

PINNACLE WEST CAPITAL CORP

FORM 8-K (Current report filing)

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): March 31, 2008

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

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

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

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

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Item 2.02. Results of Operations and Financial Condition

On April 29, 2008, Pinnacle West Capital Corporation (the “Company” or “Pinnacle West”) issued a press release regarding its financial results for its fiscal quarter ended March 31, 2008. A copy of the press release is attached hereto as Exhibit 99.9.

Certain of the Information referenced in Item 7.01 below relates to the Company’s results of operations for its fiscal quarter ended March 31, 2008. This Information is attached hereto as Exhibits 99.2, 99.3, 99.7 and 99.9.

Item 7.01. Regulation FD Disclosure

Financial and Business Information

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 (see Exhibits 99.1, 99.2, 99.3, 99.4, 99.5, 99.6, 99.7 and 99.8). This Information is concurrently being posted to the Company’s website at www.pinnaclewest.com. The Information may not represent all of the factors that could affect the Company’s operating or financial results for various periods. Some of the Information is preliminary in nature and could be subject to significant adjustment. Some of the Information is based on information received from third parties and may contain inaccuracies. The Company is not responsible for any such inaccuracies. Although the Company may update or correct the Information if it is aware that such Information has been revised or is inaccurate, the Company assumes no obligation to update or correct the Information and reserves the right to discontinue the provision of all or any portion of the Information at any time or to change the type of Information provided.

2008 Earnings Outlook

In this discussion, earnings per share amounts are after income taxes and are based on diluted common shares outstanding. The earnings guidance in this Form 8-K supersedes all previous earnings guidance provided by Pinnacle West. Our earnings forecasts are subject to numerous risks, including those described under “Forward-Looking Statements” below.

We currently estimate that our consolidated earnings for 2008 will be within a reasonable range of \$2.50 per share. Although our current estimate is consistent with our previous guidance, it reflects changes in certain components. We currently estimate that Arizona Public Service Company (“APS”) will contribute substantially all of the 2008 earnings. We estimate that APS’ 2008 earnings will be higher than previously expected for a number of reasons, including but not limited to: increased wholesale revenues, favorable first-quarter 2008 weather, favorable mark-to-market valuations related to fuel hedges, favorable resolutions of various tax matters, and an assumed mid-2008 transmission revenue increase. We expect these favorable effects will be partially offset by lower customer growth reflecting economic conditions. As a result of the weak real estate market, we currently estimate that the 2008 earnings contribution by SunCor Development Company (“SunCor”) will be minimal.

For information on our prior 2008 guidance, see the Pinnacle West/APS Current Report on Form 8-K filed with the Securities and Exchange Commission on January 30, 2008. For information on transmission revenue increases, see “Rate Requests for Transmission and Ancillary Services” in Note 3 of Notes to Consolidated Financial Statements in the Pinnacle West/APS Annual Report on Form 10-K for the fiscal year ended December 31, 2007.

Forward-Looking Statements

Our earnings forecasts are subject to numerous risks, including those described below. This Form 8-K contains forward-looking statements regarding our 2008 earnings outlook. Neither the Company nor APS assumes any obligation to update these statements or make any further statements on any of these issues, except as required by applicable law. Because actual results may differ materially from expectations, we caution readers not to place undue reliance on these statements. A number of factors could cause future results to differ materially from historical results, or from results or outcomes currently expected or sought by Pinnacle West or APS. In addition to the Risk Factors described in Item 1A of the Pinnacle West/APS Annual Report on Form 10-K for the fiscal year ended December 31, 2007, these factors include, but are not limited to, state and federal regulatory and legislative decisions and actions, including the outcome or timing of the rate case filed with the ACC on March 24, 2008; the outcome of regulatory, legislative and judicial proceedings, both current and future, relating to the restructuring of the electric industry and environmental matters (including those related to climate change); the ongoing restructuring of the electric industry, including decisions impacting wholesale competition and the introduction of retail electric competition in Arizona; fluctuations in market prices for electricity, natural gas, coal, uranium and other fuels used in our generating facilities, and supplies of such commodities; volatile market liquidity, any deteriorating counterparty credit and the use of derivative contracts in our business (including the interpretation of the subjective and complex accounting rules related to these

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contracts); power plant performance and outages; transmission outages and constraints; weather variations affecting local and regional customer energy usage; customer growth and energy usage; regional economic and market conditions, including the results of litigation and other proceedings resulting from the California and Pacific Northwest energy situations, volatile fuel and purchased power costs, and the completion of generation and transmission construction in the region, which could affect customer growth and the cost of power supplies; ability of power plant participants to meet contractual or other obligations; the cost of debt and equity capital and access to capital markets; current credit ratings remaining in effect for any given period of time; our ability to compete successfully outside traditional regulated markets (including the wholesale market); changes in accounting principles generally accepted in the United States of America and the interpretation of those principles; the performance of the stock market and the changing interest rate environment, which affect the value of our nuclear decommissioning trusts, pension and other postretirement benefit plan assets, the amount of required contributions to Pinnacle West's pension plan and contributions to APS' nuclear decommissioning trust funds, as well as the reported costs of providing pension and other postretirement benefits; technological developments in the electric industry; the strength of the real estate market in SunCor's market areas, which include Arizona, Idaho, New Mexico and Utah; and other uncertainties, all of which are difficult to predict and many of which are beyond the control of Pinnacle West and APS.

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Item 9.01. Financial Statements and Exhibits

(d) Exhibits.

<u>Exhibit No.</u>	<u>Registrant(s)</u>	<u>Description</u>
99.1	Pinnacle West APS	Pinnacle West Capital Corporation quarterly consolidated statistical summary (cover page and list of contents).
99.2	Pinnacle West APS	Pinnacle West Capital Corporation quarterly consolidated statistical summary for the three-month periods ended March 31, 2008 and 2007.
99.3	Pinnacle West APS	Pinnacle West Capital Corporation consolidated statistics by quarter for 2008.
99.4	Pinnacle West APS	Pinnacle West Capital Corporation consolidated statistics by quarter for 2007.
99.5	Pinnacle West APS	Pinnacle West Capital Corporation consolidated statistics by quarter for 2006.
99.6	Pinnacle West APS	Pinnacle West Capital Corporation consolidated statistics by quarter for 2005.
99.7	Pinnacle West APS	Pinnacle West Capital Corporation earnings variance explanations for the three months ended March 31, 2008 and 2007 and unaudited condensed consolidated statements of income for the three months ended March 31, 2008 and 2007.
99.8	Pinnacle West APS	Glossary of Terms.
99.9	Pinnacle West APS	Earnings News Release issued on April 29, 2008.

