PINNACLE WEST CAPITAL CORP

FORM 10-Q
(Quarterly Report)

Filed 08/14/00 for the Period Ending 06/30/00

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

PINNACLE WEST CAPITAL CORP

FORM 10-Q
(Quarterly Report)

Filed 8/14/2000 For Period Ending 6/30/2000

Address	400 NORTH FIFTH STREET .
	PHOENIX, Arizona 85004
Telephone	602-379-2500
CIK	0000764622
Industry	Electric Utilities
Sector	Utilities
Fiscal Year	12/31

FORM 10-Q
Securities and Exchange Commission
Washington, D.C. 20549

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2000

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______________ to ______________

Commission file number 1-8962

PINNACLE WEST CAPITAL CORPORATION
(Exact name of registrant as specified in its charter)

Arizona	86-0512431
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
400 E. Van Buren St., P.O. Box 52132, Phoenix, Arizona	85072-2132
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (602) 379-2500

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Number of shares of common stock, no par value, outstanding as of August 11, 2000: 84,738,337

Glossary

ACC - Arizona Corporation Commission

ACC Staff - Staff of the Arizona Corporation Commission

APS - Arizona Public Service Company, a Pinnacle West subsidiary

APS Energy Services - APS Energy Services Company, Inc., a Pinnacle West subsidiary

Company - Pinnacle West Capital Corporation

CPUC - California Public Utilities Commission

DOE - United States Department of Energy

EITF 97-4 - Emerging Issues Task Force Issue No. 97-4, "Deregulation of the Pricing of Electricity -- Issues Related to the Application of FASB Statements No. 71, Accounting for the Effects of Certain Types of Regulation, and No. 101, Regulated Enterprises ___ Accounting for the Discontinuation of Application of FASB Statement No. 71"

El Dorado - El Dorado Investment Company, a Pinnacle West subsidiary

EPA - United States Environmental Protection Agency

FERC - United States Federal Energy Regulatory Commission

Four Corners - Four Corners Power Plant

ITC - Investment tax credit

MW - Megawatts

NGS - Navajo Generating Station

1999 10-K - Pinnacle West Capital Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 1999

Settlement Agreement - APS' Settlement Agreement approved by the ACC in 1999

Palo Verde - Palo Verde Nuclear Generating Station

Pinnacle West - Pinnacle West Capital Corporation

Pinnacle West Energy - Pinnacle West Energy Corporation, a Pinnacle West subsidiary

Reliant - Reliant Energy Power Generation, Inc.

SCE - Southern California Edison Company

SFAS No. 71 - Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation"

SFAS No. 133 - Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities"

Salt River Project - Salt River Project Agricultural Improvement and Power District

SunCor - SunCor Development Company, a Pinnacle West subsidiary

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

PINNACLE WEST CAPITAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(In thousands, except per share amounts)

	Three Months Ended June 30, 2000	Three Months Ended June 30, 1999
Operating Revenues		
Electric	$ 720,174	$ 511,434
Real estate	36,374	32,697
Total	756,548	544,131
Operating Expenses		
Fuel and purchased power	289,785	134,756
Utility operations and maintenance	107,485	108,264
Real estate operations	34,574	29,401
Depreciation and amortization	97,941	97,383
Taxes other than income taxes	25,610	25,359
Total	555,395	395,163
Operating Income	201,153	148,968
Other Income (Expense)	(6,980)	399
Income Before Interest and Income Taxes	194,173	149,367
Interest Expense		
Interest charges	43,446	41,105
Capitalized interest	(4,786)	(4,189)
Total	38,660	36,916
Income Before Income Taxes	155,513	112,451
Income Taxes	65,612	43,749
Net Income	$ 89,901	$ 68,702
Average Common Shares Outstanding - Basic	84,730	84,716
Average Common Shares Outstanding - Diluted	84,891	85,093
Earnings Per Average Common Share Outstanding		
Net Income - Basic	$ 1.06	$ 0.81
Net Income - Diluted	$ 1.06	$ 0.81
Dividends Declared Per Share	$ 0.35	$ 0.65

See Notes to Condensed Consolidated Financial Statements.

PINNACLE WEST CAPITAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(In thousands, except per share amounts)

	Six Months Ended June 30, 2000	Six Months Ended June 30, 1999
Operating Revenues		
Electric	$ 1,166,402	$ 925,417
Real estate	78,263	57,230
Total	1,244,665	982,647
Operating Expenses		
Fuel and purchased power	415,782	235,101
Utility operations and maintenance	218,084	210,206
Real estate operations	67,394	51,636
Depreciation and amortization	194,979	194,293
Taxes other than income taxes	51,002	50,844
Total	947,241	742,080
Operating Income	297,424	240,567
Other Income (Expense)		
Preferred stock dividend requirements of APS	--	(1,016)
Net other income and expense	28,563	(1,938)
Total	28,563	(2,954)
Income Before Interest and Income Taxes	325,987	237,613
Interest Expense		
Interest charges	84,223	81,874
Capitalized interest	(8,635)	(8,263)
Total	75,588	73,611
Income Before Income Taxes	250,399	164,002
Income Taxes	106,428	64,610
Net Income	$ 143,971	$ 99,392
Average Common Shares Outstanding - Basic	84,729	84,693
Average Common Shares Outstanding - Diluted	84,859	85,135
Earnings Per Average Common Share Outstanding		
Net Income - Basic	$ 1.70	$ 1.17
Net Income - Diluted	$ 1.70	$ 1.17
Dividends Declared Per Share	$ 0.70	$ 0.975

See Notes to Condensed Consolidated Financial Statements.

PINNACLE WEST CAPITAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(In thousands, except per share amounts)

	Twelve Months Ended June 30, 2000	Twelve Months Ended June 30, 1999
Operating Revenues		
Electric	$2,534,169	$2,109,677
Real estate	151,202	118,341
Total	2,685,371	2,228,018
Operating Expenses		
Fuel and purchased power	976,790	607,758
Utility operations and maintenance	454,655	426,961
Real estate operations	135,274	110,518
Depreciation and amortization	386,254	387,557
Taxes other than income taxes	96,764	100,971
Total	2,049,737	1,633,765
Operating Income	635,634	594,253
Other Income (Expense)		
Preferred stock dividend requirements of APS	--	(5,406)
Net other income and expense	41,294	(5,880)
Total	41,294	(11,286)
Income From Continuing Operations Before Interest and Income Taxes	676,928	582,967
Interest Expense		
Interest charges	164,730	165,656
Capitalized interest	(12,036)	(17,329)
Total	152,694	148,327
Income From Continuing Operations Before Income Taxes	524,234	434,640
Income Taxes	209,883	172,439
Income From Continuing Operations	314,351	262,201
Income Tax Benefit From Discontinued Operations	38,000	--
Extraordinary Charge - Net of Income Taxes of $94,115	(139,885)	--
Net Income	$ 212,466	$ 262,201
Average Common Shares Outstanding - Basic	84,735	84,722
Average Common Shares Outstanding - Diluted	84,902	85,232
Earnings Per Average Common Share Outstanding		
Continuing Operations - Basic	$ 3.71	$ 3.09
Net Income - Basic	$ 2.51	$ 3.09
Continuing Operations - Diluted	$ 3.70	$ 3.08
Net Income - Diluted	$ 2.50	$ 3.08
Dividends Declared Per Share	$ 1.05	$ 1.30

See Notes to Condensed Consolidated Financial Statements.

PINNACLE WEST CAPITAL CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS
(Thousands of Dollars)

	June 30, 2000 (Unaudited)	December 31, 1999
Current Assets		
Cash and cash equivalents	$ 70,400	$ 20,705
Customer and other receivables--net	352,354	244,599
Accrued utility revenues	112,261	72,919
Materials and supplies	73,038	69,977
Fossil fuel	18,727	21,869
Deferred income taxes	9,663	8,163
Other current assets	78,641	60,562
Total current assets	715,084	498,794
Investments and Other Assets		
Real estate investments--net	340,682	344,293
Other assets	304,195	267,458
Total investments and other assets	644,877	611,751
Property, Plant and Equipment		
Plant in service and held for future use	7,675,652	7,546,314
Less accumulated depreciation and amortization	3,139,840	3,026,194
Total	4,535,812	4,520,120
Construction work in progress	251,602	209,281
Nuclear fuel, net of amortization	47,864	49,114
Net property, plant and equipment	4,835,278	4,778,515
Deferred Debits		
Regulatory assets	545,622	613,729
Other deferred debits	102,887	105,717
Total deferred debits	648,509	719,446
Total Assets	$6,843,748	$6,608,506

See Notes to Condensed Consolidated Financial Statements.

PINNACLE WEST CAPITAL CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

LIABILITIES AND EQUITY
(Thousands of Dollars)

	June 30, 2000	December 31, 1999
	(Unaudited)	
Current Liabilities		
Accounts payable	$ 242,838	$ 186,524
Accrued taxes	197,081	70,510
Accrued interest	33,603	33,253
Short-term borrowings	200,875	38,300
Current maturities of long-term debt	114,886	114,798
Customer deposits	26,476	26,098
Other current liabilities	404	26,007
Total current liabilities	816,163	495,490
Long-Term Debt Less Current Maturities	2,075,951	2,206,052
Deferred Credits and Other		
Deferred income taxes	1,153,827	1,183,855
Unamortized gain - sale of utility plant	70,924	73,212
Other	436,285	444,164
Total deferred credits and other	1,661,036	1,701,231
Commitments and contingencies (Notes 6, 7, 9 and 10)		
Common Stock Equity		
Common stock, no par value	1,537,652	1,537,449
Retained earnings	752,946	668,284
Total common stock equity	2,290,598	2,205,733
Total Liabilities and Equity	$6,843,748	$6,608,506

See Notes to Condensed Consolidated Financial Statements.

