fourth quarter of 2002.

(b) Quarterly amounts do not total to the annual amounts because of intra-year mark-to-market eliminations.

See Glossary of Terms.

Last Updated 2/3/2003

PINNACLE WEST CAPITAL CORPORATION

QUARTERLY CONSOLIDATED STATISTICAL SUMMARY  
PERIODS ENDED DECEMBER 31, 2002 AND 2001

Line	3 MO. ENDED DECEMBER 31			12 MO. ENDED DECEMBER 31			
	2002	2001	INCR (DECR)	2002	2001	INCR (DECR)	
MARKETING AND TRADING SEGMENT							
PRETAX GROSS MARGIN ANALYSIS (CONTINUED)							
(DOLLARS IN MILLIONS)							
BY COMMODITY SOLD OR TRADED							
65	Electricity	\$ 34	\$ 15	\$ 19	\$ 147	\$ 328	\$ (181)
66	Natural gas	(5)	(3)	(2)	(6)	(8)	2
67	Coal	--	(6)	6	(2)	7	(9)
68	Emission allowances	--	(2)	2	(7)	(10)	3
69	Other	--	--	--	--	--	--
70	Total Gross Margin	\$ 29	\$ 4	\$ 25	\$ 132	\$ 317	\$ (185)
BY PINNACLE WEST ENTITY							
Parent company marketing and trading division							
71	Generation sales other than native load	\$ 5	\$ --	\$ 5	\$ 8	\$ --	\$ 8
72	Other marketing and trading	9	(6)	15	82	78	4
APS							
73	Generation sales other than native load	--	3	(3)	2	79	(77)
74	Other marketing and trading	--	3	(3)	--	156	(156)
Pinnacle West Energy							
75	Generation sales other than native load	4	--	4	4	--	4
76	Other marketing and trading	--	--	--	--	--	--
APS ES							
77	Other marketing and trading	11	4	7	36	4	32
78	Total gross margin before income taxes	\$ 29	\$ 4	\$ 25	\$ 132	\$ 317	\$ (185)

See Glossary of Terms.

Last Updated 2/3/2003

PINNACLE WEST CAPITAL CORPORATION

QUARTERLY CONSOLIDATED STATISTICAL SUMMARY  
PERIODS ENDED DECEMBER 31, 2002 AND 2001

Line	3 MO. ENDED DECEMBER 31			12 MO. ENDED DECEMBER 31			
	2002	2001	INCR (DECR)	2002	2001	INCR (DECR)	
AVERAGE ELECTRIC CUSTOMERS							
Retail customers							
79	Residential	811,930	786,382	25,548	801,801	776,339	25,462
80	Business	101,177	98,631	2,546	100,228	98,198	2,030
81	Total	913,107	885,013	28,094	902,029	874,537	27,492
82	Wholesale customers	67	66	1	67	66	1
83	Total customers	913,174	885,079	28,095	902,096	874,603	27,493
84	Customer Growth (% over prior year)	3.2%	3.2%	0.0%	3.1%	3.7%	(0.5)%
RETAIL SALES (GWH) - WEATHER NORMALIZED							
85	Residential	2,123	2,129	(6)	10,276	9,677	599
86	Business	3,015	3,013	2	12,856	12,777	79
87	Total	5,138	5,142	(4)	23,132	22,454	678
RETAIL USAGE (KWH/AVERAGE CUSTOMER)							
88	Residential	2,532	2,733	(201)	13,025	13,312	(287)
89	Business	30,011	31,136	(1,125)	128,885	133,037	(4,152)
RETAIL USAGE - WEATHER NORMALIZED (KWH/AVERAGE CUSTOMER)							
90	Residential	2,615	2,707	(92)	12,817	12,465	352
91	Business	29,797	30,548	(751)	128,269	130,115	(1,846)
ELECTRICITY DEMAND (MW)							
92	System peak demand	3,828	3,898	(70)	5,803	5,687	116

See Glossary of Terms.

Last Updated 2/3/2003

PINNACLE WEST CAPITAL CORPORATION

QUARTERLY CONSOLIDATED STATISTICAL SUMMARY  
PERIODS ENDED DECEMBER 31, 2002 AND 2001

Line	3 MO. ENDED DECEMBER 31			12 MO. ENDED DECEMBER 31			
	2002	2001	INCR (DECR)	2002	2001	INCR (DECR)	
ENERGY SOURCES (GWH)							
Generation production							
93	Nuclear	2,094	1,818	276	8,980	8,384	596
94	Coal	3,183	3,203	(20)	12,056	12,572	(516)
95	Gas, oil and other	1,455	583	872	4,003	4,003	--
96	Total	6,732	5,604	1,128	25,039	24,959	80
Purchased power							
97	Firm load	(157)	212	(369)	1,619	2,961	(1,342)
98	Marketing and trading	6,340	4,955	1,385	23,704	17,653	6,051
99	Total	6,183	5,167	1,016	25,323	20,614	4,709
100	Total energy sources	12,915	10,771	2,144	50,362	45,573	4,789
POWER PLANT PERFORMANCE							
Capacity Factors							
101	Nuclear	87%	76%	11%	94%	88%	6%
102	Coal	84%	85%	(1)%	80%	84%	(4)%
103	Gas, oil and other	29%	20%	9%	27%	37%	(10)%
104	System average	60%	62%	(2)%	63%	70%	(7)%
Generation Capacity Out of Service and Replaced for Native Load (average MW/day)							
105	Nuclear	129	246	(117)	67	127	(60)
106	Coal	116	90	26	167	167	--
107	Gas	54	16	38	48	32	16
108	Total	299	352	(53)	282	326	(44)
109	Generation Fuel Cost (\$/MWh)	\$ 13.05	\$ 12.51	\$ 0.54	\$ 13.01	\$ 16.22	\$ (3.21)

See Glossary of Terms.

Last Updated 2/3/2003

PINNACLE WEST CAPITAL CORPORATION

QUARTERLY CONSOLIDATED STATISTICAL SUMMARY  
PERIODS ENDED DECEMBER 31, 2002 AND 2001

Line	3 MO. ENDED DECEMBER 31			12 MO. ENDED DECEMBER 31			
	2002	2001	INCR (DECR)	2002	2001	INCR (DECR)	
ENERGY MARKET INDICATORS (a)							
Electricity Average Daily Spot Prices (\$/MWh)							
On-Peak							
110	Palo Verde	\$ 36.18	\$ 26.89	\$ 9.29	\$ 32.28	\$ 118.41	\$ (86.13)
111	SP15	\$ 41.35	\$ 28.38	\$ 12.97	\$ 34.22	\$ 119.99	\$ (85.77)
Off-Peak							
112	Palo Verde	\$ 25.09	\$ 18.33	\$ 6.76	\$ 19.89	\$ 61.57	\$ (41.68)
113	SP15	\$ 28.52	\$ 20.41	\$ 8.11	\$ 21.69	\$ 73.48	\$ (51.79)
WEATHER INDICATORS							
Actual							
114	Cooling degree-days	398	620	(222)	4,875	5,122	(247)
115	Heating degree-days	328	460	(132)	800	1,160	(360)
116	Average humidity	38%	39%	(1) %	27%	36%	(9) %
10-Year Averages							
117	Cooling degree-days	398	398	--	4,381	4,381	--
118	Heating degree-days	435	435	--	1,026	1,026	--
119	Average humidity	40%	40%	0%	36%	36%	0%
ECONOMIC INDICATORS							
Building Permits -- Metro Phoenix (b)							
120	Single-family	8,250	6,240	2,010	33,955	32,455	1,500
121	Multi-family	1,327	717	610	6,577	8,969	(2,392)
122	Total	9,577	6,957	2,620	40,532	41,424	(892)
Arizona Job Growth (c)							
123	Payroll job growth (% over prior year)	0.0%	(0.9)%	0.9%	(0.8)%	0.9%	(1.7)%
124	Unemployment rate (% , seasonally adjusted)	5.7%	5.4%	0.3%	5.8%	4.5%	1.3%

**SOURCES:**

- (a) This price is an average of daily prices obtained and used with permission from Dow Jones & Company, Inc.
- (b) Arizona Real Estate Center, Arizona State University College of Business
- (c) Arizona Department of Economic Security

See Glossary of Terms.

Last Updated 2/3/2003

**PINNACLE WEST CAPITAL CORPORATION**  
**CONSOLIDATED STATISTICS BY QUARTER**  
**2002**

Line	1ST QTR	2ND QTR	3RD QTR	4TH QTR	YEAR-TO-DATE	INCREASE (DECREASE) VS PRIOR YTD
	-----	-----	-----	-----	-----	-----
<b>EARNINGS CONTRIBUTION BY SUBSIDIARY (\$ MILLIONS)</b>						
1	\$ 32	\$ 64	\$ 87	\$ 16	\$ 199	\$ (82)
2	1	1	10	(31)	(19)	(37)
3	2	11	7	8	28	38
4	2	8	(1)	10	19	16
5	--	(3)	(15)	(37)	(55)	(55)
6	17	(6)	13	19	43	8
	-----	-----	-----	-----	-----	-----
7	54	75	101	(15)	215	(112)
8	--	--	--	(66)	(66)	(51)
	-----	-----	-----	-----	-----	-----
9	\$ 54	\$ 75	\$ 101	\$ (81)	\$ 149	\$ (163)
	=====	=====	=====	=====	=====	=====
<b>EARNINGS PER SHARE BY SUBSIDIARY - DILUTED</b>						
10	\$ 0.37	\$ 0.76	\$ 1.02	\$ 0.19	\$ 2.35	\$ (0.95)
11	0.01	0.01	0.12	(0.37)	(0.23)	(0.44)
12	0.03	0.13	0.08	0.09	0.33	0.45
13	0.02	0.10	(0.01)	0.11	0.22	0.18
14	--	(0.04)	(0.18)	(0.43)	(0.65)	(0.65)
15	0.20	(0.07)	0.16	0.24	0.51	0.09
	-----	-----	-----	-----	-----	-----
16	0.63	0.89	1.19	(0.17)	2.53	(1.32)
17	--	--	--	(0.78)	(0.77)	(0.60)
	-----	-----	-----	-----	-----	-----
18	\$ 0.63	\$ 0.89	\$ 1.19	\$ (0.95)	\$ 1.76	\$ (1.92)
	=====	=====	=====	=====	=====	=====
19	\$ 30.06	\$ 30.54	\$ 31.39	\$ 29.40	\$ 29.40	\$ (0.06)
<b>COMMON SHARES OUTSTANDING - DILUTED (THOUSANDS)</b>						
20	84,884	84,926	84,797	85,302	84,964	34
21	84,789	84,768	84,756	91,255	91,255	6,531

See Glossary of Terms.

## PINNACLE WEST CAPITAL CORPORATION

CONSOLIDATED STATISTICS BY QUARTER  
2002

Line	1ST QTR	2ND QTR	3RD QTR	4TH QTR	YEAR-TO-DATE	INCREASE (DECREASE) VS PRIOR YTD
	-----	-----	-----	-----	-----	-----
ELECTRIC OPERATING REVENUES (DOLLARS IN MILLIONS)						
Retail						
22	\$ 171	\$ 226	\$ 337	\$ 172	\$ 906	\$ (9)
23	195	251	270	212	928	(24)
24	366	477	607	384	1,834	(33)
Wholesale revenue on delivered electricity						
25	2	1	3	3	9	(64)
26	2	11	99	11	123	(455)
Marketing and trading -- delivered						
27	8	2	8	32	50	(98)
28	27	14	5	3	49	(13)
29	34	39	53	81	207	(122)
30	69	55	65	116	306	(233)
31	73	67	167	130	438	(752)
Other marketing and trading						
32	4	1	(3)	6	8	22
33	(22)	(8)	3	(8)	(40)	(39)
34	25	1	22	(1)	52	(75)
35	7	(6)	22	(3)	20	(92)
36	6	6	6	12	30	4
37	4	2	4	7	17	(1)
38	\$ 456	\$ 546	\$ 806	\$ 530	\$ 2,339	\$ (874)
ELECTRIC SALES (GWH)						
Retail sales						
39	2,141	2,441	3,806	2,056	10,444	109
40	2,771	3,429	3,681	3,036	12,917	(147)
41	4,912	5,870	7,487	5,092	23,361	(38)
Wholesale electricity delivered						
42	71	121	142	140	474	(739)
43	158	230	1,958	296	2,642	(398)
Marketing and trading -- delivered						
44	376	73	291	1,051	1,791	403
45	3,109	3,596	5,908	4,312	16,925	4,894
46	727	774	905	1,733	4,139	1,557
47	4,212	4,443	7,104	7,096	22,855	6,854
48	4,441	4,794	9,204	7,532	25,971	5,717
49	9,353	10,664	16,691	12,624	49,332	5,679

(a) The net effect on net electric operating revenues from realization of prior-period mark-to-market included in line 38 is zero. Realization of prior-period mark-to-market relates to cash flow recognition, not revenue recognition. The arithmetic opposites of amounts included in line 33 are included in lines 28 and 32. For example, line 33 shows that a prior-period mark-to-market gain of \$8 million was transferred to "realized" for the fourth quarter of 2002. Lines 28 and 32 include amounts totaling \$9 million of realized revenues for the fourth quarter of 2002.