SIGNATURES

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

PINNACLE WEST CAPITAL CORPORATION
(Registrant)

Dated: April 29, 2008

By: /s/ Donald E. Brandt
Donald E. Brandt
President and Chief Operating Officer

ARIZONA PUBLIC SERVICE COMPANY
(Registrant)

Dated: April 29, 2008

By: /s/ Donald E. Brandt
Donald E. Brandt
President and Chief Executive Officer

Exhibit Index

Exhibit No.	Registrant(s)	Description
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Pinnacle West Capital Corporation
Quarterly Consolidated Statistical Summary
Periods Ended March 31, 2008 and 2007

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2008 First Quarter Summary

2008 by Quarter

2007 by Quarter

2006 by Quarter

2005 by Quarter

Quarters may not sum to totals due to rounding.

The definitions of terms used in this statistical summary are contained in the “Glossary of Terms” on the Pinnacle West website at:
<http://www.pinnaclewest.com/files/investors/2008Q1QuarStatsGloss.pdf>

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

Pinnacle West Capital Corporation
Quarterly Consolidated Statistical Summary
Periods Ended March 31, 2008 and 2007

Line		3 Mo. Ended March		
		2008	2007	Incr (Decr)
EARNINGS CONTRIBUTION BY SUBSIDIARY (\$ Millions)				
1	Arizona Public Service	\$ (6)	\$ 4	\$ (10)
2	Pinnacle West Energy	—	—	—
3	APS Energy Services	—	1	(1)
4	SunCor	(1)	9	(10)
5	El Dorado	(1)	(2)	1
6	Parent Company	4	5	(1)
7	Income From Continuing Operations	(4)	17	(21)
Income (Loss) From Discontinued Operations — Net of Tax				
8	Silverhawk	—	—	—
9	SunCor	—	—	—
10	Other	—	—	—
11	Total	—	—	—
12	Net Income	<u>\$ (4)</u>	<u>\$ 17</u>	<u>\$ (21)</u>
EARNINGS PER SHARE BY SUBSIDIARY — DILUTED				
13	Arizona Public Service	\$ (0.06)	\$ 0.04	\$ (0.10)
14	Pinnacle West Energy	—	—	—
15	APS Energy Services	—	0.01	(0.01)
16	SunCor	(0.01)	0.09	(0.10)
17	El Dorado	(0.02)	(0.02)	—
18	Parent Company	0.04	0.04	—
19	Income From Continuing Operations	(0.05)	0.16	(0.21)
Income (Loss) From Discontinued Operations — Net of Tax				
20	Silverhawk	—	—	—
21	SunCor	—	—	—
22	Other	0.01	—	0.01
23	Total	0.01	—	0.01
24	Net Income	<u>\$ (0.04)</u>	<u>\$ 0.16</u>	<u>\$ (0.20)</u>
25	BOOK VALUE PER SHARE	\$ 35.22*	\$ 34.45	\$ 0.77
COMMON SHARES OUTSTANDING (Thousands)				
26	Average — Diluted	100,521	100,622	(101)
27	End of Period	100,486	100,115	371

* Estimate

Pinnacle West Capital Corporation
Quarterly Consolidated Statistical Summary
Periods Ended March 31, 2008 and 2007

Line		3 Mo. Ended March		
		<u>2008</u>	<u>2007</u>	<u>Incr (Decr)</u>
	ELECTRIC OPERATING REVENUES (Dollars in Millions)			
	REGULATED ELECTRICITY SEGMENT			
	Retail			
28	Residential	\$ 271	\$ 246	\$ 25
29	Business	300	264	36
30	Total retail	571	510	61
	Wholesale revenue on delivered electricity			
31	Traditional contracts	12	5	7
32	Off-system sales	24	7	17
33	Transmission for others	7	7	—
34	Other miscellaneous services	9	7	2
35	Total regulated operating electricity revenues	623	536	87
	MARKETING AND TRADING			
36	Electricity and other commodity sales	57	72	(15)
37	Total operating electric revenues	<u>\$ 680</u>	<u>\$ 608</u>	<u>\$ 72</u>
	ELECTRIC SALES (GWH)			
	REGULATED ELECTRICITY SEGMENT			
	Retail sales			
38	Residential	2,774	2,734	40
39	Business	3,338	3,285	53
40	Total retail	6,112	6,019	93
	Wholesale electricity delivered			
41	Traditional contracts	222	175	47
42	Off-system sales	416	243	173
43	Retail load hedge management	162	117	45
44	Total regulated electricity	6,912	6,554	358
	MARKETING AND TRADING			
45	Wholesale sales of electricity	920	1,923	(1,003)
46	Total electric sales	<u>7,832</u>	<u>8,477</u>	<u>(645)</u>

See Glossary of Terms

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Pinnacle West Capital Corporation
Quarterly Consolidated Statistical Summary
Periods Ended March 31, 2008 and 2007

Line		3 Mo. Ended March		
		<u>2008</u>	<u>2007</u>	<u>Incr (Decr)</u>
POWER SUPPLY ADJUSTOR (“PSA”) - REGULATED				
ELECTRICITY SEGMENT (Dollars in Millions)				
47	Deferred fuel and purchased power regulatory asset — beginning balance	\$ 111	\$ 160	\$ (49)
48	Deferred fuel and purchased power costs — current period	(11)	25	(36)
49	Regulatory disallowance	—	—	—
50	Interest on deferred fuel	1	2	(1)
51	Amounts recovered through revenues	(51)	(69)	18
52	Deferred fuel and purchased power regulatory asset — ending balance	<u>\$ 50</u>	<u>\$ 118</u>	<u>\$ (68)</u>
MARKETING AND TRADING PRETAX GROSS MARGIN				
ANALYSIS (Dollars in Millions)				
Realized and Mark-To-Market Components				
53	Electricity and other commodity sales, realized (a)	\$ 5	\$ 13	\$ (8)
54	Mark-to-market reversals on realized sales (a) (b)	—	(8)	8
55	Change in mark-to-market value of forward sales	1	10	(9)
56	Total gross margin	<u>\$ 6</u>	<u>\$ 15</u>	<u>\$ (9)</u>
By Pinnacle West Entity				
57	APS	\$ —	\$ (1)	\$ 1
58	Pinnacle West	7	11	(4)
59	APS Energy Services	(1)	5	(6)
60	Pinnacle West Energy	—	—	—
61	Total gross margin	<u>\$ 6</u>	<u>\$ 15</u>	<u>\$ (9)</u>

Future Marketing and Trading Mark-to-Market Realization

As of March 31, 2008, Pinnacle West had accumulated net mark-to-market gains of \$10 million related to our power marketing and trading activities. We estimate that these gains will be reclassified to realized gains as the underlying commodities are delivered, as follows: 2008, \$2 million; and thereafter, \$8 million.