PINNACLE WEST CAPITAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(THOUSANDS OF DOLLARS)

	Six Months Ended June 30, 2000	Six Months Ended June 30, 1999
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 143,971	$ 99,392
Items not requiring cash		
Depreciation and amortization	194,979	194,293
Nuclear fuel amortization	15,124	15,673
Deferred income taxes--net	(8,518)	(21,477)
Other--net	(3,623)	(6,577)
Changes in current assets and liabilities		
Customer and other receivables--net	(107,755)	48,175
Accrued utility revenues	(39,342)	(30,306)
Materials, supplies and fossil fuel	81	(5,653)
Other current assets	(18,079)	(8,329)
Accounts payable	60,918	(25,465)
Accrued taxes	126,571	95,675
Accrued interest	350	1,106
Other current liabilities	(25,178)	(5,307)
Change in El Dorado partnership investment	(26,794)	--
Decrease (increase) in land held	4,314	(4,642)
Other--net	(6,035)	(16,382)
Net Cash Flow Provided By Operating Activities	310,984	330,176
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(223,361)	(153,730)
Capitalized interest	(8,635)	(8,263)
Other--net	(1,541)	1,282
Net Cash Flow Used For Investing Activities	(233,537)	(160,711)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of long-term debt	139,000	193,691
Short-term borrowings--net	162,575	45,120
Dividends paid on common stock	(59,307)	(55,101)
Repayment of long-term debt	(270,223)	(235,755)
Redemption of preferred stock	--	(96,499)
Other--net	203	(8,948)
Net Cash Flow Used For Financing Activities	(27,752)	(157,492)
Net Cash Flow	49,695	11,973
Cash and Cash Equivalents at Beginning of Period	20,705	20,538
Cash and Cash Equivalents at End of Period	$ 70,400	$ 32,511
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for:		
Interest, net of amounts capitalized	$ 72,475	$ 68,341
Income taxes	$ 6,361	$ 940

See Notes to Condensed Consolidated Financial Statements.

PINNACLE WEST CAPITAL CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. The condensed consolidated financial statements include the accounts of Pinnacle West and its subsidiaries: APS, Pinnacle West Energy, APS Energy Services, SunCor, and El Dorado . All significant intercompany balances have been eliminated. We have reclassified certain prior year amounts to conform to the current year presentation.

2. Our unaudited condensed consolidated financial statements reflect all adjustments which we believe are necessary for the fair presentation of our financial position and results of operations for the periods presented. These adjustments are of a normal recurring nature with the exception of the extraordinary charge and the tax benefit from discontinued operations. We suggest that these Condensed Consolidated Financial Statements and Notes to Condensed Consolidated Financial Statements be read along with the Consolidated Financial Statements and Notes to Consolidated Financial Statements included in our 1999 10-K.

3. Weather conditions and wholesale power marketing and trading activities can have significant impacts on our results for interim periods. El Dorado's earnings are subject to stock market volatility (see Note 12). For these and other reasons, results for interim periods do not necessarily represent results to be expected for the year.

4. See "Liquidity and Capital Resources" in Part I, Item 2 of this report for changes in capitalization for the six months ended June 30, 2000.

5. Regulatory Accounting

For regulated operations, APS prepares its financial statements in accordance with Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation." SFAS No. 71 requires a cost-based, rate-regulated enterprise to reflect the impact of regulatory decisions in its financial statements.

During 1997, the Emerging Issues Task Force (EITF) of the Financial Accounting Standards Board (FASB) issued EITF 97-4. EITF 97-4 requires that SFAS No. 71 be discontinued no later than when legislation is passed or a rate order is issued that contains sufficient detail to determine its effect on the portion of the business being deregulated, which could result in write-downs or write-offs of physical and/or regulatory assets. Additionally, the EITF determined that regulatory assets should not be written off if they are to be recovered from a portion of the entity which continues to apply SFAS No. 71.

The Settlement Agreement was approved by the ACC in September 1999 (see Note 6 for a discussion of the agreement). Consequently, APS has discontinued the application of SFAS No. 71 for its generation operations. This means that the generation assets were tested for impairment and the portion of regulatory assets deemed to be unrecoverable through ongoing regulated cash flows was eliminated. APS determined that the generation assets were not impaired. A regulatory disallowance removed $234 million pretax ($183 million net present value) from ongoing regulatory cash flows and was recorded as a net reduction of regulatory assets. This reduction ($140 million after income taxes) was reported as an extraordinary charge on the income statement during the third quarter of 1999. Prior to the Settlement Agreement, under the 1996 regulatory agreement (see Note 6), the ACC accelerated the amortization of substantially all of APS' regulatory assets to an eight-year period ending June 30, 2004.

The regulatory assets to be recovered under the 1999 Settlement Agreement are now being amortized as follows (millions of dollars):

1999	2000	2001	2002	2003	1/1 - 6/30 2004	Total
$164	$158	$145	$115	$86	$18	$686

The majority of APS' regulatory assets relate to deferred income taxes and rate synchronization cost deferrals.

The condensed consolidated balance sheets include the amounts listed below for generation assets not subject to SFAS No. 71 (thousands of dollars):

	June 30, 2000	December 31, 1999
Electric plant in service & held for future use	$ 3,761,855	$ 3,770,234
Accumulated depreciation and amortization	(1,678,752)	(1,641,855)
Construction work in progress	140,037	87,819
Nuclear fuel, net of amortization	47,864	49,114

6. Regulatory Matters -- Electric Industry Restructuring

STATE

SETTLEMENT AGREEMENT. On May 14, 1999, APS entered into a comprehensive Settlement Agreement with various parties, including representatives of major consumer groups, related to the implementation of retail electric competition. On September 23, 1999, the ACC voted to approve the Settlement Agreement, with some modifications. On December 13, 1999, two parties filed lawsuits challenging the ACC's approval of the Settlement Agreement. One of the parties questioned the authority of the ACC to approve the Settlement Agreement and both parties challenged several specific provisions of the Settlement Agreement. A decision on the appeals to the Settlement Agreement is not expected until later this year or next year.

The following are the major provisions of the Settlement Agreement, as approved:

* APS will reduce rates for standard offer service for customers with loads less than 3 megawatts in a series of annual retail electric price reductions of 1.5% beginning

July 1, 1999 through July 1, 2003, for a total of 7.5%. The first reduction of approximately $24 million ($14 million after income taxes) included the July 1, 1999 retail price decrease of approximately $11 million annually ($7 million after income taxes) related to the 1996 regulatory agreement. See "1996 Regulatory Agreement" below. Based on the price reduction authorized in the Settlement Agreement, there was a retail price decrease of approximately $28 million ($17 million after taxes), or 1.5%, effective July 1, 2000. For customers having loads 3 megawatts or greater, standard offer rates will be reduced in varying annual increments that total 5% through 2002.

* Unbundled rates being charged by APS for competitive direct access service (for example, distribution services) became effective upon approval of the Settlement Agreement, retroactive to July 1, 1999, and also will be subject to annual reductions beginning January 1, 2000, that vary by rate class, through January 1, 2004.

* There will be a moratorium on retail price changes for standard offer and unbundled competitive direct access services until July 1, 2004, except for the price reductions described above and certain other limited circumstances. Neither the ACC nor APS will be prevented from seeking or authorizing rate changes prior to July 1, 2004 in the event of conditions or circumstances that constitute an emergency, such as an inability to finance on reasonable terms, or material changes in APS' cost of service for ACC-regulated services resulting from federal, tribal, state or local laws, regulatory requirements, judicial decisions, actions or orders.

* APS will be permitted to defer for later recovery prudent and reasonable costs of complying with the ACC electric competition rules, system benefits costs in excess of the levels included in current rates, and costs associated with APS' "provider of last resort" and standard offer obligations for service after July 1, 2004. These costs are to be recovered through an adjustment clause or clauses commencing on July 1, 2004.

* APS' distribution system opened for retail access effective September 24, 1999. Customers will be eligible for retail access in accordance with the phase-in adopted by the ACC under the electric competition rules (see "Retail Electric Competition Rules" below), with an additional 140 megawatts being made available to eligible non-residential customers. Unless subject to judicial or regulatory restraint, APS will open its distribution system to retail access for all customers on January 1, 2001.

* Prior to the Settlement Agreement, APS was recovering substantially all of its regulatory assets through July 1, 2004, pursuant to the 1996 regulatory agreement. In addition, the Settlement Agreement states that APS has demonstrated that its allowable stranded costs, after mitigation and exclusive of regulatory assets, are at least $533 million net present value. APS will not be allowed to recover $183 million net present value of the above amounts. The Settlement Agreement provides that APS will have the opportunity to recover $350 million net present value through a competitive transition charge (CTC) that will remain in effect through December 31, 2004, at which time it will terminate. Any over/under-recovery will be

credited/debited against the costs subject to recovery under the adjustment clause described above.

* APS will form a separate corporate affiliate or affiliates and transfer to that affiliate(s) its generating assets and competitive services at book value as of the date of transfer, which transfer shall take place no later than December 31, 2002. APS will be allowed to defer and later collect, beginning July 1, 2004, sixty-seven percent of its costs to accomplish the required transfer of generation assets to an affiliate.

* When the Settlement Agreement approved by the ACC is no longer subject to judicial review, APS will move to dismiss all of its litigation pending against the ACC as of the date it entered into the Settlement Agreement. To protect APS' rights, it has several lawsuits pending on ACC orders relating to stranded cost recovery and the adoption and amendment of the ACC's electric competition rules, which would be voluntarily dismissed at the appropriate time under this provision.