See Glossary of Terms.

Last Updated 2/3/2003

**PINNACLE WEST CAPITAL CORPORATION**

**CONSOLIDATED STATISTICS BY QUARTER  
2002**

Line	1ST QTR	2ND QTR	3RD QTR	4TH QTR	YEAR-TO-DATE	INCREASE (DECREASE) VS PRIOR YTD	
	-----	-----	-----	-----	-----	-----	
MARKETING AND TRADING SEGMENT							
PRETAX GROSS MARGIN ANALYSIS							
(DOLLARS IN MILLIONS)							
REALIZED AND MARK-TO-MARKET COMPONENTS							
Current Period Effects							
Realized margin on delivered commodities							
Electricity							
50	Generation sales other than native load	\$ 2	\$ --	\$ 3	\$ 9	\$ 14	\$ (66)
51	Other electricity marketing and trading (a)	33	24	19	23	99	(18)
		-----	-----	-----	-----	-----	-----
52	Total electricity	35	24	22	32	113	(84)
53	Other commodities (a)	4	1	(3)	6	8	22
		-----	-----	-----	-----	-----	-----
54	Total realized margin	39	25	19	38	121	(62)
		-----	-----	-----	-----	-----	-----
Prior-period mark-to-market (gains) losses on contracts delivered during current period							
Electricity (a)							
55		(26)	(9)	(4)	(4)	(30)	(19)
56	Other commodities (a)	(6)	--	6	(4)	(11)	(36)
57	Charge related to trading activities with Enron and its affiliates	--	--	--	--	--	8
		-----	-----	-----	-----	-----	-----
58	Subtotal	(32)	(9)	2	(8)	(41)	(47)
		-----	-----	-----	-----	-----	-----
59	Total current period effects (b)	7	16	21	30	80	(109)
		-----	-----	-----	-----	-----	-----
Change in mark-to-market gains (losses) for future period deliveries (b)							
Electricity							
61		34	10	25	6	63	(83)
62	Other commodities	(2)	(7)	(2)	(7)	(11)	7
		-----	-----	-----	-----	-----	-----
63	Total future period effects	32	3	23	(1)	52	(76)
		-----	-----	-----	-----	-----	-----
64	Total gross margin	\$ 40	\$ 19	\$ 44	\$ 29	\$ 132	\$ (185)
		=====	=====	=====	=====	=====	=====

**FUTURE MARKETING AND TRADING MARK-TO-MARKET REALIZATION**

As of December 31, 2002, Pinnacle West had accumulated mark-to-market net gains of \$41 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: 2003, \$4 million; 2004, \$10 million; 2005 and thereafter, \$27 million.

(a) The net effect on pretax gross margin from realization of prior-period mark-to-market included in line 59 and in line 64 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 55 are included in line 51. The opposites of amounts included in line 56 are included in line 53. For example, line 55 shows that a prior-period mark-to-market gain of \$4 million was transferred to "realized" for the fourth quarter of 2002. A \$4 million realized gain is included in the \$23 million on line 51 for the fourth quarter of 2002.

(b) Quarterly amounts do not total to the annual amounts because of intra-year mark-to-market eliminations.

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PINNACLE WEST CAPITAL CORPORATION

CONSOLIDATED STATISTICS BY QUARTER  
2002

Line	1ST QTR	2ND QTR	3RD QTR	4TH QTR	YEAR-TO-DATE	INCREASE (DECREASE) VS PRIOR YTD	
	-----	-----	-----	-----	-----	-----	
MARKETING AND TRADING SEGMENT							
PRETAX GROSS MARGIN ANALYSIS (CONTINUED)							
(DOLLARS IN MILLIONS)							
BY COMMODITY SOLD OR TRADED							
65	Electricity	\$ 45	\$ 25	\$ 43	\$ 34	\$ 147	\$ (181)
66	Natural gas	(5)	1	3	(5)	(6)	2
67	Coal	(1)	(2)	1	--	(2)	(9)
68	Emission allowances	1	(5)	(3)	--	(7)	3
69	Other	--	--	--	--	--	--
		-----	-----	-----	-----	-----	-----
70	Total gross margin	\$ 40	\$ 19	\$ 44	\$ 29	\$ 132	\$ (185)
		=====	=====	=====	=====	=====	=====
BY PINNACLE WEST ENTITY							
Parent company marketing and trading division							
71	Generation sales other than native load	\$ 1	\$ --	\$ 2	\$ 5	\$ 8	\$ 8
72	Other marketing and trading	34	9	30	9	82	4
APS							
73	Generation sales other than native load	1	--	1	--	2	(77)
74	Other marketing and trading	--	--	--	--	--	(156)
Pinnacle West Energy							
75	Generation sales other than native load	--	--	--	4	4	4
76	Other marketing and trading	--	--	--	--	--	--
APS ES							
77	Other marketing and trading	4	10	11	11	36	32
		-----	-----	-----	-----	-----	-----
78	Total gross margin before income taxes	\$ 40	\$ 19	\$ 44	\$ 29	\$ 132	\$ (185)
		=====	=====	=====	=====	=====	=====

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PINNACLE WEST CAPITAL CORPORATION

CONSOLIDATED STATISTICS BY QUARTER  
2002

Line	1ST QTR	2ND QTR	3RD QTR	4TH QTR	YEAR-TO-DATE	INCREASE (DECREASE) VS PRIOR YTD	
	-----	-----	-----	-----	-----	-----	
AVERAGE ELECTRIC CUSTOMERS							
Retail customers							
79	Residential	801,000	795,681	798,590	811,930	801,801	25,462
80	Business	99,335	100,096	100,318	101,177	100,228	2,030
81	Total	900,335	895,777	898,908	913,107	902,029	27,492
82	Wholesale customers	67	67	67	67	67	1
83	Total customers	900,402	895,844	898,975	913,174	902,096	27,493
84	Customer Growth (% over prior year)	3.2%	3.2%	3.1%	3.2%	3.1%	(0.5)%
RETAIL SALES (GWH) - WEATHER NORMALIZED							
85	Residential	2,164	2,387	3,602	2,123	10,276	599
86	Business	2,774	3,392	3,675	3,015	12,856	79
87	Total	4,938	5,779	7,277	5,138	23,132	678
RETAIL USAGE (KWH/AVERAGE CUSTOMER)							
88	Residential	2,673	3,068	4,766	2,532	13,025	(287)
89	Business	27,896	34,258	36,691	30,011	128,885	(4,152)
RETAIL USAGE - WEATHER NORMALIZED (KWH/AVERAGE CUSTOMER)							
90	Residential	2,702	3,000	4,510	2,615	12,817	352
91	Business	27,926	33,886	36,638	29,797	128,269	(1,846)
ELECTRICITY DEMAND (MW)							
92	System peak demand	3,921	5,425	5,803	3,828	5,803	116

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PINNACLE WEST CAPITAL CORPORATION

CONSOLIDATED STATISTICS BY QUARTER  
2002

Line	1ST QTR	2ND QTR	3RD QTR	4TH QTR	YEAR-TO-DATE	INCREASE (DECREASE) VS PRIOR YTD	
	-----	-----	-----	-----	-----	-----	
ENERGY SOURCES (GWH)							
Generation production							
93	Nuclear	2,257	2,242	2,387	2,094	8,980	596
94	Coal	2,890	2,703	3,280	3,183	12,056	(516)
95	Gas, oil and other	337	564	1,647	1,455	4,003	--
96	Total	5,484	5,509	7,314	6,732	25,039	80
Purchased power							
97	Firm load	429	846	859	(157)	1,619	(1,342)
98	Marketing and trading	3,993	4,599	8,771	6,340	23,704	6,051
99	Total	4,422	5,445	9,630	6,183	25,323	4,709
100	Total energy sources	9,906	10,954	16,944	12,915	50,362	4,789
POWER PLANT PERFORMANCE							
Capacity Factors							
101	Nuclear	96%	95%	100%	87%	94%	6%
102	Coal	78%	72%	87%	84%	80%	(4)%
103	Gas, oil and other	12%	20%	38%	29%	27%	(10)%
104	System average	62%	62%	69%	60%	63%	(7)%
Generation Capacity Out of Service and Replaced for Native Load (average MW/day)							
105	Nuclear	62	66	12	129	67	(60)
106	Coal	184	279	88	116	167	--
107	Gas	12	18	106	54	48	16
108	Total	258	363	206	299	282	(44)
109	Generation Fuel Cost (\$/MWh)	\$ 11.57	\$ 11.89	\$ 14.84	\$ 13.05	\$ 13.01	\$ (3.21)

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**PINNACLE WEST CAPITAL CORPORATION**

**CONSOLIDATED STATISTICS BY QUARTER  
2002**

Line		1ST QTR	2ND QTR	3RD QTR	4TH QTR	YEAR-TO-DATE	INCREASE (DECREASE) VS PRIOR YTD
		-----	-----	-----	-----	-----	-----
ENERGY MARKET INDICATORS (a)							
Electricity Average Daily Spot Prices (\$/MWh)							
On-Peak							
110	Palo Verde	\$ 26.86	\$ 30.65	\$ 35.45	\$ 36.18	\$ 32.28	\$ (86.13)
111	SP15	\$ 28.46	\$ 31.51	\$ 35.55	\$ 41.35	\$ 34.22	\$ (85.77)
Off-Peak							
112	Palo Verde	\$ 22.17	\$ 14.10	\$ 18.21	\$ 25.09	\$ 19.89	\$ (41.68)
113	SP15	\$ 22.76	\$ 15.95	\$ 19.54	\$ 28.52	\$ 21.69	\$ (51.79)
WEATHER INDICATORS							
Actual							
114	Cooling degree-days	89	1,741	2,647	398	4,875	(247)
115	Heating degree-days	472	--	--	328	800	(360)
116	Average humidity	28%	16%	27%	38%	27%	(9)%
10-Year Averages							
117	Cooling degree-days	71	1,458	2,454	398	4,381	--
118	Heating degree-days	556	35	--	435	1,026	--
119	Average humidity	45%	25%	34%	40%	36%	0%
ECONOMIC INDICATORS							
Building Permits -- Metro Phoenix (b)							
120	Single-family	7,514	6,456	6,062	8,250	33,955	1,500
121	Multi-family	985	662	1,045	1,327	6,577	(2,392)
122	Total	8,499	7,118	7,107	9,577	40,532	(892)
Arizona Job Growth (c)							
123	Payroll job growth (% over prior year)	(1.7)%	(1.1)%	(1.0)%	0.0%	(0.8)%	(1.7)%
124	Unemployment rate (% , seasonally adjusted)	5.9%	5.7%	5.9%	5.7%	5.8%	1.3%

**SOURCES:**

(a) This price is an average of daily prices obtained and used with permission from Dow Jones & Company, Inc.