- (a) Net effect on pretax gross margin from realization of prior-period mark-to-market included in line 53 and in line 54 is zero. Realization of prior-period mark-to-market relates to cash flow recognition, not earnings recognition. The arithmetic opposites of amounts included in line 53 are included in line 54. For example, line 54 shows that a prior-period mark-to-market gain of \$0 million was transferred to “realized” for the first quarter of 2008. A \$0 million realized gain is included in the \$5 million on line 53 for the first quarter of 2008.
- (b) Quarterly amounts do not total to annual amounts because of intra-year mark-to-market eliminations.

Pinnacle West Capital Corporation
Quarterly Consolidated Statistical Summary
Periods Ended March 31, 2008 and 2007

Line		3 Mo. Ended March		
		<u>2008</u>	<u>2007</u>	<u>Incr (Decr)</u>
AVERAGE ELECTRIC CUSTOMERS				
Retail customers				
62	Residential	982,459	965,428	17,031
63	Business	122,833	118,649	4,184
64	Total	1,105,292	1,084,077	21,215
65	Wholesale customers	50	63	(13)
66	Total customers	<u>1,105,342</u>	<u>1,084,140</u>	<u>21,202</u>
67	Customer growth (% over prior year)	2.0%	3.8%	(1.8)%
RETAIL SALES (GWH) - WEATHER NORMALIZED				
68	Residential	2,694	2,657	37
69	Business	3,300	3,228	72
70	Total	<u>5,994</u>	<u>5,885</u>	<u>109</u>
RETAIL USAGE (KWh/Average Customer)				
71	Residential	2,824	2,832	(8)
72	Business	27,175	27,687	(512)
RETAIL USAGE - WEATHER NORMALIZED (KWh/Average Customer)				
73	Residential	2,742	2,752	(10)
74	Business	26,865	27,205	(340)
ELECTRICITY DEMAND (MW)				
75	System peak demand	4,685	4,781	(96)

See Glossary of Terms

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Pinnacle West Capital Corporation
Quarterly Consolidated Statistical Summary
Periods Ended March 31, 2008 and 2007

Line		3 Mo. Ended March		
		2008	2007	Incr (Decr)
	ENERGY SOURCES (GWH)			
	Generation production			
76	Nuclear	2,318	2,299	19
77	Coal	2,924	3,164	(240)
78	Gas, oil and other	1,148	1,151	(3)
79	Total generation production	<u>6,390</u>	<u>6,614</u>	<u>(224)</u>
	Purchased power			
80	Firm load	740	278	462
81	Marketing and trading	1,205	2,128	(923)
82	Total purchased power	<u>1,945</u>	<u>2,406</u>	<u>(461)</u>
83	Total energy sources	<u>8,335</u>	<u>9,020</u>	<u>(685)</u>
	POWER PLANT PERFORMANCE			
	Capacity Factors			
84	Nuclear	93%	94%	(1)%
85	Coal	76%	84%	(8)%
86	Gas, oil and other	16%	16%	0%
87	System average	47%	50%	(3)%
	Generation Capacity Out of Service and Replaced for Native Load (average MW/day) (a)			
88	Nuclear	8	57	(49)
89	Coal	327	203	124
90	Gas	356	267	89
91	Total	<u>691</u>	<u>527</u>	<u>164</u>

(a) Includes planned and unplanned outages

See Glossary of Terms

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Pinnacle West Capital Corporation
Quarterly Consolidated Statistical Summary
Periods Ended March 31, 2008 and 2007

Line		3 Mo. Ended March		
		2008	2007	Incr (Decr)
ENERGY MARKET INDICATORS (a)				
Electricity Average Daily Spot Prices (\$/MWh)				
On-Peak				
92	Palo Verde	\$ 69.40	\$ 54.62	\$ 14.78
93	SP15	\$ 79.09	\$ 60.02	\$ 19.07
Off-Peak				
94	Palo Verde	\$ 56.39	\$ 42.06	\$ 14.33
95	SP15	\$ 62.35	\$ 45.86	\$ 16.49
WEATHER INDICATORS				
Actual				
96	Cooling degree-days	105	172	(67)
97	Heating degree-days	583	589	(6)
98	Average humidity	40%	36%	4%
10-Year Averages				
99	Cooling degree-days	96	96	—
100	Heating degree-days	517	517	—
101	Average humidity	42%	42%	0%
ECONOMIC INDICATORS				
Building Permits — Metro Phoenix (b) (d)				
102	Single-family	1,418	2,263	(845)
103	Multi-family	<u>1,070</u>	<u>1,488</u>	<u>(418)</u>
104	Total	<u><u>2,488</u></u>	<u><u>3,751</u></u>	<u><u>(1,263)</u></u>
Arizona Job Growth (c) (d)				
105	Payroll job growth (% over prior year)	0.4%	2.5%	(2.1)%
106	Unemployment rate (% , seasonally adjusted)	4.2%	3.9%	0.3%

Sources:

- (a) Average of daily prices obtained and used with permission from Dow Jones & Company, Inc.
(b) Arizona Real Estate Center, Arizona State University W.P. Carey College of Business
(c) Arizona Department of Economic Security
(d) Economic indicators reflect periods ended February 29, 2008 (latest available data) and February 28, 2007.