As discussed in Note 5 above, APS has discontinued the application of SFAS No. 71 for its generation operations.

RETAIL ELECTRIC COMPETITION RULES. On September 21, 1999, the ACC voted to approve the rules that provide a framework for the introduction of retail electric competition in Arizona (Rules). If any of the Rules conflict with the Settlement Agreement, the terms of the Settlement Agreement govern. On December 8, 1999, APS filed a lawsuit to protect its legal rights regarding the Rules. This lawsuit is pending, along with several other lawsuits on ACC orders relating to stranded cost recovery and the adoption or amendment of the Rules, but two related cases filed by other utilities have been partially decided in a manner adverse to those utilities' positions.

On July 12, 2000, a Maricopa County Superior Court judge issued a preliminary ruling in favor of the ACC and denied substantive challenges to the Rules that had been made by the electric cooperatives. However, he concluded that some of the Rules were invalid because of procedural deficiencies. Specifically, the judge concluded that several non-ratemaking Rules were required to be presented to the Arizona Attorney General for certification. Additionally, the judge determined that the Arizona Constitution requires the ACC to make findings regarding the fair value of property in Arizona of competitive electric service providers. We do not believe that the ruling affects the Settlement Agreement with the ACC. The Settlement Agreement was not at issue in the consolidated cases before the judge. Further, the ACC made findings related to fair value of APS' property in the order approving the APS Settlement Agreement.

The ruling does not immediately affect the Rules. APS expects that, in the next few weeks, the court will consider proposed forms of judgment which will establish the specific impact of the ruling. Although the ACC has not yet indicated what steps it intends to take after a judgment is issued, the ACC could appeal the ruling to the Court of Appeals or could elect to take corrective action to correct the procedural deficiencies identified in the judge's ruling. The cooperatives may also appeal the ruling. There is authority indicating that if the order is appealed by the ACC, it will be automatically stayed pending further judicial review. Certain other appeals of the Rules are still pending in the Maricopa County Superior Court. We believe that the court may rule on the remaining appeals later this year or next year.

On January 14, 2000, a special action was filed requesting the Arizona Supreme Court to enjoin implementation of the Rules and decide whether the ACC can allow the competitive marketplace, rather than the ACC, to set just and reasonable rates under the Arizona Constitution. The issue of competitively set rates has been decided by lower Arizona courts in favor of the ACC in four separate lawsuits, two of which relate to telecommunications companies. The Supreme Court denied to hear the case as a special action on March 17, 2000. The lower court litigation will continue.

The Rules approved by the ACC include the following major provisions:

* They apply to virtually all Arizona electric utilities regulated by the ACC, including APS.

* The Rules require each affected utility, including APS, to make available at least 20% of its 1995 system retail peak demand for competitive generation supply beginning when the ACC makes a final decision on each utility's stranded costs and unbundled rates (Final Decision Date) or January 1, 2001, whichever is earlier, and 100% beginning January 1, 2001. Under the Settlement Agreement, APS will provide retail access to customers representing the minimum 20% required by the ACC and an additional 140 megawatts of non-residential load in 1999, and to all customers as of January 1, 2001, or such other dates as approved by the ACC.

* Subject to the 20% requirement, all utility customers with single premise loads of one megawatt or greater will be eligible for competitive electric services on the Final Decision Date, which for APS' customers was the approval of the Settlement Agreement. Customers may also aggregate smaller loads to meet this one megawatt requirement.

* When effective, residential customers will be phased in at 1.25% per quarter calculated beginning on January 1, 1999, subject to the 20% requirement above.

* Electric service providers that get Certificates of Convenience and Necessity (CC&Ns) from the ACC can supply only competitive services, including electric generation, but not electric transmission and distribution.

* Affected utilities must file ACC tariffs that unbundle rates for non-competitive services.

* The ACC shall allow a reasonable opportunity for recovery of unmitigated stranded costs.

* Absent an ACC waiver, prior to January 1, 2001, each affected utility (except certain electric cooperatives) must transfer all competitive generation assets and services either to an unaffiliated party or to a separate corporate affiliate. Under the

Settlement Agreement, APS received a waiver to allow transfer of its competitive generation assets and services to affiliates no later than December 31, 2002.

1996 REGULATORY AGREEMENT. In April 1996, the ACC approved a regulatory agreement between the ACC Staff and APS. Based on the price reduction formula authorized in the agreement, the ACC approved retail price decreases (approximate) as follows (millions of dollars):

Annual Electric Revenue Decrease	Percentage Decrease	Effective Date
$49	3.4%	July 1, 1996
$18	1.2%	July 1, 1997
$17	1.1%	July 1, 1998
$11	0.7%	July 1, 1999 (a)

(a) Included in the first rate reduction under the Settlement Agreement (see above).

The regulatory agreement also required the parent company to infuse $200 million of common equity into APS in annual payments of $50 million from 1996 through 1999. All of these equity infusions were made by December 31, 1999.

LEGISLATION. In May 1998, a law was enacted to facilitate implementation of retail electric competition in Arizona. The law includes the following major provisions:

* Arizona's largest government-operated electric utility (Salt River Project) and, at their option, smaller municipal electric systems must (i) make at least 20% of their 1995 retail peak demand available to electric service providers by December 31, 1998 and for all retail customers by December 31, 2000; (ii) decrease rates by at least 10% over a ten-year period beginning as early as January 1, 1991; (iii) implement procedures and public processes comparable to those already applicable to public service corporations for establishing the terms, conditions, and pricing of electric services as well as certain other decisions affecting retail electric competition;

* describes the factors which form the basis of consideration by Salt River Project in determining stranded costs; and

* metering and meter reading services must be provided on a competitive basis during the first two years of competition only for customers having demands in excess of one megawatt (and that are eligible for competitive generation services), and thereafter for all customers receiving competitive electric generation.

GENERAL

We cannot accurately predict the impact of full retail competition on our financial position, cash flows, or results of operations. As competition in the electric industry continues to evolve, we will continue to evaluate strategies and alternatives that will position the Company and our subsidiaries to compete in the new regulatory environment.

FEDERAL

The Energy Policy Act of 1992 and recent rulemakings by FERC have promoted increased competition in the wholesale electric power markets. APS does not expect these rules to have a material impact on its financial statements.

Several electric utility industry restructuring bills have been introduced during the current congressional session. Several of these bills are written to allow consumers to choose their electricity suppliers beginning in 2000 and beyond. These bills, other bills that are expected to be introduced, and ongoing discussions at the federal level suggest a wide range of opinion that will need to be narrowed before any comprehensive restructuring of the electric utility industry can occur.

7. Nuclear Insurance

The Palo Verde participants have insurance for public liability payments resulting from nuclear energy hazards to the full limit of liability under federal law. This potential liability is covered by primary liability insurance provided by commercial insurance carriers in the amount of $200 million and the balance by an industry-wide retrospective assessment program. If losses at any nuclear power plant covered by the programs exceed the accumulated funds, APS could be assessed retrospective premium adjustments. The maximum assessment per reactor under the program for each nuclear incident is approximately $88 million, subject to an annual limit of $10 million per incident. Based upon APS' 29.1% interest in the three Palo Verde units, APS' maximum potential assessment per incident is approximately $77 million, with an annual payment limitation of approximately $9 million.

The Palo Verde participants maintain "all risk" (including nuclear hazards) insurance for property damage to, and decontamination of, property at Palo Verde in the aggregate amount of $2.75 billion, a substantial portion of which must first be applied to stabilization and decontamination. APS has also secured insurance against portions of any increased cost of generation or purchased power and business interruption resulting from a sudden and unforeseen outage of any of the three units. The insurance coverage discussed in this and the previous paragraph is subject to certain policy conditions and exclusions.

8. Business Segments

We have two principal business segments (determined by products, services and regulatory environment) which consist of the transmission and distribution of electricity and wholesale power marketing and trading activities (delivery business segment) and the generation of electricity (generation business segment). We plan to move our wholesale power marketing and trading activities from APS to the parent company by the end of 2000. The other amounts include activity relating to the parent company and other subsidiaries including APS Energy Services, SunCor and El Dorado. Eliminations primarily relate to intersegment sales of electricity. Segment information for the three, six and twelve months ended June 30, 2000 and 1999 is as follows (millions of dollars):

	3 Months Ended June 30,		6 Months Ended June 30,		12 Months Ended June 30,	
	2000	1999	2000	1999	2000	1999
Operating Revenues:						
Delivery	$ 719	$ 511	$ 1,165	$ 925	$ 2,533	$ 2,110
Generation	249	220	428	396	886	877
Other	38	33	80	58	152	118
Eliminations	(249)	(220)	(428)	(396)	(886)	(877)
Total	$ 757	$ 544	$ 1,245	$ 983	$ 2,685	$ 2,228
Income from Continuing Operations:						
Delivery	$ 55	$ 34	$ 80	$ 55	$ 172	$ 144
Generation	40	36	48	47	121	125
Other	(5)	(1)	16	(3)	21	(7)
Total	$ 90	$ 69	$ 144	$ 99	$ 314	$ 262

	As of June 30, 2000	As of December 31, 1999
Assets:		
Delivery	$3,938	$3,796
Generation	2,381	2,342
Other	525	471
Total	$6,844	$6,609

9. Accounting Matters

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, which is effective for us in 2001. SFAS No. 133 requires that entities recognize all derivatives as either assets or liabilities on the balance sheet and measure those instruments at fair value. The standard also provides specific guidance for accounting for derivatives designated as hedging instruments. We are currently evaluating what impact this standard will have on our financial statements.