(b) Arizona Real Estate Center, Arizona State University College of Business

(c) Arizona Department of Economic Security

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## PINNACLE WEST CAPITAL CORPORATION

CONSOLIDATED STATISTICS BY QUARTER  
2001

Line		1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL YEAR	INCREASE (DECREASE) VS PRIOR YEAR
		-----	-----	-----	-----	-----	-----
EARNINGS CONTRIBUTION BY SUBSIDIARY (\$ MILLIONS)							
1	Arizona Public Service	\$ 65	\$ 70	\$ 108	\$ 39	\$ 281	\$ (26)
2	Pinnacle West Energy	--	1	13	4	18	20
3	APS Energy Services	(8)	--	(3)	--	(10)	3
4	SunCor	--	--	2	--	3	(8)
5	El Dorado	1	--	--	--	--	(2)
6	Parent Company	4	(4)	42	(7)	35	38
		-----	-----	-----	-----	-----	-----
7	Income Before Accounting Change	62	67	162	36	327	25
8	Cumulative Effect of Change in Accounting - Net of Tax	(3)	--	(12)	--	(15)	(15)
		-----	-----	-----	-----	-----	-----
9	Net Income	\$ 59	\$ 67	\$ 150	\$ 36	\$ 312	\$ 10
		=====	=====	=====	=====	=====	=====
EARNINGS PER SHARE BY SUBSIDIARY - DILUTED							
10	Arizona Public Service	\$ 0.76	\$ 0.82	\$ 1.27	\$ 0.46	\$ 3.30	\$ (0.31)
11	Pinnacle West Energy	--	0.02	0.16	0.04	0.21	0.24
12	APS Energy Services	(0.10)	--	(0.03)	--	(0.12)	0.04
13	SunCor	0.01	--	0.03	0.01	0.04	(0.10)
14	El Dorado	0.01	--	--	--	--	(0.02)
15	Parent Company	0.05	(0.05)	0.49	(0.09)	0.42	0.44
		-----	-----	-----	-----	-----	-----
16	Income Before Accounting Change	0.73	0.79	1.92	0.42	3.85	0.29
17	Cumulative Effect of Change in Accounting - Net of Tax	(0.03)	--	(0.15)	--	(0.17)	(0.17)
		-----	-----	-----	-----	-----	-----
18	Net Income	\$ 0.70	\$ 0.79	\$ 1.77	\$ 0.42	\$ 3.68	\$ 0.12
		=====	=====	=====	=====	=====	=====
19	BOOK VALUE PER SHARE	\$ 28.83	\$ 28.17	\$ 29.37	\$ 29.46	\$ 29.46	\$ 1.37
COMMON SHARES OUTSTANDING - DILUTED (THOUSANDS)							
20	Average	84,966	85,042	84,909	84,824	84,930	(5)
21	End of Period	84,718	84,713	84,663	84,724	84,724	9

See Glossary of Terms.

## PINNACLE WEST CAPITAL CORPORATION

CONSOLIDATED STATISTICS BY QUARTER  
2001

Line	1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL YEAR	INCREASE (DECREASE) VS PRIOR YEAR
	-----	-----	-----	-----	-----	-----
ELECTRIC OPERATING REVENUES (DOLLARS IN MILLIONS)						
Retail						
22	\$ 173	\$ 234	\$ 328	\$ 180	\$ 915	\$ 34
23	199	258	276	219	952	17
24	372	492	604	399	1,867	51
Wholesale revenue on delivered electricity						
25	26	55	(10)	2	73	(48)
26	5	182	364	27	578	17
Marketing and trading -- delivered						
27	87	51	4	6	148	32
28	12	17	(5)	38	62	6
29	111	138	51	29	329	87
30	210	206	50	73	539	125
31	241	443	404	102	1,190	94
Other marketing and trading						
32	(5)	(12)	(1)	4	(14)	(5)
33	6	5	(37)	(51)	(1)	1
34	47	35	130	(9)	127	113
35	48	28	92	(56)	112	109
36	4	5	9	8	26	11
37	6	5	6	1	18	(9)
38	\$ 671	\$ 973	\$ 1,115	\$ 454	\$ 3,213	\$ 256
ELECTRIC SALES (GWH)						
Retail sales						
39	2,121	2,467	3,597	2,149	10,335	554
40	2,824	3,445	3,724	3,071	13,064	310
41	4,945	5,912	7,321	5,220	23,399	864
Wholesale electricity delivered						
42	569	598	(37)	83	1,213	(397)
43	75	736	1,847	382	3,040	(3,634)
Marketing and trading -- delivered						
44	623	436	73	256	1,388	(106)
45	2,291	2,359	3,553	3,828	12,031	2,772
46	759	810	267	746	2,582	(378)
47	3,673	3,605	3,893	4,830	16,001	2,288
48	4,318	4,939	5,703	5,295	20,254	(1,743)
49	9,263	10,851	13,024	10,515	43,653	(879)

(a) The net effect on net electric operating revenues from realization of prior-period mark-to-market included in line 38 is zero. Realization of prior-period mark-to-market relates to cash flow recognition, not revenue recognition. The arithmetic opposites of amounts included in line 33 are included in lines 29 and 32. For example, line 33 shows that a prior-period mark-to-market gain of \$1 million was transferred to "realized" for the total year 2001. Lines 29 and 32 include amounts totaling \$1 million of realized revenues for the year 2001.

See Glossary of Terms.

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**PINNACLE WEST CAPITAL CORPORATION**

**CONSOLIDATED STATISTICS BY QUARTER  
2001**

Line	1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL YEAR	INCREASE (DECREASE) VS PRIOR YEAR	
	-----	-----	-----	-----	-----	-----	
MARKETING AND TRADING SEGMENT							
PRETAX GROSS MARGIN ANALYSIS							
(DOLLARS IN MILLIONS)							
REALIZED AND MARK-TO-MARKET COMPONENTS							
Current Period Effects							
Realized margin on delivered commodities							
Electricity							
50	Generation sales other than native load	\$ 48	\$ 26	\$ 3	\$ 3	\$ 80	\$ 26
51	Other electricity marketing and trading (a)	4	43	14	56	117	48
52	Total electricity	52	69	17	59	197	74
53	Other commodities (a)	(5)	(12)	(1)	4	(14)	(5)
54	Total realized margin	47	57	16	63	183	69
Prior-period mark-to-market (gains) losses on contracts delivered during current period							
Electricity (a)							
55	Other commodities (a)	1	--	(38)	(38)	(11)	(9)
56	Charge related to trading activities with Enron and its affiliates	12	5	1	(4)	25	25
57	Subtotal	--	--	--	(8)	(8)	(8)
58	Total current period effects (b)	13	5	(37)	(50)	6	8
59	Total current period effects (b)	60	62	(21)	13	189	77
Change in mark-to-market gains (losses) for future period deliveries (b)							
Electricity							
61	Other commodities	45	42	126	(2)	146	139
62	Total future period effects	2	(6)	3	(7)	(18)	(25)
63	Total future period effects	47	36	129	(9)	128	114
64	Total gross margin	\$ 107	\$ 98	\$ 108	\$ 4	\$ 317	\$ 191

**FUTURE MARKETING AND TRADING MARK-TO-MARKET REALIZATION**

As of December 31, 2001, Pinnacle West had accumulated mark-to-market net gains of \$138.0 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: 2002, \$43.0 million; 2003, \$22.6 million; 2004, \$23.6 million; 2005 and thereafter, \$48.8 million.

(a) The net effect on pretax gross margin from realization of prior-period mark-to-market included in line 59 and in line 63 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 55 are included in line 51. The opposites of amounts included in line 56 are included in line 53. For example, line 55 shows that a prior-period mark-to-market gain of \$11 million was transferred to "realized" for the total year 2001. A \$11 million realized gain is included in the \$117 million on line 51 for the total year 2001.

(b) Quarterly amounts do not total to the annual amounts because of intra-year mark-to-market eliminations.

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PINNACLE WEST CAPITAL CORPORATION

CONSOLIDATED STATISTICS BY QUARTER  
2001

Line	1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL YEAR	INCREASE (DECREASE) VS PRIOR YEAR	
	-----	-----	-----	-----	-----	-----	
MARKETING AND TRADING SEGMENT							
PRETAX GROSS MARGIN ANALYSIS (CONTINUED)							
(DOLLARS IN MILLIONS)							
BY COMMODITY SOLD OR TRADED							
65	Electricity	\$ 98	\$ 111	\$ 105	\$ 15	\$ 328	\$ 201
66	Natural gas	(3)	(12)	9	(3)	(8)	(15)
67	Coal	14	2	(2)	(6)	7	10
68	Emission allowances	(2)	(3)	(4)	(2)	(10)	(5)
69	Other	--	--	--	--	--	--
70	Total gross margin	\$ 107	\$ 98	\$ 108	\$ 4	\$ 317	\$ 191
		=====	=====	=====	=====	=====	=====
BY PINNACLE WEST ENTITY							
Parent company marketing and trading division							
71	Generation sales other than native load	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
72	Other marketing and trading	7	3	74	(6)	78	80
APS							
73	Generation sales other than native load	48	26	2	3	79	25
74	Other marketing and trading	53	68	32	3	156	82
Pinnacle West Energy							
75	Generation sales other than native load	--	--	--	--	--	--
76	Other marketing and trading	--	--	--	--	--	--
APS ES							
77	Other marketing and trading	(1)	1	--	4	4	4
78	Total gross margin before income taxes	\$ 107	\$ 98	\$ 108	\$ 4	\$ 317	\$ 191
		=====	=====	=====	=====	=====	=====

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**PINNACLE WEST CAPITAL CORPORATION**

**CONSOLIDATED STATISTICS BY QUARTER  
2001**

Line		1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL YEAR	INCREASE (DECREASE) VS PRIOR YEAR
		-----	-----	-----	-----	-----	-----
	AVERAGE ELECTRIC CUSTOMERS						
	Retail customers						
79	Residential	775,317	770,335	773,321	786,382	776,339	27,054
80	Business	97,222	98,065	98,874	98,631	98,198	4,070
		-----	-----	-----	-----	-----	-----
81	Total	872,539	868,400	872,195	885,013	874,537	31,124
82	Wholesale customers	68	66	66	66	66	(1)
		-----	-----	-----	-----	-----	-----
83	Total customers	872,607	868,466	872,261	885,079	874,603	31,123
		=====	=====	=====	=====	=====	=====
84	Customer Growth (% over prior year)	4.0%	3.9%	3.7%	3.2%	3.7%	(0.4)%
	RETAIL SALES (GWH) - WEATHER NORMALIZED						
85	Residential	2,037	2,204	3,307	2,129	9,677	207
86	Business	2,825	3,321	3,618	3,013	12,777	134
		-----	-----	-----	-----	-----	-----
87	Total	4,862	5,525	6,925	5,142	22,454	341
		=====	=====	=====	=====	=====	=====
	RETAIL USAGE (KWH/AVERAGE CUSTOMER)						
88	Residential	2,737	3,203	4,651	2,733	13,312	259
89	Business	29,047	35,130	37,666	31,136	133,037	(2,459)
	RETAIL USAGE - WEATHER NORMALIZED (KWH/AVERAGE CUSTOMER)						
90	Residential	2,627	2,861	4,276	2,707	12,465	(174)
91	Business	29,057	33,865	36,595	30,548	130,115	(4,202)
	ELECTRICITY DEMAND (MW)						
92	System peak demand	3,661	5,358	5,687	3,898	5,687	209

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PINNACLE WEST CAPITAL CORPORATION

CONSOLIDATED STATISTICS BY QUARTER  
2001

Line	1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL YEAR	INCREASE (DECREASE) VS PRIOR YEAR
	-----	-----	-----	-----	-----	-----
ENERGY SOURCES (GWH)						
Generation production						
93	Nuclear	2,261	1,985	2,320	1,818	8,384 (457)
94	Coal	2,901	3,245	3,223	3,203	12,572 63
95	Gas, oil and other	1,007	1,256	1,157	583	4,003 1,219
96	Total	6,169	6,486	6,700	5,604	24,959 825
Purchased power						
97	Firm load	170	845	1,734	212	2,961 446
98	Marketing and trading	3,126	3,905	5,667	4,955	17,653 (1,240)
99	Total	3,296	4,750	7,401	5,167	20,614 (794)
100	Total energy sources	9,465	11,236	14,101	10,771	45,573 31
POWER PLANT PERFORMANCE						
Capacity Factors						
101	Nuclear	96%	84%	97%	76%	88% (5)%
102	Coal	78%	87%	85%	85%	84% 1%
103	Gas, oil and other	39%	46%	38%	20%	37% 10%
104	System average	71%	73%	73%	62%	70% 1%
Generation Capacity Out of Service and Replaced for Native Load (average MW/day)						
105	Nuclear	57	180	26	246	127 47
106	Coal	284	166	129	90	167 13
107	Gas	36	52	24	16	32 10
108	Total	376	398	179	352	326 70
109	Generation Fuel Cost (\$/MWh)	\$19.64	\$19.28	\$13.21	\$12.51	\$16.22 \$ 2.50

See Glossary of Terms.