See Glossary of Terms

Pinnacle West Capital Corporation
Consolidated Statistics By Quarter
2008

Line		1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year-To-Date	Increase (Decrease) vs Prior YTD
EARNINGS CONTRIBUTION BY SUBSIDIARY (\$ Millions)							
1	Arizona Public Service	\$ (6)				\$ (6)	\$ (10)
2	Pinnacle West Energy	—				—	—
3	APS Energy Services	—				—	(1)
4	SunCor	(1)				(1)	(10)
5	El Dorado	(1)				(1)	1
6	Parent Company	4				4	(1)
7	Income From Continuing Operations	(4)	—	—	—	(4)	(21)
Income (Loss) From Discontinued Operations — Net of Tax							
8	Silverhawk	—				—	—
9	SunCor	—				—	—
10	Other	—				—	—
11	Total	—	—	—	—	—	—
12	Net Income	\$ (4)	\$ —	\$ —	\$ —	\$ (4)	\$ (21)
EARNINGS PER SHARE BY SUBSIDIARY — DILUTED							
13	Arizona Public Service	\$ (0.06)				\$ (0.06)	\$ (0.10)
14	Pinnacle West Energy	—				—	—
15	APS Energy Services	—				—	(0.01)
16	SunCor	(0.01)				(0.01)	(0.10)
17	El Dorado	(0.02)				(0.02)	—
18	Parent Company	0.04				0.04	—
19	Income From Continuing Operations	(0.05)	—	—	—	(0.05)	(0.21)
Income (Loss) From Discontinued Operations — Net of Tax							
20	Silverhawk	—				—	—
21	SunCor	—				—	—
22	Other	0.01				0.01	0.01
23	Total	0.01	—	—	—	0.01	0.01
24	Net Income	\$ (0.04)	\$ —	\$ —	\$ —	\$ (0.04)	\$ (0.20)
25	BOOK VALUE PER SHARE	\$ 35.22*				\$ 35.22*	\$ 0.77
COMMON SHARES OUTSTANDING (Thousands)							
26	Average — Diluted	100,521				100,521	\$ (101)

27 End of Period

100,486

100,486

\$

371

* Estimate

See Glossary of Terms

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Pinnacle West Capital Corporation
Consolidated Statistics By Quarter
2008

Line		1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year-To-Date	Increase (Decrease) vs Prior YTD
ELECTRIC OPERATING REVENUES (Dollars in Millions)							
REGULATED ELECTRICITY SEGMENT							
Retail							
28	Residential	\$ 271				\$ 271	\$ 25
29	Business	300				300	36
30	Total retail	571	—	—	—	571	61
Wholesale revenue on delivered electricity							
31	Traditional contracts	12				12	7
32	Off-system sales	24				24	17
33	Transmission for others	7				7	—
34	Other miscellaneous services	9				9	2
35	Total regulated operating electricity revenues	623	—	—	—	623	87
MARKETING AND TRADING							
36	Electricity and other commodity sales	57				57	(15)
37	Total operating electric revenues	<u>\$ 680</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 680</u>	<u>\$ 72</u>
ELECTRIC SALES (GWH)							
REGULATED ELECTRICITY SEGMENT							
Retail sales							
38	Residential	2,774				2,774	40
39	Business	3,338				3,338	53
40	Total retail	6,112	—	—	—	6,112	93
Wholesale electricity delivered							
41	Traditional contracts	222				222	47
42	Off-system sales	416				416	173
43	Retail load hedge management	162				162	45
44	Total regulated electricity	6,912	—	—	—	6,912	358
MARKETING AND TRADING							
45	Wholesale sales of electricity	920				920	(1,003)
46	Total electric sales	<u>7,832</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>7,832</u>	<u>(645)</u>

Pinnacle West Capital Corporation
Consolidated Statistics By Quarter
2008

Line		1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year-To-Date	Increase (Decrease) vs Prior YTD
POWER SUPPLY ADJUSTOR (“PSA”) - REGULATED ELECTRICITY SEGMENT (Dollars in Millions)							
47	Deferred fuel and purchased power regulatory asset - beginning balance	\$ 111				\$ 111	\$ (49)
48	Deferred fuel and purchased power costs - current period	(11)				(11)	(36)
49	Regulatory disallowance	—				—	—
50	Interest on deferred fuel	1				1	(1)
51	Amounts recovered through revenues	(51)				(51)	18
52	Deferred fuel and purchased power regulatory asset - ending balance	<u>\$ 50</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 50</u>	<u>\$ (68)</u>

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

Realized and Mark-To-Market Components							
53	Electricity and other commodity sales, realized (a)	\$ 5				\$ 5	\$ (8)
54	Mark-to-market reversals on realized sales (a) (b)	—				—	8
55	Change in mark-to-market value of forward sales	1				1	(9)
56	Total gross margin	<u>\$ 6</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 6</u>	<u>\$ (9)</u>

By Pinnacle West Entity

57	APS	\$ —				\$ —	\$ 1
58	Pinnacle West	7				7	(4)
59	APS Energy Services	(1)				(1)	(6)
60	Pinnacle West Energy	—				—	—
61	Total gross margin	<u>\$ 6</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 6</u>	<u>\$ (9)</u>

Future Marketing and Trading Mark-to-Market Realization

As of March 31, 2008, Pinnacle West had accumulated net mark-to-market gains of \$10 million related to our power marketing and trading activities. We estimate that these gains will be reclassified to realized gains as the underlying commodities are delivered as follows: 2008, \$2 million; and thereafter, \$8 million.

- (a) Net effect on pretax gross margin from realization of prior-period mark-to-market included in line 53 and in line 54 is zero. Realization of prior-period mark-to-market relates to cash flow recognition, not earnings recognition. The arithmetic opposites of amounts included in line 53 are included in line 54. For example, line 54 shows that a prior-period mark-to-market gain of \$0 million was transferred to “realized” for the first quarter of 2008. A \$0 million realized gain is included in the \$5 million on line 53 for the first quarter of 2008.
- (b) Quarterly amounts do not total to annual amounts because of intra-year mark-to-market eliminations.

Pinnacle West Capital Corporation
Consolidated Statistics By Quarter
2008

Line		1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year-To-Date	Increase (Decrease) vs Prior YTD
AVERAGE ELECTRIC CUSTOMERS							
Retail customers							
62	Residential	982,459				982,459	17,031
63	Business	122,833				122,833	4,184
64	Total	1,105,292	—	—	—	1,105,292	21,215
65	Wholesale customers	50				50	(13)
66	Total customers	1,105,342	—	—	—	1,105,342	21,202
67	Customer growth (% over prior year)	2.0%				2.0%	(1.8)%
RETAIL SALES (GWH) - WEATHER NORMALIZED							
68	Residential	2,694				2,694	37
69	Business	3,300				3,300	72
70	Total	5,994	—	—	—	5,994	109
RETAIL USAGE (KWh/Average Customer)							
71	Residential	2,824				2,824	(8)
72	Business	27,175				27,175	(512)
RETAIL USAGE - WEATHER NORMALIZED (KWh/Average Customer)							
73	Residential	2,742				2,742	(10)
74	Business	26,865				26,865	(340)
ELECTRICITY DEMAND (MW)							
75	System peak demand	4,685				4,685	(96)