10. Generation Expansion

Pinnacle West Energy has announced plans to build and acquire up to 4,000 MW of generating capacity from 2001-2006 at an estimated cost of about $2 billion, assuming all of the announced plants are built or acquired.

Pinnacle West Energy is also considering additional expansion over the next several years, which may result in additional expenditures. Pinnacle West Energy's expenditures are expected to be funded through debt issued directly by Pinnacle West Energy, as well as capital infusions from the parent company's internally generated cash and debt proceeds.

Pinnacle West Energy is currently planning a 650-megawatt expansion of the West Phoenix Power Plant and the construction of a natural gas-fired electric generating station of up to 2,120 megawatts near Palo Verde, called Redhawk (see discussion in the following paragraph). Construction at West Phoenix began in July 2000, with commercial operation of the first unit expected in the summer of 2001. Pinnacle West Energy also expects that construction will begin on the first two units of Redhawk near the end of 2000, with commercial operation scheduled for the summer of 2002.

Pinnacle West Energy and Reliant have terminated discussions on joint development of the first two Redhawk units and three units in Nevada. Pinnacle West Energy currently plans to keep the first two units (1,060 megawatts) of the Redhawk project on schedule.

Projected capital expenditures for the above expansion plans on the current schedule are estimated to be $277 million in 2000, $392 million in 2001, and $141 million in 2002.

On April 27, 2000, Pinnacle West Energy entered into two separate agreements with SCE to purchase SCE's 15.8% ownership interest in Palo Verde and its 48% ownership interest in Units 4 and 5 of the Four Corners Power Plant (Four Corners). The purchase price is $550 million in cash to be paid at closing, subject to certain adjustments. The interests to be acquired represent 1,310 MW of generating capacity (600 MW associated with SCE's Palo Verde interest, and 710 MW associated with SCE's Four Corners interest). The transactions are expected to close in mid-2001, subject to the approval of various governmental authorities, including the CPUC, the FERC, the Nuclear Regulatory Commission, the Internal Revenue Service, and the Navajo Nation.

The agreements between Pinnacle West Energy and SCE include the following additional terms:

* Prior to and up to 90 days following SCE's filing with the CPUC seeking approval of the transactions, which was made on May 15, 2000, SCE was allowed to solicit offers for, or indications of interest in, (a) its Four Corners interest or (b) its Four Corners interest and its Palo Verde interest. SCE's sale of its interest in Four Corners is also subject to a right of first refusal on the part of the other Four Corners participants, including APS. Pinnacle West Energy had the right to match any offer or indication of interest that SCE

received during this period. This period has expired without Pinnacle West Energy matching an indication of interest.

* The Agreements permit SCE, for a period of up to 120 days (until early December), to engage in further negotiations and discussions with any party who submitted an indication of interest. Subject to CPUC approval, Pinnacle West Energy retains the right under the Agreements to match the terms of any binding agreement that SCE elects to enter into.

* Pinnacle West Energy is not obligated to purchase SCE's Four Corners interest unless SCE also sells its Palo Verde interest to Pinnacle West Energy. SCE is not obligated to sell its Palo Verde interest to Pinnacle West Energy unless Pinnacle West Energy (or some other third party) purchases SCE's Four Corners interest.

* SCE will transfer the assets of its Palo Verde decommissioning fund to Pinnacle West Energy, and Pinnacle West Energy will assume SCE's Palo Verde decommissioning obligations.

* Pinnacle West Energy will assume SCE's obligations and liabilities associated with ownership of its interests in Palo Verde and Four Corners, subject to specified exceptions.

* We guaranteed Pinnacle West Energy's obligations under each of the agreements, including Pinnacle West Energy's purchase price obligations.

The Utility Reform Network, which represents the interests of SCE's residential and small commercial customers, has filed a protest with the CPUC recommending that the CPUC reject the sale and require SCE to retain the generating facilities. The California Office of Ratepayer Advocates has also filed objections regarding various aspects of the proposed transactions. There can be no assurance that other protests will not be filed with the CPUC.

11. Income Tax Benefit

In September 1999, we recorded a tax benefit of $38 million, or $0.45 per basic or diluted share, which stemmed from the resolution of income tax matters related to a former subsidiary, MeraBank, A Federal Savings Bank. This amount is reflected as a tax benefit from discontinued operations in the income statement.

12. El Dorado Partnership Investment Income

Net other income consists primarily of El Dorado's share in the earnings of a venture capital partnership. The partnership adjusts the value of its investment at the end of each fiscal quarter. The value of El Dorado's investment in the partnership is determined by various factors beyond our control, including equity market conditions. Most of the partnership's investments are in technology-related companies whose share prices are highly volatile.

Prior to June 2000, we recorded our share of the earnings from the partnership, as the partnership adjusted the value of its investment, on a one-quarter lag. This was done due to time constraints in obtaining and analyzing such results for inclusion in our consolidated financial statements on a current basis.

During the second quarter of 2000, we requested a distribution of our share of the investments held by the partnership. There is some disagreement with the general partner regarding the distribution of those shares, but we believe we have legal authority to request and receive our share of the investments. We are pursuing that distribution and accordingly have adjusted our investment to reflect the current market value. In the second quarter of 2000, we recognized earnings net of tax of $28 million on the one-quarter lag basis offset by a $31 million decline net of tax in the value of our investment for the fiscal quarter ended June 30, 2000 for a total net loss of $3 million for the quarter.

Upon receipt, we will account for the securities as available for sale with changes in value recorded in other comprehensive income. Gains and losses from the ultimate sale of such securities will be reflected in our net earnings. The book value of El Dorado's investment in the partnership at June 30, 2000 was approximately $38 million.

PINNACLE WEST CAPITAL CORPORATION

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

In this section, we explain our results of operations, general financial condition, and outlook for Pinnacle West and our subsidiaries: APS, Pinnacle West Energy, APS Energy Services, SunCor, and El Dorado including:

* the changes in our earnings for the periods presented
* the factors impacting our business, including competition
* the effects of regulatory decisions on our results and outlook
* our capital needs and resources and
* our management of market risks.

APS, our major subsidiary and Arizona's largest electric utility, provides retail and wholesale electric service to the entire state with the exception of Tucson and about one-half of the Phoenix area. APS also generates, sells, and delivers electricity to wholesale customers in the western United States. SunCor is a developer of residential, commercial, and industrial real estate projects in Arizona, New Mexico, and Utah. El Dorado is primarily a venture capital firm. APS Energy Services was formed in 1998 and sells energy and energy-related products and services in competitive retail markets in the western United States. Pinnacle West Energy, which was formed in 1999, is the subsidiary through which we intend to conduct our unregulated generation operations.

The following table summarizes net income for the three-month, six-month and twelve-month periods ended June 30, 2000 and the comparable prior-year periods for Pinnacle West and each of its subsidiaries:

	3 Months Ended June 30,		6 Months Ended June 30,		12 Months Ended June 30,	
(Millions of Dollars)	2000	1999	2000	1999	2000	1999 (a)
APS	$ 96	$ 70	$ 129	$ 102	$ 294	$ 269
Pinnacle West Energy	(1)	--	(1)	--	(1)	--
APS Energy Services	(2)	(2)	(4)	(3)	(10)	(3)
SunCor	1	3	6	4	8	6
El Dorado	(3)	--	16	--	27	--
Parent Company	(1)	(2)	(2)	(4)	(4)	(10)
Income From Continuing Operations	90	69	144	99	314	262
Income Tax Benefit From Discontinued Operations	--	--	--	--	38	--
Extraordinary Charge - Net of Income Taxes of $94	--	--	--	--	(140)	--
Net Income	$ 90	$ 69	$ 144	$ 99	$ 212	$ 262

(a) SunCor's 1999 earnings have been restated here to exclude a $37 million deferred tax benefit. In accordance with our intercompany tax sharing agreement, the offset resides with the parent company. There is no consolidated earnings effect as these tax benefits had already been reflected on a consolidated basis.

We suggest this section be read along with the 1999 10-K. Throughout this Management's Discussion and Analysis of Financial Condition and Results of Operations, we refer to specific "Notes" in the Notes to Condensed Consolidated Financial Statements. These Notes add further details to the discussion.

OPERATING RESULTS

OPERATING RESULTS - THREE-MONTH PERIOD ENDED JUNE 30, 2000 COMPARED WITH THREE-MONTH PERIOD ENDED JUNE 30, 1999

Consolidated net income for the three months ended June 30, 2000 was $90 million compared with $69 million for the same period in the prior year. Consolidated net income increased for the three-month period primarily because of an increase in the profitability of wholesale power marketing and trading activities, and increases in the number of customers and in the average amount of electricity used by customers. These positive factors more than offset decreases due to the effects of increased fuel and purchased power costs, the completion of the amortization of ITCs in 1999, an electricity price reduction, and a decrease in El Dorado's earnings. See Note 6 for information on the price reduction. See "Income Taxes" below for a discussion of the ITC amortization.

Electric operating revenues increased $209 million because of:

* increased power marketing and trading revenues ($150 million)
* increases in the number of customers and the average amount of electricity used by customers ($44 million)
* warmer weather impacts ($18 million) and
* miscellaneous factors ($4 million).

As mentioned above, these positive factors were partially offset by the effect of a reduction in retail electricity prices ($7 million).

The increase in power marketing and trading revenues resulted from higher prices and increased activity in the western U.S. wholesale power markets. The revenues were accompanied by an increase in purchased power and fuel expenses of $105 million.

Fuel and purchased power expenses were also higher because of higher retail sales volumes and increased fuel prices.

Other income (expense) decreased $7 million primarily because of a quarterly adjustment of the value of El Dorado's investment in a technology-related venture capital partnership. See Note 12.