Last Updated 2/3/2003

**PINNACLE WEST CAPITAL CORPORATION**

**CONSOLIDATED STATISTICS BY QUARTER  
2001**

Line	1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL YEAR	INCREASE (DECREASE) VS PRIOR YEAR	
	-----	-----	-----	-----	-----	-----	
ENERGY MARKET INDICATORS (a)							
Electricity Average Daily Spot Prices (\$/MWh)							
On-Peak							
110	Palo Verde	\$214.21	\$182.71	\$49.80	\$26.89	\$118.41	\$ 6.98
111	SP15	\$219.66	\$186.30	\$45.61	\$28.38	\$119.99	\$12.64
Off-Peak							
112	Palo Verde	\$130.40	\$70.32	\$27.22	\$18.33	\$61.57	\$ 8.55
113	SP15	\$159.80	\$84.78	\$28.92	\$20.41	\$73.48	\$12.74
WEATHER INDICATORS							
Actual							
114	Cooling degree-days	106	1,733	2,663	620	5,122	539
115	Heating degree-days	657	43	--	460	1,160	192
116	Average humidity	50%	25%	31%	39%	36%	2%
10-Year Averages							
117	Cooling degree-days	71	1,458	2,454	398	4,381	--
118	Heating degree-days	556	35	--	435	1,026	--
119	Average humidity	45%	25%	34%	40%	36%	0%
ECONOMIC INDICATORS							
Building Permits -- Metro Phoenix (b)							
120	Single-family	8,681	9,270	8,264	6,240	32,455	(54)
121	Multi-family	3,918	1,820	2,514	717	8,969	(1,259)
122	Total	12,599	11,090	10,778	6,957	41,424	(1,313)
Arizona Job Growth (c)							
123	Payroll job growth (% over prior year)	2.9%	1.4%	0.2%	(0.9)%	0.9%	(3.0)%
124	Unemployment rate (% , seasonally adjusted)	4.1%	4.3%	4.2%	5.4%	4.5%	0.6%

**SOURCES:**

(a) This price is an average of daily prices obtained and used with permission from Dow Jones & Company, Inc.

(b) Arizona Real Estate Center, Arizona State University College of Business

(c) Arizona Department of Economic Security

**See Glossary of Terms.**

Last Updated 2/3/2003

## PINNACLE WEST CAPITAL CORPORATION

CONSOLIDATED STATISTICS BY QUARTER  
2000

Line		1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL YEAR
----		-----	-----	-----	-----	-----
	EARNINGS CONTRIBUTION BY SUBSIDIARY (\$ MILLIONS)					
1	Arizona Public Service	\$ 33	\$ 96	\$ 124	\$ 54	\$ 307
2	Pinnacle West Energy	--	(1)	--	(1)	(2)
3	APS Energy Services	(2)	(2)	--	(9)	(13)
4	SunCor	5	1	2	3	11
5	El Dorado	19	(3)	(9)	(5)	2
6	Parent Company	(1)	(1)	(1)	--	(3)
		-----	-----	-----	-----	-----
7	Income Before Accounting Change	54	90	116	42	302
8	Cumulative Effect of Change in Accounting - Net of Tax	--	--	--	--	--
		-----	-----	-----	-----	-----
9	Net Income	\$ 54	\$ 90	\$ 116	\$ 42	\$ 302
		=====	=====	=====	=====	=====
	EARNINGS PER SHARE BY SUBSIDIARY - DILUTED					
10	Arizona Public Service	\$ 0.39	\$ 1.13	\$ 1.46	\$ 0.63	\$ 3.61
11	Pinnacle West Energy	--	(0.01)	(0.01)	(0.01)	(0.03)
12	APS Energy Services	(0.02)	(0.03)	--	(0.11)	(0.16)
13	SunCor	0.06	0.01	0.03	0.04	0.14
14	El Dorado	0.22	(0.04)	(0.10)	(0.06)	0.02
15	Parent Company	(0.01)	--	(0.01)	--	(0.02)
		-----	-----	-----	-----	-----
16	Income Before Accounting Change	0.64	1.06	1.37	0.49	3.56
17	Cumulative Effect of Change in Accounting - Net of Tax	--	--	--	--	--
		-----	-----	-----	-----	-----
18	Net Income	\$ 0.64	\$ 1.06	\$ 1.37	\$ 0.49	\$ 3.56
		=====	=====	=====	=====	=====
19	BOOK VALUE PER SHARE	\$ 26.29	\$ 27.00	\$ 28.01	\$ 28.09	\$ 28.09
	COMMON SHARES OUTSTANDING - DILUTED (THOUSANDS)					
20	Average	84,834	84,891	85,012	85,015	84,935
21	End of Period	84,723	84,727	84,779	84,715	84,715

See Glossary of Terms

## PINNACLE WEST CAPITAL CORPORATION

CONSOLIDATED STATISTICS BY QUARTER  
2000

Line	1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL YEAR
ELECTRIC OPERATING REVENUES (DOLLARS IN MILLIONS)					
Retail					
22 Residential	\$ 157	\$ 228	\$ 324	\$ 172	\$ 881
23 Business	196	253	275	211	935
24 Total retail	353	481	599	383	1,816
Wholesale revenue on delivered electricity					
25 Traditional contracts	12	18	75	16	121
26 Retail load hedge management	7	36	472	46	561
Marketing and trading -- delivered					
27 Generation sales other than native load	9	13	14	80	116
28 Realized margins on electricity trading	3	11	32	10	56
29 Other delivered electricity (a)	22	55	59	106	242
30 Total delivered marketing and trading	34	79	105	196	414
31 Total delivered wholesale electricity	53	133	652	258	1,096
Other marketing and trading					
32 Realized margins on delivered commodities other than electricity (a)	(5)	1	(4)	(1)	(9)
33 Prior period mark-to-market (gains) losses on contracts delivered during current period (a)	--	--	(17)	(2)	(2)
34 Change in mark-to-market for future-period deliveries	7	25	10	(11)	14
35 Total other marketing and trading	2	26	(11)	(14)	3
36 Transmission for others	3	4	4	4	15
37 Other miscellaneous services	4	8	8	7	27
38 Total electric operating revenues	\$ 415	\$ 652	\$ 1,252	\$ 638	\$ 2,957
ELECTRIC SALES (GWH)					
Retail sales					
39 Residential	1,877	2,370	3,506	2,028	9,781
40 Business	2,736	3,379	3,674	2,965	12,754
41 Total retail	4,613	5,749	7,180	4,993	22,535
Wholesale electricity delivered					
42 Traditional contracts	331	391	537	351	1,610
43 Retail load hedge management	232	585	5,155	702	6,674
Marketing and trading -- delivered					
44 Generation sales other than native load	396	215	163	720	1,494
45 Electricity trading	1,294	1,803	4,073	2,089	9,259
46 Other delivered electricity	735	601	665	960	2,960
47 Total delivered marketing and trading	2,425	2,619	4,901	3,769	13,713
48 Total delivered wholesale electricity	2,988	3,595	10,593	4,822	21,997
49 Total electric sales	7,601	9,344	17,773	9,815	44,532

(a) The net effect on net electric operating revenues from realization of prior-period mark-to-market included in line 38 is zero. Realization of prior-period mark-to-market relates to cash flow recognition, not revenue recognition. The arithmetic opposites of amounts included in line 33 are included in lines 29 and 32. For example, line 33 shows that a prior-period mark-to-market gain of \$2 million was transferred to "realized" for the total year 2000. Lines 29 and 32 include amounts totaling \$2 million of realized revenues for the year 2000.

See Glossary of Terms

## PINNACLE WEST CAPITAL CORPORATION

CONSOLIDATED STATISTICS BY QUARTER  
2000

Line		1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL YEAR
----		-----	-----	-----	-----	-----
	MARKETING AND TRADING SEGMENT					
	PRETAX GROSS MARGIN ANALYSIS					
	(DOLLARS IN MILLIONS)					
	REALIZED AND MARK-TO-MARKET COMPONENTS					
	Current Period Effects					
	Realized margin on delivered commodities					
	Electricity					
50	Generation sales other than native load	\$ 2	\$ 6	\$ 7	\$ 39	\$ 54
51	Other electricity marketing and trading (a)	3	28	33	5	69
		-----	-----	-----	-----	-----
52	Total electricity	5	34	40	44	123
53	Other commodities (a)	(5)	1	(4)	(1)	(9)
		-----	-----	-----	-----	-----
54	Total realized margin	--	35	36	43	114
		-----	-----	-----	-----	-----
	Prior-period mark-to-market (gains) losses on contracts delivered during current period (b)					
55	Electricity (a)	--	--	(18)	(2)	(2)
56	Other commodities (a)	--	--	1	--	--
57	Charge related to trading activities with Enron and its affiliates	--	--	--	--	--
		-----	-----	-----	-----	-----
58	Subtotal	--	--	(17)	(2)	(2)
		-----	-----	-----	-----	-----
59	Total current period effects (b)	--	35	19	41	112
		-----	-----	-----	-----	-----
	Change in mark-to-market gains (losses) for future period deliveries (b)					
61	Electricity	2	27	6	(10)	7
62	Other commodities	5	(2)	4	(1)	7
		-----	-----	-----	-----	-----
63	Total future period effects	7	25	10	(11)	14
		-----	-----	-----	-----	-----
64	Total gross margin	\$ 7	\$ 60	\$ 29	\$ 30	\$ 126
		=====	=====	=====	=====	=====

(a) The net effect on pretax gross margin from realization of prior-period mark-to-market included in line 59 and in line 63 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 55 are included in line 51. The opposites of amounts included in line 56 are included in line 53. For example, line 55 shows that a prior-period mark-to-market gain of \$2 million was transferred to "realized" for the total year 2000. A \$2 million realized gain is included in the \$69 million on line 51 for the total year 2000.

(b) Quarterly amounts do not total to the annual amounts because of intra-year mark-to-market eliminations.