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Pinnacle West Capital Corporation
Consolidated Statistics By Quarter
2008

Line		1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year-To-Date	Increase (Decrease) vs Prior YTD
ENERGY SOURCES (GWH)							
Generation production							
76	Nuclear	2,318				2,318	19
77	Coal	2,924				2,924	(240)
78	Gas, oil and other	1,148				1,148	(3)
79	Total generation production	6,390	—	—	—	6,390	(224)
Purchased power							
80	Firm load	740				740	462
81	Marketing and trading	1,205				1,205	(923)
82	Total purchased power	1,945	—	—	—	1,945	(461)
83	Total energy sources	8,335	—	—	—	8,335	(685)
POWER PLANT PERFORMANCE							
Capacity Factors							
84	Nuclear	93%				93%	(1)%
85	Coal	76%				76%	(8)%
86	Gas, oil and other	16%				16%	0%
87	System average	47%				47%	(3)%
Generation Capacity Out of Service and Replaced for Native Load (average MW/day) (a)							
88	Nuclear	8				8	(49)
89	Coal	327				327	124
90	Gas	356				356	89
91	Total	691	—	—	—	691	164

(a) Includes planned and unplanned outages

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Pinnacle West Capital Corporation
Consolidated Statistics By Quarter
2008

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							
92	Palo Verde	\$ 69.40				\$ 69.40	\$ 14.78
93	SP15	\$ 79.09				\$ 79.09	\$ 19.07
Off-Peak							
94	Palo Verde	\$ 56.39				\$ 56.39	\$ 14.33
95	SP15	\$ 62.35				\$ 62.35	\$ 16.49
WEATHER INDICATORS							
Actual							
96	Cooling degree-days	105				105	(67)
97	Heating degree-days	583				583	(6)
98	Average humidity	40%				40%	4%
10-Year Averages							
99	Cooling degree-days	96				96	—
100	Heating degree-days	517				517	—
101	Average humidity	42%				42%	0%
ECONOMIC INDICATORS							
Building Permits — Metro Phoenix (b) (d)							
102	Single-family	1,418				1,418	(845)
103	Multi-family	1,070				1,070	(418)
104	Total	<u>2,488</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,488</u>	<u>(1,263)</u>
Arizona Job Growth (c) (d)							
105	Payroll job growth (% over prior year)	0.4%				0.4%	(2.1)%
106	Unemployment rate (% , seasonally adjusted)	4.2%				4.2%	0.3%

Sources:

- (a) Average of daily prices obtained and used with permission from Dow Jones & Company, Inc.
(b) Arizona Real Estate Center, Arizona State University W.P. Carey College of Business
(c) Arizona Department of Economic Security
(d) Economic indicators reflect periods ended February 29, 2008 (latest available data).

Pinnacle West Capital Corporation
Consolidated Statistics By Quarter
2007

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

26	Average — Diluted	100,622	100,779	100,829	100,963	100,835	825
27	End of Period	100,115	100,290	100,367	100,486	100,486	838

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Pinnacle West Capital Corporation
Consolidated Statistics By Quarter
2007

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

Pinnacle West Capital Corporation
Consolidated Statistics By Quarter
2007

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

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

Realized and Mark-To-Market Components							
53	Electricity and other commodity sales, realized (a)	\$ 13	\$ 22	\$ 6	\$ 11	\$ 54	\$ —
54	Mark-to-market reversals on realized sales (a) (b)	(8)	1	(3)	(3)	(7)	7
55	Change in mark-to-market value of forward sales	10	(6)	2	2	1	1
56	Total gross margin	<u>\$ 15</u>	<u>\$ 17</u>	<u>\$ 5</u>	<u>\$ 10</u>	<u>\$ 48</u>	<u>\$ 8</u>

By Pinnacle West Entity

57	APS	\$ (1)	\$ 7	\$ —	\$ —	\$ 7	\$ (7)
58	Pinnacle West	11	9	1	9	31	14
59	APS Energy Services	5	1	4	1	10	1
60	Pinnacle West Energy	—	—	—	—	—	—
61	Total gross margin	<u>\$ 15</u>	<u>\$ 17</u>	<u>\$ 5</u>	<u>\$ 10</u>	<u>\$ 48</u>	<u>\$ 8</u>

Future Marketing and Trading Mark-to-Market Realization

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

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

Pinnacle West Capital Corporation
Consolidated Statistics By Quarter
2007

Line		1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year-To-Date	Increase (Decrease) vs Prior YTD
AVERAGE ELECTRIC CUSTOMERS							
Retail customers							
62	Residential	965,428	962,095	963,874	972,654	966,013	29,549
63	Business	<u>118,649</u>	<u>119,792</u>	<u>120,918</u>	<u>121,898</u>	<u>120,314</u>	<u>4,883</u>
64	Total	<u>1,084,077</u>	<u>1,081,887</u>	<u>1,084,792</u>	<u>1,094,552</u>	<u>1,086,327</u>	<u>34,432</u>
65	Wholesale customers	<u>63</u>	<u>62</u>	<u>61</u>	<u>56</u>	<u>61</u>	<u>(16)</u>
66	Total customers	<u>1,084,140</u>	<u>1,081,949</u>	<u>1,084,853</u>	<u>1,094,608</u>	<u>1,086,388</u>	<u>34,416</u>
67	Customer growth (% over prior year)	3.8%	3.5%	3.2%	2.6%	3.3%	(1.1)%
RETAIL SALES (GWH) — WEATHER NORMALIZED							
68	Residential	2,657	3,220	4,810	2,704	13,390	378
69	Business	<u>3,228</u>	<u>3,977</u>	<u>4,368</u>	<u>3,663</u>	<u>15,236</u>	<u>223</u>
70	Total	<u>5,885</u>	<u>7,197</u>	<u>9,178</u>	<u>6,367</u>	<u>28,626</u>	<u>601</u>
RETAIL USAGE (KWh/Average Customer)							
71	Residential	2,832	3,417	5,275	2,742	14,256	380
72	Business	<u>27,687</u>	<u>33,425</u>	<u>36,601</u>	<u>30,230</u>	<u>127,998</u>	<u>(1,751)</u>
RETAIL USAGE — WEATHER NORMALIZED (KWh/Average Customer)							
73	Residential	2,752	3,346	4,990	2,780	13,861	(33)
74	Business	<u>27,205</u>	<u>33,199</u>	<u>36,126</u>	<u>30,047</u>	<u>126,633</u>	<u>(3,431)</u>
ELECTRICITY DEMAND (MW)							
75	System peak demand	4,781	6,982	7,545	5,376	7,545	(107)