OPERATING RESULTS - SIX-MONTH PERIOD ENDED JUNE 30, 2000 COMPARED WITH SIX-MONTH PERIOD ENDED JUNE 30, 1999

Consolidated net income for the six months ended June 30, 2000 was $144 million compared with $99 million for the same period in the prior year. The increase primarily relates to an increase in El Dorado's earnings, an increase in the profitability of wholesale power marketing and trading activities, and increases in the number of customers and in the average amount of electricity used by customers. These positive factors more than offset decreases due to the effects of increased fuel and purchased power costs, the completion of the amortization of ITCs in 1999, an electricity price reduction, and higher utility operations and maintenance expense. See Note 6 for information on the price reduction. See "Income Taxes" below for a discussion of the ITC amortization.

Electric operating revenues increased $241 million because of:

* increased power marketing and trading revenues ($173 million)
* increases in the number of customers and the average amount of electricity used by customers ($55 million)
* warmer weather impacts ($19 million) and
* miscellaneous factors ($7 million).

These positive factors were partially offset by the effect of a reduction in retail electricity prices ($13 million).

The increase in power marketing and trading revenues resulted from higher prices and increased activity in the western U.S. wholesale power markets. The revenues were accompanied by an increase in purchased power and fuel expenses of $129 million.

Fuel and purchased power expenses were also higher because of higher retail sales volumes and increased fuel prices.

Utility operations and maintenance expenses increased primarily because of higher costs related to customer growth.

Net other income increased $31 million primarily because of quarterly adjustments of the value of El Dorado's investment in a technology-related venture capital partnership. See Note 12.

OPERATING RESULTS - TWELVE-MONTH PERIOD ENDED JUNE 30, 2000 COMPARED WITH TWELVE-MONTH PERIOD ENDED JUNE 30, 1999

Consolidated net income for the twelve months ended June 30, 2000 was $212 million compared with $262 million for the same period in the prior year. The decrease primarily relates to an extraordinary charge recorded in the third quarter of 1999, partially offset by higher income from continuing operations, as well as an income tax benefit from discontinued operations also recorded in the third quarter of 1999.

The extraordinary charge related to a regulatory disallowance that resulted from APS' comprehensive Settlement Agreement that was approved by the ACC in September 1999. See Notes 5 and 6 for additional information about the regulatory disallowance and the Settlement Agreement.

The income tax benefit from discontinued operations resulted from the resolution of income tax matters related to a former subsidiary, MeraBank. See Note 11.

Income from continuing operations increased $52 million over the comparable prior period primarily because of an increase in El Dorado's earnings, increases in the number of customers and in the average amount of electricity used by customers, and an increase in the profitability of wholesale power marketing and trading activities. These positive factors more than offset decreases due to a reduction in retail electricity prices, higher utility operations and maintenance expense, and the completion of the amortization of ITCs in 1999. See Note 6 for information on the price reduction. See "Income Taxes" below for a discussion of the ITC amortization.

Electric operating revenues increased $424 million because of:

* increased power marketing and trading revenues ($338 million)
* increases in the number of customers and the average amount of electricity used by customers ($94 million) and
* miscellaneous factors ($19 million).

These positive factors were partially offset by the effect of a reduction in retail prices ($27 million).

The increase in power marketing and trading revenues resulted primarily from increased activity in western U.S. wholesale power markets and higher prices. The revenues were accompanied by increases in purchased power and fuel expenses of $306 million.

Fuel and purchased power expenses were also higher because of higher retail sales volumes and increased fuel prices.

Utility operations and maintenance expenses increased primarily because of $16 million of non-recurring items recorded in the current twelve-month period, including a provision for certain environmental costs. Other increases primarily related to customer growth, power marketing costs, and technology related costs.

Net other income increased $47 million primarily because of quarterly adjustments of the value of El Dorado's investment in a technology-related venture capital partnership. See Note 12.

INCOME TAXES

As part of a 1994 rate settlement with the ACC, APS accelerated amortization of substantially all deferred ITCs over a five-year period that ended on December 31, 1999. The ITC amortization decreased annual income tax expense by approximately $24 million. Beginning in 2000, no further benefits from these deferred ITCs will be reflected in income tax expense.

LIQUIDITY AND CAPITAL RESOURCES

CAPITAL EXPENDITURE REQUIREMENTS

The following table summarizes the actual capital expenditures for the six-month period ended June 30, 2000 and estimated capital expenditures for the next three years:

CAPITAL EXPENDITURES
(millions of dollars)

	Six months ended June 30, 2000 (actual)	Twelve months ended December 31, (estimated)		
		2000	2001	2002
APS (a)	$181	$380	$395	$373
Pinnacle West Energy (b)	34	277	392	141
SunCor	61	53	43	51
Total	$276	$710	$830	$565

(a) Includes about $30 - $35 million each year for nuclear fuel expenditures.
(b) Excludes the SCE purchase agreements of approximately $550 million in 2001.
See Note 10 and "Capital Resources and Debt Financing - Pinnacle West Energy" below.

CAPITAL RESOURCES AND DEBT FINANCING

PINNACLE WEST

The parent company's cash requirements and its ability to fund those requirements are discussed under "Capital Needs and Resources" in Management's Discussion and Analysis of Financial Condition and Results of Operation in Part II, Item 7 of the 1999 10-K.

During the six-months ended June 30, 2000, the parent company increased long-term borrowings by about $94 million.

APS

APS' long-term debt redemption requirements, optional repayments on long-term debt, and payment obligations on a capitalized lease are: $354 million in 2000; $252 million in 2001; and $125 million in 2002. During the six months ended June 30, 2000, APS redeemed approximately $242 million of its long-term debt with cash from operations and short-term borrowings. On August 7, 2000, APS issued $300 million of its 7 5/8% Notes Due 2005.

In 2001 APS will purchase Units 1, 2 and 3 of the West Phoenix Power Plant at the expiration of its lease term.

Although provisions in APS' first mortgage bond indenture, articles of incorporation, and ACC financing orders establish maximum amounts of additional first mortgage bonds and preferred stock that APS may issue, APS does not expect any of these provisions to limit its ability to meet its capital requirements.

PINNACLE WEST ENERGY

Pinnacle West Energy has announced plans to build and acquire up to 4,000 MW of generating capacity from 2001-2006 at an estimated cost of about $2 billion, assuming all announced plants are built or acquired.

Pinnacle West Energy is also considering additional expansion over the next several years, which may result in additional expenditures. Pinnacle West Energy's expenditures are expected to be funded through capital infusions from debt issued directly by Pinnacle West Energy, as well as the parent company's internally generated cash and debt proceeds.

Pinnacle West Energy is currently planning a 650-megawatt expansion of the West Phoenix Power Plant and the construction of a natural gas-fired electric generating station of up to 2,120 megawatts near Palo Verde, called Redhawk (see discussion in the following paragraph). Construction at West Phoenix began in July 2000, with commercial operation of the first unit expected in the summer of 2001. Pinnacle West Energy also expects that construction will begin on the first two units of Redhawk near the end of 2000, with commercial operation scheduled for the summer of 2002.

Pinnacle West Energy and Reliant have terminated discussions on joint development of the first two Redhawk units and three units in Nevada. Pinnacle West Energy currently plans to keep the first two units (1,060 megawatts) of the Redhawk project on schedule.

See the above table for expected capital expenditures for these expansions on the current schedule.

Pinnacle West Energy has signed two separate agreements with SCE to acquire SCE's interest in the Palo Verde Nuclear Generating Station west of Phoenix and the Four Corners Power Plant near Farmington, New Mexico. Pursuant to the agreements, Pinnacle West Energy will acquire SCE's 15.8% interest in the three unit Palo Verde plant and SCE's 48% interest in Four Corners Units 4 and 5, for a total of approximately 1,300 MW at both plants. The total purchase price is $550 million, subject to certain adjustments. The transactions are expected to close in mid-2001 following the approval of various governmental authorities, including the CPUC, the FERC, the Nuclear Regulatory Commission, the Internal Revenue Service, and the Navajo Nation.

Prior to and up to 90 days following SCE's filing with the CPUC seeking approval of the transactions, which was made on May 15, 2000, SCE was allowed to solicit offers for, or indications of interest in, (a) its Four Corners interest or (b) its Four Corners interest and its Palo Verde interest. Pinnacle West Energy had the right to match any offer or indication of interest that SCE received during this period. This period has expired without Pinnacle West Energy matching an indication of interest. The Agreements permit SCE, for a period of up to 120 days (until early December), to engage in further negotiations and discussions with any party who submitted an indication of interest. Subject to CPUC approval, Pinnacle West Energy retains the right under the Agreements to match the terms of any binding agreement that SCE elects to enter into. For additional information about the transactions, see Note 10.

SUNCOR

SunCor's capital needs consist primarily of capital expenditures for land development, retail and office building construction, and home construction. Capital resources to meet these requirements include funds from operations and SunCor's own external financings.

COMPETITION AND ELECTRIC INDUSTRY RESTRUCTURING

See Note 5 for a discussion of regulatory accounting. See Note 6 for a discussion of a Settlement Agreement related to the implementation of retail electric competition and to Arizona and federal legal and regulatory developments.

RATE MATTERS

See Note 6 for a discussion of a price reduction effective as of July 1, 2000, and for a discussion of a Settlement Agreement that will, among other things, result in five annual price reductions over a four-year period ending July 1, 2003.