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PINNACLE WEST CAPITAL CORPORATION

CONSOLIDATED STATISTICS BY QUARTER  
2000

Line		1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL YEAR
----		-----	-----	-----	-----	-----
	MARKETING AND TRADING SEGMENT					
	PRETAX GROSS MARGIN ANALYSIS (CONTINUED)					
	(DOLLARS IN MILLIONS)					
	BY COMMODITY SOLD OR TRADED					
65	Electricity	7	61	28	31	127
66	Natural gas	--	(1)	3	4	6
67	Coal	--	--	(2)	--	(2)
68	Emission allowances	--	--	--	(5)	(5)
69	Other	--	--	--	--	--
		-----	-----	-----	-----	-----
70	Total gross margin	\$ 7	\$ 60	\$ 29	\$ 30	\$ 126
		=====	=====	=====	=====	=====
	BY PINNACLE WEST ENTITY					
	Parent company marketing and trading division					
71	Generation sales other than native load	\$ --	\$ --	\$ --	\$ --	\$ --
72	Other marketing and trading	--	--	--	(2)	(2)
	APS					
73	Generation sales other than native load	2	6	7	39	54
74	Other marketing and trading	5	54	22	(7)	74
	Pinnacle West Energy					
75	Generation sales other than native load	--	--	--	--	--
76	Other marketing and trading	--	--	--	--	--
	APS ES					
77	Other marketing and trading	--	--	--	--	--
		-----	-----	-----	-----	-----
78	Total gross margin before income taxes	\$ 7	\$ 60	\$ 29	\$ 30	\$ 126
		=====	=====	=====	=====	=====

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PINNACLE WEST CAPITAL CORPORATION

CONSOLIDATED STATISTICS BY QUARTER  
2000

Line		1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL YEAR
----		-----	-----	-----	-----	-----
	AVERAGE ELECTRIC CUSTOMERS					
	Retail customers					
79	Residential	746,528	742,485	746,742	761,386	749,285
80	Business	92,667	93,343	94,479	96,024	94,128
		-----	-----	-----	-----	-----
81	Total	839,195	835,828	841,221	857,410	843,413
82	Wholesale customers	67	67	67	67	67
		-----	-----	-----	-----	-----
83	Total customers	839,262	835,895	841,288	857,477	843,480
		=====	=====	=====	=====	=====
84	Customer Growth (% over prior year)	4.0%	4.1%	4.1%	4.2%	4.1%
	RETAIL SALES (GWH) - WEATHER NORMALIZED					
85	Residential	1,933	2,218	3,393	1,926	9,470
86	Business	2,736	3,276	3,626	3,005	12,643
		-----	-----	-----	-----	-----
87	Total	4,669	5,494	7,019	4,931	22,113
		=====	=====	=====	=====	=====
	RETAIL USAGE (KWH/AVERAGE CUSTOMER)					
88	Residential	2,514	3,192	4,695	2,664	13,054
89	Business	29,525	36,200	38,887	30,878	135,496
	RETAIL USAGE - WEATHER NORMALIZED (KWH/AVERAGE CUSTOMER)					
90	Residential	2,589	2,987	4,544	2,530	12,639
91	Business	29,525	35,096	38,379	31,294	134,317
	ELECTRICITY DEMAND (MW)					
92	System peak demand	3,315	5,095	5,478	4,331	5,478

See Glossary of Terms



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**PINNACLE WEST CAPITAL CORPORATION**

**CONSOLIDATED STATISTICS BY QUARTER  
2000**

Line		1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL YEAR
----		-----	-----	-----	-----	-----
	ENERGY SOURCES (GWH)					
	Generation production					
93	Nuclear	2,325	2,090	2,348	2,078	8,841
94	Coal	2,828	3,163	3,343	3,175	12,509
95	Gas, oil and other	323	526	1,046	889	2,784
		-----	-----	-----	-----	-----
96	Total	5,476	5,779	6,737	6,142	24,134
		-----	-----	-----	-----	-----
	Purchased power					
97	Firm load	51	819	1,550	95	2,515
98	Marketing and trading	2,261	2,989	9,893	3,750	18,893
		-----	-----	-----	-----	-----
99	Total	2,312	3,808	11,443	3,845	21,408
		-----	-----	-----	-----	-----
100	Total energy sources	7,788	9,587	18,180	9,987	45,542
		=====	=====	=====	=====	=====
	POWER PLANT PERFORMANCE					
	Capacity Factors					
101	Nuclear	98%	88%	98%	87%	93%
102	Coal	76%	85%	88%	84%	83%
103	Gas, oil and other	13%	21%	40%	34%	27%
104	System average	63%	67%	77%	70%	69%
	Generation Capacity Out of Service and Replaced for Native Load (average MW/day)					
105	Nuclear	27	129	21	143	80
106	Coal	223	124	85	187	155
107	Gas	8	43	16	20	22
108	Total	258	296	122	350	257
109	Generation Fuel Cost (\$/MWh)	\$10.65	\$12.69	\$14.77	\$16.28	\$13.72

See Glossary of Terms

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**PINNACLE WEST CAPITAL CORPORATION**

**CONSOLIDATED STATISTICS BY QUARTER  
2000**

Line		1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL YEAR
----		-----	-----	-----	-----	-----
ENERGY MARKET INDICATORS (a)						
Electricity Average Daily Spot Prices (\$/MWh)						
On-Peak						
110	Palo Verde	\$30.52	\$90.49	\$170.40	\$154.33	\$111.44
111	SP15	\$31.40	\$82.67	\$152.74	\$162.59	\$107.35
Off-Peak						
112	Palo Verde	\$22.97	\$31.91	\$61.48	\$ 95.72	\$ 53.02
113	SP15	\$24.52	\$32.45	\$66.28	\$119.72	\$ 60.74
WEATHER INDICATORS						
Actual						
114	Cooling degree-days	71	1,712	2,547	253	4,583
115	Heating degree-days	459	9	--	500	968
116	Average humidity	37%	23%	29%	46%	34%
10-Year Averages						
117	Cooling degree-days	71	1,458	2,454	398	4,381
118	Heating degree-days	556	35	--	435	1,026
119	Average humidity	45%	25%	34%	40%	36%
ECONOMIC INDICATORS						
Building Permits -- Metro Phoenix (b)						
120	Single-family	8,163	9,605	8,331	6,410	32,509
121	Multi-family	3,208	2,651	2,417	1,952	10,228
122	Total	11,371	12,256	10,748	8,362	42,737
Arizona Job Growth (c)						
123	Payroll job growth (% over prior year)	4.4%	4.0%	3.9%	3.4%	3.9%
124	Unemployment rate (% , seasonally adjusted)	4.1%	3.9%	3.8%	3.7%	3.9%

Sources:

- (a) This price is an average of daily prices obtained and used with permission from Dow Jones & Company, Inc.
- (b) Arizona Real Estate Center, Arizona State University College of Business
- (c) Arizona Department of Economic Security

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## PINNACLE WEST CAPITAL CORPORATION

## CONSOLIDATED STATISTICS BY QUARTER

1999

Line		1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL YEAR
		-----	-----	-----	-----	-----
EARNINGS CONTRIBUTION						
BY SUBSIDIARY (\$ MILLIONS)						
1	Arizona Public Service	\$ 33	\$ 70	\$ 130	\$ 34	\$ 267
2	Pinnacle West Energy	--	--	--	--	--
3	APS Energy Services	(2)	(2)	(2)	(3)	(9)
4	SunCor	1	3	--	2	6
5	El Dorado	--	--	--	11	11
6	Parent Company	(1)	(2)	(2)	--	(5)
		-----	-----	-----	-----	-----
7	Income From Continuing Operations	31	69	126	44	270
8a	Income Tax Benefit From Discontinued Operations	--	--	38	--	38
8b	Extraordinary Charge - Net of Income Tax	--	--	(140)	--	(140)
		-----	-----	-----	-----	-----
9	Net Income	\$ 31	\$ 69	\$ 24	\$ 44	\$ 168
		=====	=====	=====	=====	=====
EARNINGS PER SHARE						
BY SUBSIDIARY - DILUTED						
10	Arizona Public Service	\$ 0.38	\$ 0.82	\$ 1.52	\$ 0.42	\$ 3.14
11	Pinnacle West Energy	--	--	--	--	--
12	APS Energy Services	(0.02)	(0.02)	(0.02)	(0.05)	(0.11)
13	SunCor	0.01	0.03	(0.01)	0.03	0.07
14	El Dorado	--	--	--	0.13	0.14
15	Parent Company	(0.01)	(0.02)	(0.01)	--	(0.07)
		-----	-----	-----	-----	-----
16	Income From Continuing Operations	0.36	0.81	1.48	0.53	3.17
17a	Income Tax Benefit From Discontinued Operations	--	--	0.45	--	0.45
17b	Extraordinary Charge - Net of Income Tax	--	--	(1.65)	--	(1.65)
		-----	-----	-----	-----	-----
18	Net Income	\$ 0.36	\$ 0.81	\$ 0.28	\$ 0.53	\$ 1.97
		=====	=====	=====	=====	=====
19	BOOK VALUE PER SHARE	\$ 25.49	\$ 25.58	\$ 25.84	\$ 26.00	\$ 26.00
COMMON SHARES OUTSTANDING -						
DILUTED (THOUSANDS)						
20	Average	85,176	85,093	84,989	84,894	85,009
21	End of Period	84,645	84,771	84,735	84,750	84,750

See Glossary of Terms

## PINNACLE WEST CAPITAL CORPORATION

## CONSOLIDATED STATISTICS BY QUARTER

1999

Line		1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL YEAR
-----		-----	-----	-----	-----	-----
	ELECTRIC OPERATING REVENUES					
	(DOLLARS IN MILLIONS)					
	Retail					
22	Residential	\$ 157	\$ 189	\$ 295	\$ 164	\$ 805
23	Business	190	237	269	216	912
		-----	-----	-----	-----	-----
24	Total retail	347	426	564	380	1,717
		-----	-----	-----	-----	-----
	Wholesale revenue on delivered electricity					
25	Traditional contracts	11	16	21	13	61
26	Retail load hedge management	--	--	108	--	108
	Marketing and trading -- delivered					
27	Generation sales other than native load	7	6	6	11	30
28	Realized margins on electricity trading	4	(2)	5	3	10
29	Other delivered electricity (a)	17	22	45	27	111
		-----	-----	-----	-----	-----
30	Total delivered marketing and trading	28	26	56	41	151
		-----	-----	-----	-----	-----
31	Total delivered wholesale electricity	39	42	185	53	320
		-----	-----	-----	-----	-----
	Other marketing and trading					
32	Realized margins on delivered commodities other than electricity (a)	(1)	--	(2)	5	2
33	Prior period mark-to-market (gains) losses on contracts delivered during current period (a)	--	--	--	--	--
34	Change in mark-to-market for future-period deliveries	--	6	(1)	(4)	1
		-----	-----	-----	-----	-----
35	Total other marketing and trading	(1)	6	(3)	1	3
		-----	-----	-----	-----	-----
36	Transmission for others	3	3	3	3	11
37	Other miscellaneous services	3	4	6	5	18
		-----	-----	-----	-----	-----
38	Total electric operating revenues	\$ 391	\$ 481	\$ 755	\$ 442	\$ 2,069
		=====	=====	=====	=====	=====
	ELECTRIC SALES (GWH)					
	Retail sales					
39	Residential	1,796	1,939	3,160	1,880	8,775
40	Business	2,665	3,239	3,464	2,932	12,300
		-----	-----	-----	-----	-----
41	Total retail	4,461	5,178	6,624	4,812	21,075
		-----	-----	-----	-----	-----
	Wholesale electricity delivered					
42	Traditional contracts	309	351	441	321	1,422
43	Retail load hedge management	--	--	631	--	631
	Marketing and trading -- delivered					
44	Generation sales other than native load	348	254	171	494	1,267
45	Electricity trading	1,286	1,198	2,165	1,029	5,678
46	Other delivered electricity	902	1,192	2,937	1,664	6,695
		-----	-----	-----	-----	-----
47	Total delivered marketing and trading	2,536	2,644	5,273	3,187	13,640
		-----	-----	-----	-----	-----
48	Total delivered wholesale electricity	2,845	2,995	6,345	3,508	15,693
		-----	-----	-----	-----	-----
49	Total electric sales	7,306	8,173	12,969	8,320	36,768
		=====	=====	=====	=====	=====

(a) The net effect on net electric operating revenues from realization of prior-period mark-to-market included in line 38 is zero. Realization of prior-period mark-to-market relates to cash flow recognition, not revenue recognition. The arithmetic opposites of amounts included in line 33 are included in lines 29 and 32. For example, line 33 shows that a prior-period mark-to-market gain of \$0 million was transferred to "realized" for the total year 1999. Lines 29 and 32 include amounts totaling \$0 million of realized revenues for the year 1999.