Pinnacle West Capital Corporation
Consolidated Statistics By Quarter
2007

Line		1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year-To-Date	Increase (Decrease) vs Prior YTD
ENERGY SOURCES (GWH)							
Generation production							
76	Nuclear	2,299	1,846	2,218	1,430	7,794	806
77	Coal	3,164	3,265	3,563	3,350	13,342	166
78	Gas, oil and other	<u>1,151</u>	<u>1,518</u>	<u>2,480</u>	<u>1,554</u>	<u>6,703</u>	<u>(681)</u>
79	Total generation production	<u>6,614</u>	<u>6,629</u>	<u>8,261</u>	<u>6,334</u>	<u>27,839</u>	<u>291</u>
Purchased power							
80	Firm load	278	1,676	2,521	913	5,388	1,098
81	Marketing and trading	<u>2,128</u>	<u>3,097</u>	<u>3,993</u>	<u>2,078</u>	<u>11,296</u>	<u>(7,572)</u>
82	Total purchased power	<u>2,406</u>	<u>4,773</u>	<u>6,514</u>	<u>2,991</u>	<u>16,684</u>	<u>(6,474)</u>
83	Total energy sources	<u>9,020</u>	<u>11,402</u>	<u>14,775</u>	<u>9,325</u>	<u>44,523</u>	<u>(6,183)</u>
POWER PLANT PERFORMANCE							
Capacity Factors							
84	Nuclear	94%	75%	89%	57%	79%	8%
85	Coal	84%	86%	93%	87%	87%	0%
86	Gas, oil and other	16%	21%	34%	21%	23%	(2)%
87	System average	50%	49%	61%	47%	52%	1%
Generation Capacity Out of Service and Replaced for Native Load (average MW/day) (a)							
88	Nuclear	57	266	22	470	204	51
89	Coal	203	189	79	164	158	76
90	Gas	<u>267</u>	<u>405</u>	<u>147</u>	<u>264</u>	<u>271</u>	<u>182</u>
91	Total	<u>527</u>	<u>860</u>	<u>248</u>	<u>898</u>	<u>633</u>	<u>309</u>

(a) Includes planned and unplanned outages

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Pinnacle West Capital Corporation
Consolidated Statistics By Quarter
2007

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

Sources:

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

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Pinnacle West Capital Corporation
Consolidated Statistics By Quarter
2006

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

26	Average — Diluted	99,449	99,640	99,973	100,474	100,010	3,420
27	End of Period	99,187	99,284	99,648	99,959	99,959	902

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Pinnacle West Capital Corporation
Consolidated Statistics By Quarter
2006

Line		1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year-To-Date	Increase (Decrease) vs Prior YTD
ELECTRIC OPERATING REVENUES (Dollars in Millions)							
REGULATED ELECTRICITY SEGMENT							
Retail							
28	Residential	\$ 202	\$ 337	\$ 490	\$ 242	\$ 1,271	\$ 192
29	Business	233	333	371	302	1,239	198
30	Total retail	435	670	861	544	2,510	390
Wholesale revenue on delivered electricity							
31	Traditional contracts	6	7	12	(3)	22	(1)
32	Off-system sales	12	22	—	12	46	6
33	Transmission for others	6	6	7	7	26	—
34	Other miscellaneous services	7	8	7	9	31	3
35	Total regulated operating electricity revenues	466	713	887	569	2,635	398
MARKETING AND TRADING							
36	Electricity and other commodity sales	85	90	85	71	331	(21)
37	Total operating electric revenues	<u>\$ 551</u>	<u>\$ 803</u>	<u>\$ 972</u>	<u>\$ 640</u>	<u>\$ 2,966</u>	<u>\$ 377</u>
ELECTRIC SALES (GWH)							
REGULATED ELECTRICITY SEGMENT							
Retail sales							
38	Residential	2,419	3,284	4,720	2,571	12,994	771
39	Business	3,199	3,971	4,222	3,584	14,976	722
40	Total retail	5,618	7,255	8,942	6,155	27,970	1,493
Wholesale electricity delivered							
41	Traditional contracts	215	181	321	166	883	33
42	Off-system sales	672	218	219	504	1,613	277
43	Retail load hedge management	178	622	450	340	1,590	(1,420)
44	Total regulated electricity	6,683	8,276	9,932	7,165	32,056	383
MARKETING AND TRADING							
45	Wholesale sales of electricity	3,962	3,862	4,841	3,690	16,355	(7,217)
46	Total electric sales	<u>10,645</u>	<u>12,138</u>	<u>14,773</u>	<u>10,855</u>	<u>48,411</u>	<u>(6,834)</u>

Pinnacle West Capital Corporation
Consolidated Statistics By Quarter
2006

Line		1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year-To-Date	Increase (Decrease) vs Prior YTD
POWER SUPPLY ADJUSTOR (“PSA”) — REGULATED ELECTRICITY SEGMENT (Dollars in Millions)							
47	Deferred fuel and purchased power regulatory asset — beginning balance	\$ 173	\$ 169	\$ 175	209	\$ 173	\$ 173
48	Deferred fuel and purchased power costs — current period	13	78	134	19	244	73
49	Regulatory disallowance	—	—	—	—	—	—
50	Interest on deferred fuel	1	3	2	2	8	6
51	Amounts recovered through revenues	(18)	(75)	(102)	(70)	(265)	(265)
52	Deferred fuel and purchased power regulatory asset — ending balance	<u>\$ 169</u>	<u>\$ 175</u>	<u>\$ 209</u>	<u>\$ 160</u>	<u>\$ 160</u>	<u>\$ (13)</u>