FORWARD-LOOKING STATEMENTS

The above discussion contains forward-looking statements that involve risks and uncertainties. Words such as "estimates," "expects," "anticipates," "plans," "believes," "projects," and similar expressions identify forward-looking statements. These risks and uncertainties include, but are not limited to, the ongoing restructuring of the electric industry; the outcome of the regulatory proceedings relating to the restructuring; regulatory, tax, and environmental legislation; our ability to successfully compete outside traditional regulated markets; regional economic conditions, which could affect customer growth; the cost of debt and equity capital; weather variations affecting customer usage; technological developments in the electric industry; the successful completion of large-scale construction projects; the value of El Dorado's investment in a technology-related venture capital partnership; successfully managing market risks; and the strength of the real estate market.

These factors and the other matters discussed above may cause future results to differ materially from historical results, or from results or outcomes we currently expect or seek.

ITEM 3. MARKET RISKS

Our operations include managing market risks related to changes in commodity prices, interest rates, and investments held by the nuclear decommissioning trust fund.

We are exposed to the impact of market fluctuations in the price and transportation costs of electricity, natural gas, coal, and emissions allowances. We employ established procedures to manage our risks associated with these market fluctuations by utilizing various commodity derivatives, including exchange-traded futures and options and over-the-counter forwards, options, and swaps. As part of our overall risk management program, we enter into these derivative transactions to hedge purchases and sales of electricity, fuels and emissions allowances/credits. In addition, we engage in trading activities intended to profit from favorable movements of market prices.

As of June 30, 2000, a hypothetical adverse price movement of 10% in the market price of our commodity derivative portfolio would decrease the fair market value of these contracts by approximately $53 million. This analysis does not include the favorable impact this same hypothetical price move would have on the underlying physical exposures being hedged with the commodity derivative portfolio. We plan to move our wholesale power marketing and trading activities from APS to the parent company by the end of 2000.

We are exposed to credit losses in the event of non-performance or non-payment by counterparties. We use a credit management process to assess and monitor the financial exposure of counterparties. Despite the fact that the great majority of our trading counterparties are rated as investment grade by the credit rating agencies, there is still a possibility that one or more of these companies could default, resulting in a material impact on earnings for a given period.

Changing interest rates will affect interest paid on variable-rate debt and interest earned by the nuclear decommissioning trust fund. Our policy is to manage interest rates through the use of a combination of fixed-rate and floating-rate debt. The nuclear decommissioning fund also has risks associated with changing market values of equity investments. Nuclear decommissioning costs are recovered in regulated electricity prices.

PART II - OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY-HOLDERS

At our annual Meeting of Shareholders held on May 17, 2000 the following shareholder proposal was submitted to shareholders:

	Votes For	Votes Against	Abstentions and Broker Non Votes
Proposal that Pinnacle West provide shareholders with an energy report	4,385,706	59,481,837	3,723,107

In addition, at the same annual meeting, the following persons were elected as directors:

	Votes For	Votes Against	Abstain
CLASS I (TERM TO EXPIRE AT 2001 ANNUAL MEETING)			
Robert G. Matlock	81,027,360	942,017	N/A
Kathryn L. Munro	80,935,718	1,033,659	N/A
CLASS II (TERM TO EXPIRE AT 2002 ANNUAL MEETING)			
Bruce J. Nordstrom	81,036,103	933,274	N/A
CLASS III (TERM TO EXPIRE AT 2003 ANNUAL MEETING)			
Pamela Grant	81,007,066	962,311	N/A
Martha O. Hesse	81,028,539	940,838	N/A
William S. Jamieson, Jr.	81,020,766	948,611	N/A
Richard Snell	81,017,840	951,537	N/A

ITEM 5. OTHER INFORMATION

CONSTRUCTION AND FINANCING PROGRAMS

See "Liquidity and Capital Resources" in Part I, Item 2 of this report for a discussion of construction and financing programs of the Company and its subsidiaries.

COMPETITION AND ELECTRIC INDUSTRY RESTRUCTURING

See Note 6 of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this report for a discussion of competition and the rules regarding the introduction of retail electric competition in Arizona and a settlement agreement with the ACC.

ENVIRONMENTAL MATTERS

EPA ENVIRONMENTAL REGULATION - CLEAN AIR ACT

As previously reported, EPA's final National Ambient Air Quality Standards for ozone and particulate matter were challenged, and the court determined that EPA's promulgation of the standards violated the constitutional prohibition on delegation of legislative power. See "Environmental Matters--EPA Environmental Regulation--Clean Air Act" in Part I, Item 1 of the 1999 10-K. The court remanded the ozone and fine particulate standards and vacated the coarse particulate matter standard. The U.S. Supreme Court recently agreed to review these decisions. We cannot currently predict the outcome of this matter.

PURPORTED NAVAJO ENVIRONMENTAL REGULATION

In April 2000, the Navajo Tribal Council approved operating permit regulations under the Navajo Nation Air Pollution Prevention and Control Act. APS believes that the regulations do not recognize that the Tribe did not intend to assert jurisdiction over Four Corners and NGS. On July 12, 2000, the Four Corners participants and the NGS participants each filed a petition with the Navajo Supreme Court for review of the operating permit regulations. We cannot currently predict the outcome of this matter.

As previously reported, in April 1999, APS filed a Petition for Review of EPA's regulations regarding issuing Federal operating permits to cover stationary sources on Indian reservations. See "Environmental Matters--Purported Navajo Environmental Regulation" in Part I, Item 1 of the 1999 10-K. On June 29, 2000, at the request of the Court, APS filed a motion to dismiss Four Corners from this petition on the grounds that the impact of the regulations on pre-existing binding agreements was not "ripe" for judicial resolution based on EPA's issuance of an official notice indicating that it had not yet determined whether the pre-existing binding agreements with Four Corners and NGS were abrogated by the Clean Air Act.

WATER SUPPLY

As previously reported, APS and other parties petitioned the U.S. Supreme Court for review of the decision confirming that certain groundwater rights may be available to the federal government and Indian tribes. See "Water Supply" in Item I, Part 1 of the 1999 10-K. This petition was denied, and the pending lower court litigation will continue.

PURCHASED POWER AGREEMENTS

As previously reported, in September 1990, APS entered into a thirty year agreement under which APS and PacifiCorp engage in a one-for-one seasonal capacity exchange. APS is entitled to receive up to 480 MW of capacity from PacifiCorp during APS' summer peak season (through September 15). See "Generating Fuel and Purchased Power - Purchased Power Agreements" in Part I, Item 1 of the 1999 10-K. There is currently a dispute under the Long-Term Power Transaction Agreement (the "Agreement") relating to the value of power delivered to PacifiCorp under the Supplemental Energy provisions of the Agreement. As a result of the dispute, APS understands that PacificCorp believes it is owed monies by APS and, since August 8, 2000, has been withholding power due to APS under the terms of Agreement. APS believes PacificCorp is in breach of the Agreement, and the breach has been and is resulting in damage claims against PacifiCorp which are accruing daily in an amount dependent upon daily energy cost rates. The parties are currently attempting to resolve the dispute and no litigation or arbitration has been commenced.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

Exhibit No.	Description
27.1	Financial Data Schedule
99.1	Amendment No. 14 to the ANPP Participation Agreement

In addition to those Exhibits shown above, the Company hereby incorporates the following Exhibits pursuant to Exchange Act Rule 12b-32 and Regulation ss.229.10(d) by reference to the filings set forth below:

Exhibit No.	Description	Originally Filed as Exhibit:	File No.(a)	Date Effective
10.1	Articles of Incorporation restated as of July 29, 1988	19.1 to the Company's September 30, 1988 Form 10-Q Report	1-8962	11-14-88
10.2	Bylaws, amended as of December 15, 1999	4.1 to the Company's Registration Statement on Form S-8 No. 333-95035	1-8962	1-20-00
10.3	Pinnacle West Capital Corporation 2000 Director Equity Plan	99.1 to the Company's Registration Statement on Form S-8 (No. 333-40796)	1-8962	7-3-00
10.4	Pinnacle West Capital Corporation and Arizona Public Service Company Directors' Retirement Plan (as Amended and Restated)	99.2 to the Company's Registration Statement on Form S-8 (No. 333-40796)	1-8962	7-3-00

(b) Reports on Form 8-K

During the quarter ended June 30, 2000, and the period from July 1 through August 14, 2000, we filed the following report on Form 8-K:

Report dated July 12, 2000, relating to a preliminary ruling issued by a Maricopa County Superior Court judge on cross-motions for summary judgment in connection with lawsuits filed relating to the adoption or amendment of the retail electric competition rules.

(a) Reports filed under File Nos. 1-4473 and 1-8962 were filed in the office of the Securities and Exchange Commission located in Washington, D.C.

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 thereunto duly authorized.