See Glossary of Terms

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PINNACLE WEST CAPITAL CORPORATION

CONSOLIDATED STATISTICS BY QUARTER

1999

Line ----		1ST QTR -----	2ND QTR -----	3RD QTR -----	4TH QTR -----	TOTAL YEAR -----
	MARKETING AND TRADING SEGMENT					
	PRETAX GROSS MARGIN ANALYSIS					
	(DOLLARS IN MILLIONS)					
	REALIZED AND MARK-TO-MARKET COMPONENTS					
	Current Period Effects					
	Realized margin on delivered commodities					
	Electricity					
50	Generation sales other than native load	\$ 2	\$ 1	\$ 2	\$ 2	\$ 7
51	Other electricity marketing and trading (a)	6	(2)	3	--	7
		----	----	----	----	----
52	Total electricity	8	(1)	5	2	14
53	Other commodities (a)	(1)	--	(2)	6	3
		----	----	----	----	----
54	Total realized margin	7	(1)	3	8	17
		----	----	----	----	----
	Prior-period mark-to-market (gains) losses on contracts delivered during current period (a)					
	Electricity	--	--	--	--	--
55	Other commodities	--	--	--	--	--
56	Charge related to trading activities with Enron and its affiliates	--	--	--	--	--
		----	----	----	----	----
57	Subtotal	--	--	--	--	--
		----	----	----	----	----
58	Total current period effects	7	(1)	3	8	17
		----	----	----	----	----
	Change in mark-to-market gains (losses) for future period deliveries					
	Electricity	(1)	4	(1)	--	2
61	Other commodities	1	2	--	(4)	(1)
		----	----	----	----	----
62	Total future period effects	--	6	(1)	(4)	1
		----	----	----	----	----
63	Total gross margin	\$ 7	\$ 5	\$ 2	\$ 4	\$ 18
64		====	====	====	====	====

(a) Quarterly amounts do not total to the annual amounts because of intra-year mark-to-market eliminations.

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PINNACLE WEST CAPITAL CORPORATION

CONSOLIDATED STATISTICS BY QUARTER

1999

Line		1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL YEAR
----		-----	-----	-----	-----	-----
	MARKETING AND TRADING SEGMENT					
	PRETAX GROSS MARGIN ANALYSIS (CONTINUED)					
	(DOLLARS IN MILLIONS)					
	BY COMMODITY SOLD OR TRADED					
65	Electricity	\$ 7	\$ 3	\$ 4	\$ 2	\$ 16
66	Natural gas	(1)	--	--	1	--
67	Coal	--	--	--	--	--
68	Emission allowances	1	2	(2)	1	2
69	Other	--	--	--	--	--
		----	----	----	----	----
70	Total gross margin	\$ 7	\$ 5	\$ 2	\$ 4	\$ 18
		====	====	====	====	====
	BY PINNACLE WEST ENTITY					
	Parent company marketing and trading division					
71	Generation sales other than native load	\$ --	\$ --	\$ --	\$ --	\$ --
72	Other marketing and trading	--	--	--	--	--
	APS					
73	Generation sales other than native load	2	1	2	2	7
74	Other marketing and trading	5	4	--	2	11
	Pinnacle West Energy					
75	Generation sales other than native load	--	--	--	--	--
76	Other marketing and trading	--	--	--	--	--
	APS ES					
77	Other marketing and trading	--	--	--	--	--
		----	----	----	----	----
78	Total gross margin before income taxes	\$ 7	\$ 5	\$ 2	\$ 4	\$ 18
		====	====	====	====	====

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PINNACLE WEST CAPITAL CORPORATION

CONSOLIDATED STATISTICS BY QUARTER

1999

Line		1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL YEAR
----		-----	-----	-----	-----	-----
	AVERAGE ELECTRIC CUSTOMERS					
	Retail customers					
79	Residential	717,540	713,259	717,204	731,092	719,774
80	Business	89,046	89,949	91,076	91,914	90,496
81	Total	806,586	803,208	808,280	823,006	810,270
82	Wholesale customers	67	67	71	73	70
83	Total customers	806,653	803,275	808,351	823,079	810,340
		=====	=====	=====	=====	=====
84	Customer Growth (% over prior year)	4.2%	4.3%	4.2%	4.0%	4.2%
	RETAIL SALES (GWH) - WEATHER NORMALIZED					
85	Residential	1,859	1,952	3,124	1,916	8,851
86	Business	2,669	3,264	3,448	2,886	12,267
87	Total	4,528	5,216	6,572	4,802	21,118
		=====	=====	=====	=====	=====
	RETAIL USAGE (KWH/AVERAGE CUSTOMER)					
88	Residential	2,503	2,719	4,406	2,571	12,191
89	Business	29,928	36,009	38,034	31,899	135,918
	RETAIL USAGE - WEATHER NORMALIZED (KWH/AVERAGE CUSTOMER)					
90	Residential	2,591	2,737	4,356	2,621	12,297
91	Business	29,973	36,287	37,858	31,399	135,553
	ELECTRICITY DEMAND (MW)					
92	System peak demand	3,343	4,885	4,935	3,881	4,935

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**PINNACLE WEST CAPITAL CORPORATION**

**CONSOLIDATED STATISTICS BY QUARTER**

1999

Line ----		1ST QTR -----	2ND QTR -----	3RD QTR -----	4TH QTR -----	TOTAL YEAR -----
	ENERGY SOURCES (GWH)					
	Generation production					
93	Nuclear	2,295	2,080	2,397	2,077	8,849
94	Coal	2,677	2,764	3,230	3,204	11,875
95	Gas, oil and other	241	477	557	484	1,759
		-----	-----	-----	-----	-----
96	Total	5,213	5,321	6,184	5,765	22,483
		-----	-----	-----	-----	-----
	Purchased power					
97	Firm load	170	753	1,470	87	2,480
98	Marketing and trading	2,189	2,390	5,734	2,693	13,006
		-----	-----	-----	-----	-----
99	Total	2,359	3,143	7,204	2,780	15,486
		-----	-----	-----	-----	-----
100	Total energy sources	7,572	8,464	13,388	8,545	37,969
		=====	=====	=====	=====	=====
	POWER PLANT PERFORMANCE					
	Capacity Factors					
101	Nuclear	98%	88%	100%	87%	93%
102	Coal	72%	74%	85%	85%	79%
103	Gas, oil and other	9%	18%	21%	18%	17%
104	System average	61%	61%	71%	66%	65%
	Generation Capacity Out of Service and Replaced for Native Load (average MW/day)					
105	Nuclear	36	135	3	152	82
106	Coal	337	368	177	172	264
107	Gas	--	--	--	--	--
108	Total	373	503	180	324	345
109	Generation Fuel Cost (\$/MWh)	\$10.00	\$10.96	\$11.02	\$11.33	\$10.85

**See Glossary of Terms**



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**PINNACLE WEST CAPITAL CORPORATION**

**CONSOLIDATED STATISTICS BY QUARTER**  
1999

Line		1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL YEAR
----		-----	-----	-----	-----	-----
ENERGY MARKET INDICATORS (a)						
Electricity Average Daily Spot Prices (\$/MWh)						
On-Peak						
110	Palo Verde	\$21.57	\$29.02	\$38.46	\$33.31	\$30.59
111	SP15	\$21.26	\$27.17	\$35.01	\$33.84	\$29.32
Off-Peak						
112	Palo Verde	\$13.94	\$15.33	\$20.73	\$22.26	\$18.07
113	SP15	\$13.68	\$14.47	\$20.60	\$25.06	\$18.45
WEATHER INDICATORS						
Actual						
114	Cooling degree-days	71	1,312	2,353	589	4,325
115	Heating degree-days	459	112	--	359	930
116	Average humidity	34%	27%	40%	28%	32%
10-Year Averages						
117	Cooling degree-days	71	1,458	2,454	398	4,381
118	Heating degree-days	556	35	--	435	1,026
119	Average humidity	45%	25%	34%	40%	36%
ECONOMIC INDICATORS						
Building Permits -- Metro Phoenix (b)						
120	Single-family	8,873	9,299	8,223	6,855	33,250
121	Multi-family	2,337	2,396	1,861	3,011	9,605
122	Total	11,210	11,695	10,084	9,866	42,855
Arizona Job Growth (c)						
123	Payroll job growth (% over prior year)	3.9%	4.4%	4.6%	4.2%	4.3%
124	Unemployment rate (% , seasonally adjusted)	4.4%	4.4%	4.3%	4.3%	4.4%

Sources:

- (a) This price is an average of daily prices obtained and used with permission from Dow Jones & Company, Inc.
- (b) Arizona Real Estate Center, Arizona State University College of Business
- (c) Arizona Department of Economic Security

See Glossary of Terms



TWELVE MONTHS ENDED DECEMBER 31,	TOTAL		REGULATED ELECTRICITY		MARKETING AND TRADING		OTHER (d)	
	2002	2001	2002	2001	2002	2001	2002	2001
Arizona Public Service (a)	\$ 199	\$ 281	\$ 198	\$ 139	\$ 1	\$ 142	\$ --	\$ --
Pinnacle West Energy (a)	(19)	18	(21)	18	2	--	--	--
APS Energy Services (e)	28	(10)	--	--	23	(11)	5	1
SunCor	19	3	--	--	--	--	19	3
El Dorado (e)	(55)	--	--	--	--	--	(55)	--
Parent company	43	35	(7)	(5)	32	40	18	--
Income/(Loss) before accounting change	215	327	170	152	58	171	(13)	4
Cumulative effect of a change in accounting - net of income taxes (b)(c)	(66)	(15)	--	(15)	(66)	--	--	--
Net Income/(Loss)	\$ 149	\$ 312	\$ 170	\$ 137	\$ (8)	\$ 171	\$ (13)	\$ 4

(a) Consistent with APS' October 2001 ACC filing, APS entered into agreements with its affiliates to buy power. The agreements reflect a price based on the fully-dispatchable dedication of the Pinnacle West Energy generating assets to APS' native load customers.

(b) APS recorded a \$15 million after-tax loss in 2001 for the cumulative effect of a change in accounting for derivatives related to the adoption of Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities."

(c) We recorded a \$66 million after-tax loss in 2002 for the cumulative effect of a change in accounting for trading activities, for the early adoption of Emerging Issues Task Force (EITF) Issue No. 02-3 "Accounting for Contracts Involved in Energy Trading and Risk Management Activities" as of October 1, 2002.

(d) Primarily includes activities related to SunCor and El Dorado.

(e) APS Energy Services and El Dorado's net income are primarily reported before income taxes, in accordance with generally accepted accounting principles. The income tax expense or benefit for these subsidiaries is recorded at the parent company.

## **EARNINGS VARIANCE EXPLANATIONS**

Throughout these explanations, we refer to "gross margin." With respect to our regulated electricity segment and marketing and trading segment, gross margin refers to electric operating revenues less purchased power and fuel costs. Real estate gross margin refers to real estate revenues less real estate operations costs of SunCor. Other gross margin refers to other operating revenues less other operating expenses, which includes El Dorado's investment in NAC International Inc. (NAC), which we began consolidating in our financial statements in July 2002 (see further discussions in "NAC International Inc. Losses" below). Other gross margin also includes amounts related to APS Energy Services' energy consulting services.

### **OPERATING RESULTS - THREE-MONTH PERIOD ENDED DECEMBER 31, 2002 COMPARED WITH THREE-MONTH PERIOD ENDED DECEMBER 31, 2001**

Our consolidated net loss for the three months ended December 31, 2002 was \$81 million compared with net income of \$36 million for the same period in the prior year. We recognized a \$66 million after-tax loss in the three months ended December 31, 2002 for the cumulative effect of a change in accounting for trading activities as a result of our adoption of EITF 02-3 as of October 1, 2002.