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

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

By Pinnacle West Entity

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

Future Marketing and Trading Mark-to-Market Realization

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

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

Pinnacle West Capital Corporation
Consolidated Statistics By Quarter
2006

Line		1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year-To-Date	Increase (Decrease) vs Prior YTD
AVERAGE ELECTRIC CUSTOMERS							
Retail customers							
62	Residential	930,799	930,402	935,523	949,132	936,464	39,992
63	Business	113,570	114,803	116,009	117,342	115,431	4,263
64	Total	1,044,369	1,045,205	1,051,532	1,066,474	1,051,895	44,255
65	Wholesale customers	75	76	76	80	77	(1)
66	Total customers	1,044,444	1,045,281	1,051,608	1,066,554	1,051,972	44,254
67	Customer growth (% over prior year)	4.5%	4.6%	4.4%	4.1%	4.4%	0.1%
RETAIL SALES (GWH) — WEATHER NORMALIZED							
68	Residential	2,471	3,129	4,779	2,633	13,012	690
69	Business	3,247	3,932	4,230	3,604	15,013	730
70	Total	5,718	7,061	9,009	6,237	28,025	1,420
RETAIL USAGE (KWh/Average Customer)							
71	Residential	2,763	3,530	5,045	2,709	13,876	241
72	Business	30,444	34,590	36,394	30,552	129,749	1,235
RETAIL USAGE — WEATHER NORMALIZED (KWh/Average Customer)							
73	Residential	2,655	3,363	5,108	2,774	13,894	149
74	Business	28,589	34,252	36,463	30,716	130,064	1,579
ELECTRICITY DEMAND (MW)							
75	System peak demand	4,205	6,624	7,652	5,316	7,652	652

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Pinnacle West Capital Corporation
Consolidated Statistics By Quarter
2006

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

(a) Includes planned and unplanned outages

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Pinnacle West Capital Corporation
Consolidated Statistics By Quarter
2006

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

Sources:

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

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Pinnacle West Capital Corporation
Consolidated Statistics By Quarter
2005

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

Pinnacle West Capital Corporation
Consolidated Statistics By Quarter
2005

Line		1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year-To-Date	Increase (Decrease) vs Prior YTD
ELECTRIC OPERATING REVENUES (Dollars in Millions)							
REGULATED ELECTRICITY SEGMENT							
Retail							
28	Residential	\$ 190	\$ 268	\$ 414	\$ 207	\$ 1,079	\$ 95
29	Business	209	281	308	243	1,041	63
30	Total retail	399	549	722	450	2,120	158
Wholesale revenue on delivered electricity							
31	Traditional contracts	3	5	9	6	23	7
32	Off-system sales	—	12	8	20	40	40
33	Transmission for others	7	7	7	5	26	(6)
34	Other miscellaneous services	7	7	7	7	28	3
35	Total regulated operating electricity revenues	416	580	753	488	2,237	202
MARKETING AND TRADING							
36	Electricity and other commodity sales	89	71	107	84	352	(49)
37	Total operating electric revenues	<u>\$ 505</u>	<u>\$ 651</u>	<u>\$ 860</u>	<u>\$ 572</u>	<u>\$ 2,589</u>	<u>\$ 153</u>
ELECTRIC SALES (GWH)							
REGULATED ELECTRICITY SEGMENT							
Retail sales							
38	Residential	2,367	2,889	4,449	2,518	12,223	696
39	Business	3,042	3,684	4,100	3,427	14,254	428
40	Total retail	5,409	6,573	8,549	5,945	26,477	1,124
Wholesale electricity delivered							
41	Traditional contracts	155	200	269	227	850	141
42	Off-system sales	—	598	212	526	1,336	1,336
43	Retail load hedge management	750	702	1,026	532	3,010	278
44	Total regulated electricity	6,314	8,073	10,056	7,230	31,673	2,879
MARKETING AND TRADING							
45	Wholesale sales of electricity	6,060	5,009	7,263	5,240	23,572	(6,606)
46	Total electric sales	<u>12,374</u>	<u>13,082</u>	<u>17,319</u>	<u>12,470</u>	<u>55,245</u>	<u>(3,727)</u>

Pinnacle West Capital Corporation
Consolidated Statistics By Quarter
2005

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

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

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

By Pinnacle West Entity

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

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

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



Pinnacle West Capital Corporation
Consolidated Statistics By Quarter
2005

Line		1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year-To-Date	Increase (Decrease) vs Prior YTD
AVERAGE ELECTRIC CUSTOMERS							
Retail customers							
62	Residential	889,967	888,509	895,789	911,623	896,472	37,403
63	Business	<u>109,795</u>	<u>110,658</u>	<u>111,648</u>	<u>112,569</u>	<u>111,168</u>	<u>4,053</u>
64	Total	999,762	999,167	1,007,437	1,024,192	1,007,640	41,456
65	Wholesale customers	<u>81</u>	<u>76</u>	<u>78</u>	<u>77</u>	<u>78</u>	<u>(3)</u>
66	Total customers	<u>999,843</u>	<u>999,243</u>	<u>1,007,515</u>	<u>1,024,269</u>	<u>1,007,718</u>	<u>41,453</u>
67	Customer growth (% over prior year)	4.0%	4.2%	4.5%	4.5%	4.3%	0.6%
RETAIL SALES (GWH) — WEATHER NORMALIZED							
68	Residential	2,431	2,931	4,434	2,525	12,322	572
69	Business	<u>3,061</u>	<u>3,704</u>	<u>4,105</u>	<u>3,414</u>	<u>14,283</u>	<u>412</u>
70	Total	<u>5,492</u>	<u>6,635</u>	<u>8,539</u>	<u>5,939</u>	<u>26,605</u>	<u>984</u>
RETAIL USAGE (KWh/Average Customer)							
71	Residential	2,660	3,252	4,967	2,763	13,635	217
72	Business	27,706	33,292	36,723	30,444	128,514	(878)
RETAIL USAGE — WEATHER NORMALIZED (KWh/Average Customer)							
73	Residential	2,732	3,298	4,950	2,770	13,745	68
74	Business	27,876	33,471	36,770	30,324	128,485	(1,011)
ELECTRICITY DEMAND (MW)							
75	System peak demand	3,997	6,458	7,000	5,169	7,000	598

See Glossary of Terms

Pinnacle West Capital Corporation
Consolidated Statistics By Quarter
2005

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

(a) Includes planned and unplanned outages

See Glossary of Terms

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Pinnacle West Capital Corporation
Consolidated Statistics By Quarter
2005

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

Sources:

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

See Glossary of Terms

**Pinnacle West Capital Corporation
Earnings Variance Explanations
for the Three-Month Periods Ended March 31, 2008 and 2007**

This discussion explains the changes in our consolidated earnings for the three-month periods ended March 31, 2008 and 2007. Unaudited Condensed Consolidated Statements of Income for the three months ended March 31, 2008 and 2007 follow this discussion. We will file our Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 on or before May 12, 2008. We suggest that this discussion be read in connection with the Pinnacle West Capital Corporation (“Pinnacle West”) Annual Report on Form 10-K for the fiscal year ended December 31, 2007. Additional operating and financial statistics and a glossary of terms are available on our website (www.pinnaclewest.com).