PINNACLE WEST CAPITAL CORPORATION
(Registrant)

Dated: August 14, 2000

By: Chris N. Froggatt

Chris N. Froggatt
Vice President and Controller
(Principal Accounting Officer
and Officer Duly Authorized
to sign this Report)

ARTICLE UT

PERIOD TYPE	6 MOS
FISCAL YEAR END	DEC 31 2000
PERIOD START	JAN 01 2000
PERIOD END	JUN 30 2000
BOOK VALUE	PER BOOK
TOTAL NET UTILITY PLANT	4,835,278
OTHER PROPERTY AND INVEST	644,877
TOTAL CURRENT ASSETS	715,084
TOTAL DEFERRED CHARGES	648,509
OTHER ASSETS	0
TOTAL ASSETS	6,843,748
COMMON	1,537,652
CAPITAL SURPLUS PAID IN	0
RETAINED EARNINGS	752,946
TOTAL COMMON STOCKHOLDERS EQ	2,290,598
PREFERRED MANDATORY	0
PREFERRED	0
LONG TERM DEBT NET	2,075,951
SHORT TERM NOTES	0
LONG TERM NOTES PAYABLE	0
COMMERCIAL PAPER OBLIGATIONS	200,875
LONG TERM DEBT CURRENT PORT	114,886
PREFERRED STOCK CURRENT	0
CAPITAL LEASE OBLIGATIONS	0
LEASES CURRENT	0
OTHER ITEMS CAPITAL AND LIAB	2,161,438
TOT CAPITALIZATION AND LIAB	6,843,748
GROSS OPERATING REVENUE	1,244,665
INCOME TAX EXPENSE	106,428
OTHER OPERATING EXPENSES	531,459
TOTAL OPERATING EXPENSES	947,241
OPERATING INCOME LOSS	297,424
OTHER INCOME NET	28,563
INCOME BEFORE INTEREST EXPEN	0
TOTAL INTEREST EXPENSE	75,588
NET INCOME	143,971
PREFERRED STOCK DIVIDENDS	0
EARNINGS AVAILABLE FOR COMM	143,971
COMMON STOCK DIVIDENDS	59,307
TOTAL INTEREST ON BONDS	47,150
CASH FLOW OPERATIONS	310,984
EPS BASIC	1.70
EPS DILUTED	1.70

AMENDMENT NO. 14 TO THE ARIZONA NUCLEAR POWER PROJECT PARTICIPATION AGREEMENT

1. PARTIES:

The Parties to this Amendment No. 14 to the Arizona Nuclear Power Project Participation Agreement, hereinafter referred to as "Amendment No. 14," are: ARIZONA PUBLIC SERVICE COMPANY, a corporation organized and existing under and by virtue of the laws of the State of Arizona, hereinafter referred to as "Arizona"; SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT, an agricultural improvement district organized and existing under and by virtue of the laws of the State of Arizona, hereinafter referred to as "Salt River Project"; SOUTHERN CALIFORNIA EDISON COMPANY, a corporation organized and existing under and by virtue of the laws of the State of California, hereinafter referred to as "Edison"; PUBLIC SERVICE COMPANY OF NEW MEXICO, a corporation organized and existing under and by virtue of the laws of the State of New Mexico, hereinafter referred to as "PNM"; EL PASO ELECTRIC COMPANY, a corporation organized and existing under and by virtue of the laws of the State of Texas, hereinafter referred to as "El Paso"; SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY, a joint powers agency organized and existing under and by virtue of the laws of the State of California, doing business in the State of Arizona as SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY ASSOCIATION, hereinafter referred to as "SCPPA"; and DEPARTMENT OF WATER AND POWER OF THE CITY OF LOS ANGELES, a municipal corporation organized and existing under and by virtue of the laws of the State of California, hereinafter referred to as "LADWP," hereinafter individually referred to as "Party" and collectively as "Parties."

2. RECITALS:

2.1 Arizona, Salt River Project, Edison, PNM, El Paso, SCPPA and LADWP are parties to a certain agreement entitled Arizona Nuclear Power Project Participation Agreement, dated as of August 23, 1973, as amended by Amendment No. 1, dated as of January 1, 1974, Amendment No. 2, dated as of August 28, 1975, Amendment No. 3, dated as of July 22, 1976, Amendment No. 4, dated as of December 15, 1977, Amendment No. 5, dated as of December 5, 1979, Amendment No. 6, effective as of October 16, 1981, Amendment No. 7, effective as of April 1, 1982, Amendment No. 8, executed as of September 12, 1983, Amendment No. 9, executed as of June 12, 1984, Amendment No. 10, executed as of November 21, 1985, Amendment No. 11, effective January 10, 1987, Amendment No. 12, effective August 5, 1988, and Amendment No. 13, effective June 15, 1991, hereinafter, as so amended, referred to as the "Participation Agreement."

2.2 The Parties wish to establish procedures through this Amendment No. 14 for allocating the costs associated with Postretirement Benefits other than Pensions in accordance with the Statement of Financial Accounting Standards (SFAS) 106 adopted by the Financial Accounting Standards Board.

3. AGREEMENT:

For and in consideration of the premises and the mutual obligations of and undertakings by the Parties as hereinafter provided in this Amendment No. 14 to the Participation Agreement, the Parties agree as follows:

4. EFFECTIVE DATE:

This Amendment No. 14 shall become effective after it has been executed by all Parties. The procedures for allocating costs that are associated with this Amendment shall be applied retroactively to January 1, 1993.

5. DEFINED TERMS:

5.1 The italicized words and phrases used in this Amendment No. 14 shall have meanings ascribed to them in Section 3 of the Participation Agreement as amended by this Amendment No. 14.

5.2 All references to a "Section" or "Sections" in this Amendment No. 14 shall mean a Section or Sections of the Participation Agreement unless the text expressly states otherwise.

6. AMENDMENTS TO THE PARTICIPATION AGREEMENT MADE BY THIS AMENDMENT NO. 14:

6.1 SECTION 3 - DEFINITIONS is amended by:

6.1.1 The addition of new Section 3.44A, which reads in its entirety as follows:

3.44A POSTRETIREMENT BENEFITS: As defined in SFAS 106, all forms of benefits, other than retirement income, provided by the OPERATING AGENT to its retirees.

6.1.2 The addition of a new Section 3.51B, which reads in its entirety as follows:

3.51B RETURN ON ASSETS: The earnings on the investments of the plan assets intended for the post retirement health and welfare benefits trusts.

6.1.3 The renumbering of Section 3.52A to 3.52B and the addition of a new Section 3.52A which reads in its entirety as follows:

3.52A SFAS: Statement of Financial Accounting Standards of the Financial Accounting Standards Board.

6.1.4 The renumbering of Sections 3.54K and L to 3.54L and 3.54M, respectively, and the addition of a new Section 3.54K, which reads in its entirety as follows:

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3.54K  TRANSITION  OBLIGATION:  The unrecognized amount of the
       (i) accumulated  POSTRETIREMENT  BENEFITS obligation in
       excess of (ii) the fair value of plan  assets  plus any
       recognized accrued post-retirement benefit cost or less
       any recognized prepaid  post-retirement benefit cost as
       of the date of adoption of SFAS 106.
```

6.2 APPENDIX E - COST OF OPERATING WORK AND CAPITAL IMPROVEMENTS, is amended by the deletion of Sections E.1.6, E.5.1 and E.5.2 and the substitution in lieu thereof of new Sections E.1.6, E.5.1, and E.5.2, which reads in their entirety as follows:

E.1.6 The portion of the OPERATING AGENT'S employee pensions and benefits expenses as defined under FPC Account 926 (including the TRANSITION OBLIGATION and related interest and the RETURN ON ASSETS), which is the sum of the amounts determined by (1) applying the Benefits Ratio computed in accordance with Sections E.5.1 and E.5.2 hereof to the total labor charges of ANPP operating and maintenance expenses, including without limitation the labor portion of expenses chargeable to ANPP pursuant to Sections E.1.1, E.1.2, E.1.3 and E.1.4 hereof, (2) the TRANSITION OBLIGATION and related interest pursuant to Sections E.7A.1, E.7A.2 and E.7A.3 and (3) the RETURN ON ASSETS pursuant to Sections E.7B.1 and E.7B.2.

E.5.1 The Benefits Ratio set forth below shall be applied to the labor expense portion of the ANPP operations and maintenance expenses, to the OPERATING AGENT'S direct labor charges incurred in effecting CAPITAL IMPROVEMENTS, and to the labor expenses included in the OPERATING AGENT'S supervisory and administrative and general expense accounts. Estimated and actual Benefits Ratios shall be determined, adjusted and used in the manner set forth in Section E.10 hereof.

$$\textbf{Benefits Ratio} = \frac{\mathbf{B}}{\mathbf{L}}$$

Where:
B = The OPERATING AGENT'S total system employee pensions and benefits (as defined in FPC Account 926, excluding the TRANSITION OBLIGATION and related interest and the RETURN ON ASSETS) including PAYROLL TAXES and worker's compensation expense on labor charged to employee pensions and benefits. The TRANSITION OBLIGATION and related interest will be billed separately and the expected RETURN ON ASSETS will be credited separately to the PARTICIPANTS.

L = The OPERATING AGENT'S total labor distributed, including accruals less labor charged to pensions and benefits, less labor charged to injuries and damages.

E.5.2 The following example sets forth the method to be employed by the OPERATING AGENT to determine the Benefits Ratio:

EXAMPLE COMPUTATION
OF BENEFITS RATIO

(Based on OPERATING AGENT'S 1997 Expenses)

PENSIONS AND BENEFITS	LABOR	TOTAL
	-----	-----
Employee Pensions and Benefits	$2,542,461	$ 60,804,375
Payroll Taxes on Labor at Total Labor Rate	7.067%	179,676
Compensation Insurance at Total Labor Rate	0.502%	12,775
Less the TRANSITION OBLIGATION related to POSTRETIREMENT BENEFITS and Interest on the TRANSITION OBLIGATION, billed outside of the Benefits Ratio		17,141,515
Less expected RETURN ON ASSETS		(8,706,403)

Total Employee Pensions and Benefits net of the TRANSITION OBLIGATION and Related Interest and Expected RETURN ON ASSETS		$ 52,561,714
		===========
LABOR BASE		
Labor charged to operation and maintenance, construction and miscellaneous general ledger accounts		$323,082,848
Less total labor charged to Pensions and Benefits		1,799,288
Less total labor charged to Injuries and Damages		399,809

Total applicable labor		$320,883,751
		============
Benefits Ratio: $52,561,714/$320,883,751		16.38%

6.3 APPENDIX E - COST OF OPERATING WORK AND CAPITAL IMPROVEMENTS, is amended by adding the new Sections E.7A, E.7B and E.7C which read in their entirety as follows:

E.7A TRANSITION OBLIGATION

E.7A.1 The OPERATING AGENT'S TRANSITION OBLIGATION at January 1, 1993 is $182,918,448, of which $43,000,000 is allocable to Palo Verde. Future changes in corporate-wide benefit plan levels covered under SFAS that may affect the level of the OPERATING AGENT'S TRANSITION OBLIGATION, shall be applied to Palo Verde at the rate of 23.508%. Any such changes to the TRANSITION OBLIGATION will be reflected in the year that the actuarial valuation reports such changes.

E.7A.2 Interest on the unamortized TRANSITION OBLIGATION balance at January 1 of each year will be calculated using the current year's discount rate per the current year's actuarial valuation. Since the actuarial valuation is usually not available until mid-year, an estimated rate, based on the prior year's actuarial valuation will be used until the current year's actuarial valuation is available. At that time, the interest related to the TRANSITION OBLIGATION will be trued-up to reflect the current year's valuation. In the event of removal of one or more GENERATING UNITS from service prior to 2013, an actuarial study will be completed to recalculate the remaining TRANSITION OBLIGATION pertaining to Palo Verde on a stand-alone basis.

E.7A.3 The TRANSITION OBLIGATION will be amortized over 20 years on a straight line basis, starting January 1, 1993. The OPERATING AGENT shall bill the TRANSITION OBLIGATION and related interest for the year on a monthly basis as set forth below:

TRANSITION OBLIGATION AND RELATED INTEREST
BILLED OUTSIDE OF THE BENEFITS LOAD

	TOTAL COMPANY	BILLED TO PALO VERDE
Total TRANSITION OBLIGATION Fixed At 1-1-93 To Be Amortized Over 20 Years	$182,918,448	$43,000,000
One Year's Amortization Of the TRANSITION OBLIGATION ("T.O.")	9,145,922	2,150,000
Interest On The Unamortized Balance Of The T.O. At 1-1-93	15,090,772	3,547,500
Total 1993 TRANSITION OBLIGATION & Interest	24,236,694	5,697,500
Interest On The Unamortized Balance Of the T.O. At 1-1-93		
Unamortized Balance At 1-1-93	182,918,448	43,000,000
1993 Discount Rate	8.25%	8.25%
Interest On TRANSITION OBLIGATION	15,090,772	3,547,500

E.7B RETURN ON ASSETS

E.7B.1 The current year expected RETURN ON ASSETS will be estimated annually by the actuary. Any RETURN ON ASSETS related to any trusts established for the purpose of obtaining preferential tax treatment (i.e., union versus non-union), shall be allocated by the actuary to Palo Verde based on the ability of Palo Verde to participate in such trust.

E.7B.2 As soon as practical after the end of each calendar year, the actual RETURN ON ASSETS will be determined by the actuary and allocated to Palo Verde. The actuary shall then calculate the allocation of total trust(s) assets at the end of each calendar year to Palo Verde based on current year trust(s) contributions, earnings and distributions. The allocation of trust assets to Palo Verde will be the basis for the allocation of expected RETURN ON ASSETS annually by the actuary.

E.7C Funding of Postretirement Benefit Costs

E.7C.1 All POSTRETIREMENT BENEFIT costs, other than the expected RETURN ON ASSETS and the TRANSITION OBLIGATION and related interest, as defined in SFAS 106, are to be billed through the Benefits Ratio.

E.7C.2 POSTRETIREMENT BENEFITS that have been collected either through the Benefits Load, or as TRANSITION OBLIGATION and related interest, as adjusted for the RETURN ON ASSETS, shall be funded by the OPERATING AGENT in irrevocable external trusts intended for postretirement health and welfare benefits. Funding will occur within an administratively reasonable time period on approximately a quarterly basis.

7. EXECUTION BY COUNTERPARTS:

This Amendment No. 14 may be executed in any number of counterparts, and upon execution by all PARTICIPANTS, each executed counterpart shall have the same force and effect as an original instrument and as if all PARTICIPANTS had signed the same instrument. Any signature page of this Amendment No. 14 may be detached from any counterpart of this Amendment No. 14 without impairing the legal effect of any signature thereon, and may be attached to another counterpart of this Amendment No. 14 identical in form hereto but having attached to it one or more signature pages.

8. SIGNATURE CLAUSE:

The signatories hereto represent that they have been appropriately authorized to enter into this Amendment No. 14 on behalf of the Party for whom they sign.

ARIZONA PUBLIC SERVICE COMPANY

By: James M. Levine

Its: Executive V.P., Generation

Date: 3-31-00

SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT

By: William P. Schrader

Its: President

Date: 2-28-00

ATTEST AND COUNTERSIGN:

By: Terrill A. Lonon

Its: Corporate Secretary

Date: 2-28-00

SOUTHERN CALIFORNIA EDISON COMPANY

By: Harold B. Ray

Its: Executive Vice President

Date: 3-20-00

ATTEST AND COUNTERSIGN

By: Beverly P. Ryder

Its: Corporate Secretary

Date: 3-21-00

PUBLIC SERVICE COMPANY OF NEW MEXICO

By: Patrick J. Goodman

Its: Vice President - Power Production

Date: 4-19-00

EL PASO ELECTRIC COMPANY

By: John C. Horne

Its: Vice President

Date: 5-11-00

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY, DOING BUSINESS IN THE STATE OF ARIZONA AS SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY ASSOCIATION

By: Joseph F. Hsu

Its: President

Date: April 24, 2000

ATTEST AND COUNTERSIGN:

By:

Its:

Date:

DEPARTMENT OF WATER AND POWER OF
THE CITY OF LOS ANGELES

By: Enrique Martinez

Its: Assistant General Manager -
Power Services

Date: June 20, 2000

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this 31 day of March, 1999, before me, the undersigned Notary Public, personally appeared James M. Levine who acknowledged himself to be the Executive Vice President of ARIZONA PUBLIC SERVICE COMPANY, an Arizona corporation, and that he as such officer, being authorized to do, executed the foregoing instrument for the purposes therein contained by signing the name of the company by himself as such Executive Vice President.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

Twyla Hannah
Notary Public

My Commission Expires:

Nov. 12, 2002

Revised: 01/25/00 10

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STATE OF ARIZONA            )
                            ) ss.
County of Maricopa          )
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On this 28th day of February, 2000, before me, the undersigned Notary Public, personally appeared William P. Schrader who acknowledged himself to be the President of SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT, an Arizona corporation, and that he as such officer, being authorized to do, executed the foregoing instrument for the purposes therein contained by signing the name of the company by himself as such Salt River Project Agricultural Improvement and Power District.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

Karen C. Umber
Notary Public

My Commission Expires:

July 30, 2002

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STATE OF CALIFORNIA         )
                            ) ss.
County of Los Angeles       )
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On this 20 day of March, 2000, before me, the undersigned Notary Public, personally appeared Harold B. Ray who acknowledged himself to be the Exec. Vice President of SOUTHERN CALIFORNIA EDISON COMPANY, a California corporation, and that he as such officer, being authorized to do, executed the foregoing instrument for the purposes therein contained by signing the name of the company by himself as such Exec. Vice President.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

Marcelda G. Puentes
Notary Public

My Commission Expires:

4-13-2001

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STATE OF NEW MEXICO        )
                           ) ss.
County of Bernalillo       )
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On this 19th day of April, 2000, before me, the undersigned Notary Public, personally appeared Patrick J. Goodman who acknowledged himself to be the Vice President, Power Prod. of PUBLIC SERVICE COMPANY OF NEW MEXICO, a New Mexico corporation, and that he as such officer, being authorized to do, executed the foregoing instrument for the purposes therein contained by signing the name of the company by himself as such Public Service Company of New Mexico.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

Barbara Baker
Notary Public

My Commission Expires:

6-23-02

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STATE OF TEXAS             )
                           ) ss.
County of El Paso          )
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On this 11th day of May, 2000, before me, the undersigned Notary Public, personally appeared John C. Horne who acknowledged himself to be the Vice President of EL PASO ELECTRIC COMPANY, a Texas corporation, and that he as such officer, being authorized to do, executed the foregoing instrument for the purposes therein contained by signing the name of the company by himself as such Vice President.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

Rhonda M. Pyle
Notary Public

My Commission Expires:

6-10-2003

Revised: 01/25/00 12

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STATE OF CALIFORNIA          )
                             ) ss.
County of Los Angeles        )
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On this 24th day of April, 2000, before me, the undersigned Notary Public, personally appeared Joseph F. Hsu who acknowledged himself to be the President of SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY (doing business in the State of Arizona as SOUTHERN CALIFORNIA POWER AUTHORITY ASSOCIATION), a California joint powers agency, and that he as such officer, being authorized to do, executed the foregoing instrument for the purposes therein contained by signing the name of the company by himself as such President.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

Candace Toscano
Notary Public

My Commission Expires:

May 12, 2003

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STATE OF CALIFORNIA          )
                             ) ss.
County of Los Angeles        )
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On this 20th day of June, 2000, before me, the undersigned Notary Public, personally appeared Enrique Martinez who acknowledged himself to be the Assistant General Manager - Power Services of DEPARTMENT OF WATER AND POWER OF THE CITY OF LOS ANGELES, a department organized and existing under the Charter of the City of Los Angeles, a California municipal corporation, and that he as such officer, being authorized to do, executed the foregoing instrument for the purposes therein contained by signing the name of the company by himself as such Assistant General Manager - Power Services.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

Daisy Cheung
Notary Public

My Commission Expires:

November 17, 2002