Our consolidated loss before accounting change for the three months ended December 31, 2002 was \$15 million compared with income before accounting change of \$36 million for the same period in the prior year. The period-to-period decrease was primarily the result of a \$49 million pretax write-off related to the cancellation of Pinnacle West Energy's Redhawk Units 3 and 4, of which \$47 million was recorded in operations and maintenance expense and \$2 million was recorded in capitalized interest, pretax losses of \$38 million at El Dorado primarily related to its subsidiary, NAC, in the fourth quarter of 2002 (see further discussion in "NAC International Inc. Losses" below) and pretax severance costs of \$11 million recorded in the fourth quarter of 2002 related to a voluntary workforce reduction. The regulated electricity comparison was negatively impacted by higher costs for purchased power and gas, weather impacts and a 1.5% electric retail price reduction that took effect July 1, 2002. These factors were offset by lower replacement power costs for power plant outages, higher earnings contributions from our marketing and trading activities and customer growth of 3.2% for the fourth quarter of 2002.

The major factors that increased (decreased) income before accounting change were as follows (dollars in millions):

	Increase (Decrease)
	-----
Marketing and trading segment gross margin:	
Increase in generation sales other than native load due to higher sales volumes	\$ 6
Lower realized wholesale margins net of related mark-to-market reversals due to lower prices and volumes	(12)
Higher competitive retail sales in California by APS Energy Services	7
2001 write-off of prior period mark-to-market value related to trading with Enron and its affiliates	8
Lower mark-to-market reversals due to the adoption of EITF 02-3	8
Higher electricity mark-to-market gains for future delivery primarily as a result of increased activity	8
	-----
Net increase in marketing and trading segment gross margin	25
	-----
Regulated electricity segment gross margin:	
Increased purchased power and fuel costs due to higher hedged gas and power prices partially offset by improved hedge management, net of mark-to-market reversals	(16)
Effects of weather on retail sales	(6)
Retail price reduction effective July 1, 2002	(6)
2001 charges related to purchased power contracts with Enron and its affiliates	13
Lower replacement power costs from plant outages due to lower market prices and fewer unplanned outages	4
Higher retail sales volumes due to customer growth, partially offset by lower average usage, excluding weather effects	1
Miscellaneous factors, net	11
	-----
Net increase in regulated electricity segment gross margin	1
	-----
Net increase in regulated electricity and marketing and trading segments' gross margins	26
Higher real estate gross margin primary due to increased sales activities	5
Lower other gross margin primarily related to losses recorded on El Dorado's investment in NAC	(32)
Higher operations and maintenance expense related to a \$47 million write-off of Redhawk Units 3 and 4, 2002 severance costs of \$11 million and other costs	(72)
Higher depreciation and amortization primarily due to higher depreciation on higher plant balances, partially offset by lower regulatory asset amortization	(5)
Higher taxes other than income taxes	(6)
Lower other expenses	7
Higher net interest expense primarily due to lower capitalized interest	(8)
Miscellaneous items, net	(3)
	-----
Decrease in income before income taxes	(88)
Lower income taxes primarily due to lower pretax income	37
	-----
Decrease in income before accounting change	\$ (51)
	=====

## **MARKETING AND TRADING SEGMENT GROSS MARGIN**

Marketing and trading segment revenues were \$96 million higher in the three-month period ended December 31, 2002, compared with the same period in the prior year as a result of:

- \* increased revenues from generation sales other than native load due to higher sales volumes (\$26 million);
- \* higher realized wholesale revenues net of related mark-to-market reversals due to higher volumes (\$20 million);
- \* increased revenues from higher competitive retail sales in California by APS Energy Services (\$26 million);
- \* 2001 write-off of prior period mark-to-market value related to trading with Enron and its affiliates (\$8 million increase);
- \* higher revenues related to the adoption of EITF 02-3 (\$8 million); and
- \* higher electricity mark-to-market gains for future delivery primarily as a result of increased activity (\$8 million).

Marketing and trading segment purchased power and fuel costs were \$71 million higher in the three-month period ended December 31, 2002, compared to the same period in the prior year as a result of:

- \* increased fuel costs related to generation sales other than native load primarily because of higher natural gas prices and higher sales volumes (\$20 million);
- \* increased purchased power costs related to other realized marketing activities in the current period primarily due to higher purchased power prices and higher sales volumes, net of mark-to-market reversals (\$32 million);
- \* increased purchased power costs related to higher competitive retail sales in California by APS Energy Services (\$19 million).

## **REGULATED ELECTRICITY SEGMENT GROSS MARGIN**

Revenues related to our regulated retail and wholesale electricity businesses were \$20 million lower in the three-month period ended December 31, 2002, compared with the same period in the prior year as a result of:

- \* decreased revenues related to wholesale sales for retail native load hedge management, as a result of lower prices (\$16 million);
- \* decreased retail revenues related to milder weather (\$9 million);
- \* decreased retail revenues related to a reduction in retail electricity prices (\$6 million);
- \* increased retail revenues related to customer growth partially offset by lower average usage, excluding weather effects (\$1 million); and
- \* other miscellaneous factors (\$10 million net increase).

Regulated electricity segment purchased power and fuel costs were \$21 million lower in the three-month period ended December 31, 2002, compared with the same period in the prior year as a result of:

- \* increased costs related to higher hedged natural gas and purchased power prices, net of mark-to-market reversals (\$26 million);

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- \* decreased purchased power costs related to wholesale sales for retail load hedge management as a result of lower prices (\$26 million);
- \* decreased costs related to the effects of milder weather on retail sales (\$3 million);
- \* 2001 charges related to purchased power contracts with Enron and its affiliates (\$13 million decrease);
- \* decreased replacement power costs for power plant outages due to lower market prices and fewer unplanned nuclear and coal plant outages (\$4 million); and
- \* other miscellaneous factors (\$1 million net decrease).

The increase in real estate gross margin of \$5 million was primarily due to increased sales activities.

The decrease in other gross margin of \$32 million was primarily due to losses on El Dorado's investment in NAC (see further discussion in NAC International Inc. Losses below).

The increase in operations and maintenance expense of \$72 million was due to a \$47 million write-off related to the cancellation of Redhawk Units 3 and 4, severance costs of \$11 million related to a 2002 voluntary workforce reduction and other costs of \$14 million.

The increase in depreciation and amortization expenses of \$5 million was primarily related to increased depreciation and amortization on higher property, plant and equipment balances partially offset by lower regulatory asset amortization, in accordance with APS' 1999 Regulatory Agreement.

The increase in taxes other than income taxes of \$6 million is primarily due to increased property taxes on higher property balances.

Other expense decreased \$7 million primarily due to lower miscellaneous non-operating costs.

Interest expense, net of amounts capitalized, increased \$8 million primarily due to decreased capitalized interest related to our generation expansion program.

**OPERATING RESULTS - TWELVE-MONTH PERIOD ENDED DECEMBER 31, 2002 COMPARED  
WITH TWELVE-MONTH PERIOD ENDED DECEMBER 31, 2001**

Our consolidated net income for the twelve months ended December 31, 2002 was \$149 million compared with \$312 million for the same period in the prior year. We recognized a \$66 million after-tax loss in the twelve months ended December 31, 2002 for the cumulative effect of a change in accounting for trading activities for the early adoption of EITF 02-3 as of October 1, 2002. We recognized a \$15 million after-tax loss in the twelve months ended December 31, 2001 as a cumulative effect of a change in accounting for derivatives, as required by SFAS No. 133.

Our income before accounting change for the twelve months ended December 31, 2002 was \$215 million compared with \$327 million for the same period a year earlier. The period-to-period comparison was lower due to lower earnings contributions from our marketing and trading activities, pretax losses of \$59 million related to El Dorado's investment in NAC, a \$49 million pretax write-off related to the cancellation of Redhawk Units 3 and 4, of which \$47 million was recorded in operations and maintenance expense and \$2 million was recorded in capitalized interest, and severance costs of approximately \$36 million pretax recorded in the second half of 2002 relating to a voluntary workforce reduction, partially offset by increased earnings contributions from our regulated electricity and real estate operations. The regulated electricity comparison was favorably impacted by lower replacement power costs for power plant outages and customer growth and higher average usage per customer, partially offset by the effects of milder weather, retail electricity price decreases and higher costs for purchased power and gas due to higher hedged gas and power prices. The real estate results benefited primarily from more sales activities. The comparison for marketing and trading activities reflects lower liquidity and lower price volatility in the wholesale power markets in the western United States.



The major factors that increased (decreased) income before accounting change were as follows (dollars in millions):

	Increase (Decrease)
	-----
Marketing and trading segment gross margin:	
Decrease in generation sales other than native load due to lower market prices partially offset by higher sales volumes	\$ (66)
Lower realized wholesale margins net of related mark-to-market reversals due to lower prices and volumes	(91)
Higher competitive retail sales in California by APS Energy Services	32
2001 write-off of prior period mark-to-market value related to trading with Enron and its affiliates	8
Lower mark-to-market reversals due to the adoption of EITF 02-3	8
Lower mark-to-market gains for future delivery due to lower market liquidity and lower price volatility	(76)
	-----
Net decrease in marketing and trading segment gross margin	(185)
	-----
Regulated electricity segment gross margin:	
Lower replacement power costs for plant outages due to lower market prices and fewer unplanned outages	127
Increased purchased power and fuel costs due to higher hedged gas and power prices, partially offset by improved hedge management, net of mark-to-market reversals	(9)
Higher retail sales volumes due to customer growth and higher average usage, excluding weather effects	38
2001 charges related to purchased power contracts with Enron and its affiliates	13
Retail price reductions effective July 1, 2001 and July 1, 2002	(28)
Effects of milder weather on retail sales	(27)
Miscellaneous factors, net	(2)
	-----
Net increase in regulated electricity segment gross margin	112
	-----
Net decrease in regulated electricity and marketing and trading segments' gross margins	(73)
Higher real estate gross margin primarily due to increased sales activities	16
Lower other gross margin primarily related to losses recorded on El Dorado's investment in NAC	(44)
Higher operations and maintenance expense related to a \$47 million write-off of Redhawk Units 3 and 4, 2002 severance costs of approximately \$36 million, partially offset by lower generation reliability costs	(54)
Higher taxes other than income taxes	(7)
Lower other income primarily due to a 2001 insurance recovery of environmental remediation costs	(11)
Higher net interest expense primarily due to higher debt balances and lower capitalized interest	(16)
Miscellaneous factors, net	2
	-----
Decrease in income before income taxes	(187)
Lower income taxes primarily due to lower income	75
	-----
Decrease in income before accounting change	\$ (112)
	=====

## **MARKETING AND TRADING SEGMENT GROSS MARGIN**

Marketing and trading segment revenues were \$325 million lower in the twelve-month period ended December 31, 2002, compared to the same period in the prior year as a result of:

- \* decreased revenues from generation sales other than native load due to lower market prices partially offset by higher sales volumes (\$98 million);
- \* lower realized wholesale revenues net of related mark-to-market reversals due to lower prices partially offset by higher volumes (\$273 million);
- \* increased revenues from higher competitive retail sales in California by APS Energy Services (\$105 million);
- \* 2001 write-off of prior period mark-to-market value related to trading with Enron and its affiliates (\$8 million increase);
- \* higher revenues related to the adoption of EITF 02-3 (\$8 million); and
- \* lower mark-to-market gains for future delivery primarily as a result of lower market liquidity and lower price volatility, resulting in lower volumes (\$75 million).

Marketing and trading segment purchased power and fuel costs were \$140 million lower in the twelve-month period ended December 31, 2002, compared to the same period in the prior year as a result of:

- \* decreased fuel costs related to generation sales other than native load primarily because of lower natural gas prices partially offset by higher sales volumes (\$32 million);
- \* decreased purchased power costs related to other realized marketing activities in the current period primarily due to lower prices partially offset by higher volumes (\$182 million);
- \* increased purchased power costs related to higher competitive retail sales in California by APS Energy Services (\$73 million); and
- \* change in mark-to-market fuel costs for future delivery (\$1 million increase).

## **REGULATED ELECTRICITY SEGMENT GROSS MARGIN**

Revenues related to our regulated retail and wholesale electricity businesses were \$549 million lower in the twelve-month period ended December 31, 2002, compared to the same period in the prior year as a result of:

- \* decreased revenues related to traditional wholesale sales as a result of lower sales volumes and lower prices (\$64 million);
- \* decreased revenues related to retail load hedge management wholesale sales, as a result of lower prices and lower sales volumes (\$455 million);
- \* decreased retail revenues related to milder weather (\$60 million);
- \* increased retail revenues related to customer growth and higher average usage, excluding weather effects (\$69 million);
- \* decreased retail revenues related to reductions in retail electricity prices (\$28 million); and
- \* other miscellaneous factors (\$11 million net decrease).

Regulated electricity segment purchased power and fuel costs were \$661 million lower in the twelve-month period ended December 31, 2002, compared with the same period in the prior year as a result of:

- \* decreased costs related to traditional wholesale sales as a result of lower sales volumes and lower prices (\$64 million);
- \* decreased costs related to retail load hedge management wholesale sales, as a result of lower prices and lower sales volumes (\$460 million);
- \* increased costs related to higher prices for hedged natural gas and purchased power, net of mark-to-market reversals (\$14 million);
- \* decreased costs related to the effects of milder weather on retail sales (\$33 million);
- \* increased costs related to retail sales growth, excluding weather effects (\$31 million);
- \* charges in 2001 related to purchased power contracts with Enron and its affiliates (\$13 million net decrease);
- \* decreased replacement power costs for power plant outages due to lower market prices and fewer unplanned outages (\$127 million); and
- \* miscellaneous factors (\$9 million net decrease).

The increase in real estate gross margin of \$16 million was primarily due to increased sales activities.

The decrease in other gross margin of \$44 million was primarily due to losses on El Dorado's investment in NAC (see further discussion in "NAC International Inc. Losses" below).

The increase in operations and maintenance expense of \$54 million was due to a \$47 million write-off related to the cancellation of Redhawk Units 3 and 4, severance costs of \$36 million related to a 2002 voluntary workforce reduction and other costs of \$9 million, partially offset by lower costs related to generation reliability, plant outages and maintenance costs of \$38 million.

The increase in taxes other than income taxes of \$7 million is primarily due to increased property taxes on higher property balances.

Other income decreased \$11 million primarily due to an insurance recovery recorded in 2001 related to environmental remediation costs and other costs.

Other expense remained constant compared to the prior year primarily due to losses recorded related to El Dorado's investment in NAC of approximately \$8 million (see further discussion in "NAC International Inc. Losses" below) offset by \$8 million of lower miscellaneous non-operating costs.

Net interest expense increased \$16 million primarily because of higher debt balances related to our generation expansion program and lower capitalized interest on our generation expansion program.

## **NAC INTERNATIONAL INC. LOSSES**

We, through an unregulated wholly-owned subsidiary (El Dorado), own a majority interest in NAC, a company that develops, markets and contracts for the manufacture of cask designs for spent nuclear fuel storage and transportation. Prior to the third quarter of 2002, the Company's investment in NAC was accounted for under the equity method and the Company's share of NAC's earnings and losses were recorded in other income or expense in the consolidated income statement. Beginning in the third quarter of 2002, the Company fully consolidated NAC's financial statements after acquiring a controlling interest in NAC as a result of increased voting representation on NAC's board of directors. During the second and third quarters of 2002, the Company recorded cumulative losses of approximately \$21 million before income taxes related to NAC, primarily as a result of expected losses under contracts with two customers, including a contract between NAC and Maine Yankee Atomic Power Company ("Maine Yankee"). See Note 14 of Notes to Condensed Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations in our Quarterly Reports on Form 10-Q for the fiscal quarters ended June 30, 2002 and September 30, 2002 for additional information about NAC.

On January 15, 2003, Maine Yankee notified NAC of its intention to terminate its contract with NAC. The Company recorded additional NAC losses of \$38 million before income taxes in the fourth quarter of 2002, the substantial majority of which relates to the termination of the Maine Yankee contract.

**PINNACLE WEST CAPITAL CORPORATION**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(Dollars in Thousands, Except Per Share Amounts)

(Unaudited)

	THREE MONTHS ENDED December 31,		Increase (Decrease)	
	2002	2001	Amount	Percent
<b>OPERATING REVENUES</b>				
Regulated electricity segment	\$ 416,583	\$ 436,567	\$ (19,984)	4.6% W
Marketing and trading segment	113,355	17,419	95,936	550.8% B
Real estate	80,943	61,095	19,848	32.5% B
Other revenues	33,555	5,893	27,662	469.4% B
Total	644,436	520,974	123,462	23.7% B
<b>OPERATING EXPENSES</b>				
Regulated electricity segment purchased power and fuel	75,932	96,625	(20,693)	21.4% B
Marketing and trading segment purchased power and fuel	84,413	13,354	71,059	532.1% W
Operations and maintenance	193,674	121,790	71,884	59.0% W
Real estate operations	66,816	52,214	14,602	28.0% W
Depreciation and amortization	114,074	109,061	5,013	4.6% W
Taxes other than income taxes	26,805	20,967	5,838	27.8% W
Other expenses	65,844	6,348	59,496	937.2% W
Total	627,558	420,359	207,199	49.3% W
<b>OPERATING INCOME</b>	16,878	100,615	(83,737)	83.2% W
<b>OTHER</b>				
Other income	4,791	7,590	(2,799)	36.9% W
Other expenses	(6,873)	(13,469)	6,596	49.0% B
Total	(2,082)	(5,879)	3,797	64.6% B
<b>INTEREST EXPENSE</b>				
Interest charges	47,204	46,719	485	1.0% W
Capitalized interest	(4,967)	(12,458)	7,491	60.1% W
Total	42,237	34,261	7,976	23.3% W
<b>INCOME/(LOSS) BEFORE INCOME TAXES</b>	(27,441)	60,475	(87,916)	145.4% W
<b>INCOME TAXES</b>	(12,556)	24,669	(37,225)	150.9% B
<b>INCOME/(LOSS) BEFORE ACCOUNTING CHANGE</b>	(14,885)	35,806	(50,691)	141.6% W
<b>CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING FOR TRADING ACTIVITIES - NET OF INCOME TAX</b>	(65,745)	--	(65,745)	100.0% W
<b>NET INCOME/(LOSS)</b>	\$ (80,630)	\$ 35,806	\$ (116,436)	325.2% W
<b>WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - BASIC</b>	85,302	84,679	623	0.7%
<b>WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - DILUTED</b>	85,302	84,824	478	0.6%
<b>EARNINGS PER WEIGHTED AVERAGE COMMON SHARE OUTSTANDING</b>				
Income Before Accounting Change - Basic	\$ (0.17)	\$ 0.42	\$ (0.59)	140.5% W
Net Income - Basic	\$ (0.95)	\$ 0.42	\$ (1.37)	326.2% W
Income Before Accounting Change - Diluted	\$ (0.17)	\$ 0.42	\$ (0.59)	140.5% W
Net Income - Diluted	\$ (0.95)	\$ 0.42	\$ (1.37)	326.2% W

Certain prior year amounts have been restated to conform to the 2002 presentation.

B -- Better  
W -- Worse

**PINNACLE WEST CAPITAL CORPORATION**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(Dollars in Thousands, Except Per Share Amounts)

(Unaudited)

	TWELVE MONTHS ENDED December 31,		Increase (Decrease)	
	2002	2001	Amount	Percent
<b>OPERATING REVENUES</b>				
Regulated electricity segment	\$ 2,013,023	\$ 2,562,089	\$ (549,066)	21.4% W
Marketing and trading segment	325,931	651,230	(325,299)	50.0% W
Real estate	236,388	168,908	67,480	40.0% B
Other revenues	61,937	11,771	50,166	426.2% B
Total	2,637,279	3,393,998	(756,719)	22.3% W
<b>OPERATING EXPENSES</b>				
Regulated electricity segment purchased power and fuel	499,543	1,160,863	(661,320)	57.0% B
Marketing and trading segment purchased power and fuel	194,039	334,209	(140,170)	41.9% B
Operations and maintenance	584,538	530,095	54,443	10.3% W
Real estate operations	205,315	153,462	51,853	33.8% W
Depreciation and amortization	424,886	427,903	(3,017)	0.7% B
Taxes other than income taxes	107,952	101,068	6,884	6.8% W
Other expenses	104,959	10,375	94,584	911.7% W
Total	2,121,232	2,717,975	(596,743)	22.0% B
<b>OPERATING INCOME</b>	516,047	676,023	(159,976)	23.7% W
<b>OTHER</b>				
Other income	15,104	26,416	(11,312)	42.8% W
Other expenses	(33,655)	(33,577)	(78)	0.2% W
Total	(18,551)	(7,161)	(11,390)	159.1% W
<b>INTEREST EXPENSE</b>				
Interest charges	188,353	175,822	12,531	7.1% W
Capitalized interest	(44,110)	(47,862)	3,752	7.8% W
Total	144,243	127,960	16,283	12.7% W
<b>INCOME BEFORE INCOME TAXES</b>	353,253	540,902	(187,649)	34.7% W
<b>INCOME TAXES</b>	138,100	213,535	(75,435)	35.3% B
<b>INCOME BEFORE ACCOUNTING CHANGE</b>	215,153	327,367	(112,214)	34.3% W
<b>CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING FOR DERIVATIVES - NET OF INCOME TAX</b>	--	(15,201)	15,201	100.0% B
<b>CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING FOR TRADING ACTIVITIES - NET OF INCOME TAX</b>	(65,745)	--	(65,745)	100.0% W
<b>NET INCOME</b>	\$ 149,408	\$ 312,166	\$ (162,758)	52.1% W
<b>WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - BASIC</b>	84,903	84,718	185	0.2%
<b>WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - DILUTED</b>	84,964	84,930	34	0.0%
<b>EARNINGS PER WEIGHTED AVERAGE COMMON SHARE OUTSTANDING</b>				
Income Before Accounting Change - Basic	\$ 2.53	\$ 3.86	\$ (1.33)	34.5% W
Net Income - Basic	\$ 1.76	\$ 3.68	\$ (1.92)	52.2% W
Income Before Accounting Change - Diluted	\$ 2.53	\$ 3.85	\$ (1.32)	34.3% W
Net Income - Diluted	\$ 1.76	\$ 3.68	\$ (1.92)	52.2% W

Certain prior year amounts have been restated to conform to the 2002 presentation.

B -- Better  
W -- Worse

## Pinnacle West Capital Corporation Quarterly Consolidated Statistical Summary Glossary of Terms

Arizona Job Growth	Percentage growth over the prior year in total non-farm payroll employment for the state of Arizona, non-seasonally adjusted.
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 Gains (Losses) For Future-Period Deliveries	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.
Current Period Effects	The net effect of the total revenue or gross margins realized on delivery of commodities in the period being measured, and the amount of prior-period mark-to-market (gains) losses on contracts delivered during period. The net effect of transferring prior-period mark-to-market to realized does not affect total revenues, gross margin or earnings.
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(degree)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(degree)F for the month. Average temperatures greater than the base temperature are ignored.

Electricity Marketing and Trading  
- Delivered

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.

Electricity Spot Prices -- Palo Verde Electricity average daily spot prices at - Off-Peak 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 Electricity average daily spot prices at

- On-Peak

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 Sales Other Than Native Load

Sales of electricity from generation owned by the company that is over and above the amount required to serve retail customers and traditional wholesale contracts.

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.
Marketing and Trading Gross Margin by Commodity -- Pretax	Marketing and trading gross margin, before income taxes, for generation sales other than native load and for sales and purchases of electricity and other commodities by the company in the wholesale market, summarized by the underlying commodities.
Realized and Mark-to-Market Components	Marketing and trading gross margin, before income taxes, for generation sales other than native load 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.
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.
Megawatt (MW)	One million watts.
Megawatt-hour (MWh)	A unit of energy equivalent to 1,000 kilowatt-hours.

Prior Period Mark-To-Market (Gains) Losses on Contracts Delivered During Current Period	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.
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 Margin on Delivered Commodities	Marketing and trading gross margin related to electricity and other commodities that were delivered in the then-current period.
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.

System Peak Demand

The demand for electricity during the one hour of highest use each month. Measured in megawatts.

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.