EARNINGS CONTRIBUTION BY BUSINESS SEGMENT

Pinnacle West’s two reportable business segments are:

- our regulated electricity segment, which consists of traditional regulated retail and wholesale electricity businesses (primarily electric service to Native Load customers) and related activities and includes electricity generation, transmission and distribution; and
- our real estate segment, which consists of SunCor’s real estate development and investment activities.

The following table summarizes net income (loss) for the three months ended March 31, 2008 and 2007 (dollars in millions):

	Three Months Ended	
	March 31,	
	2008	2007
Regulated electricity segment	\$ (6)	\$ 4
Real estate segment	(1)	9
All other (a)	3	4
Net income (loss)	<u>\$ (4)</u>	<u>\$ 17</u>

(a) Includes activities related to marketing and trading, APSES and El Dorado. None of these segments is a reportable segment.

PINNACLE WEST CONSOLIDATED – RESULTS OF OPERATIONS

Operating Results – Three-month period ended March 31, 2008 compared with three-month period ended March 31, 2007

Our consolidated net loss for the three months ended March 31, 2008 was \$4 million compared with net income of \$17 million for the comparable prior-year period. Net income decreased \$21 million in the period-to-period comparison and is reflected in the segments as follows:

- Regulated Electricity Segment – Net income decreased approximately \$10 million primarily due to higher operations and maintenance expense related to increased costs for generation (including more planned overhauls and maintenance) and increased customer service and other costs; and higher depreciation and amortization primarily due to higher plant balances. These negative factors were partially offset by higher retail sales primarily due to customer growth.
- Real Estate Segment – Net income decreased approximately \$10 million primarily due to lower land parcel sales resulting from the weak real estate market.

Additional details on the major factors that increased (decreased) net income for the three-month period ended March 31, 2008 compared with the prior-year period are contained in the following table (dollars in millions):

	Increase (Decrease)	
	Pretax	After Tax
Regulated electricity segment:		
Higher retail sales primarily due to customer growth, excluding weather effects	\$ 6	\$ 4
Impacts of retail rate increase effective July 1, 2007 and transmission rate increase effective March 1, 2008:		
Retail revenue increase primarily related to higher Base Fuel Rate	63	38
Decreased deferred fuel and purchased power costs related to higher Base Fuel Rate	(65)	(40)
Transmission rate increase	3	2
Operations and maintenance increases primarily due to:		
Increased generation costs, including more planned overhauls and maintenance	(14)	(9)
Increased customer service and other costs	(10)	(6)
Higher depreciation and amortization primarily due to higher plant balances	(6)	(4)
Miscellaneous items, net	10	5
Decrease in regulated electricity segment net income	(13)	(10)
Lower real estate segment net income primarily due to lower land parcel sales resulting from the weak real estate market	(17)	(10)
Other miscellaneous items, net	(1)	(1)
Decrease in net income	<u>\$ (31)</u>	<u>\$ (21)</u>

Regulated Electricity Segment Revenues

Regulated electricity segment revenues were \$87 million higher for the three months ended March 31, 2008 compared with the prior-year period primarily because of:

- a \$63 million increase in retail revenues due to a rate increase effective July 1, 2007;
- a \$17 million increase in revenues from Off-System Sales due to higher prices and volumes;
- an \$8 million increase in retail revenues primarily related to customer growth, excluding weather effects;

- a \$3 million increase due to a transmission rate increase effective March 1, 2008;
- an \$18 million decrease in retail revenues related to recovery of PSA deferrals, which had no earnings effect because of amortization of the same amount recorded as fuel and purchased power expense; and
- a \$14 million net increase due to miscellaneous factors.

Real Estate Segment Revenues

Real estate segment revenues were \$29 million lower for the three months ended March 31, 2008 compared with the prior-year period primarily because of the weak real estate market.

All Other Revenues

All other revenues were \$16 million lower for the three months ended March 31, 2008 compared with the prior-year period primarily due to a \$15 million decrease in marketing and trading revenues as a result of lower mark-to-market gains because of changes in forward prices and lower sales volumes.

PINNACLE WEST CAPITAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(unaudited)
(in thousands, except per share amounts)

	THREE MONTHS ENDED MARCH 31,		Increase (Decrease)		
	2008	2007	Amount	Percent	
Operating Revenues					
Regulated electricity segment	\$622,801	\$536,051	\$ 86,750	16.2%	B
Real estate segment	47,742	77,132	(29,390)	38.1%	W
Marketing and trading	57,458	72,471	(15,013)	20.7%	W
Other revenues	8,737	9,363	(626)	6.7%	W
Total	<u>736,738</u>	<u>695,017</u>	<u>41,721</u>	6.0%	B
Operating Expenses					
Regulated electricity segment fuel and purchased power	269,378	203,353	66,025	32.5%	W
Real estate segment operations	48,219	61,336	(13,117)	21.4%	B
Marketing and trading fuel and purchased power	51,522	57,944	(6,422)	11.1%	B
Operations and maintenance	194,124	171,578	22,546	13.1%	W
Depreciation and amortization	95,607	89,378	6,229	7.0%	W
Taxes other than income taxes	33,152	34,719	(1,567)	4.5%	B
Other expenses	5,938	8,488	(2,550)	30.0%	B
Total	<u>697,940</u>	<u>626,796</u>	<u>71,144</u>	11.4%	W
Operating Income	<u>38,798</u>	<u>68,221</u>	<u>(29,423)</u>	43.1%	W
Other					
Allowance for equity funds used during construction	6,124	4,444	1,680	37.8%	B
Other income	3,848	4,512	(664)	14.7%	W
Other expense	(4,908)	(6,353)	1,445	22.7%	B
Total	<u>5,064</u>	<u>2,603</u>	<u>2,461</u>	94.5%	B
Interest Expense					
Interest charges	54,766	50,126	4,640	9.3%	W
Capitalized interest	(5,679)	(4,807)	(872)	18.1%	B
Total	<u>49,087</u>	<u>45,319</u>	<u>3,768</u>	8.3%	W
Income (Loss) From Continuing Operations Before Income Taxes	(5,225)	25,505	(30,730)	120.5%	W
Income Taxes	(557)	9,041	(9,598)	106.2%	B
Income (Loss) From Continuing Operations	(4,668)	16,464	(21,132)	128.4%	W
Income From Discontinued Operations					
Net of Income Taxes	<u>195</u>	<u>66</u>	<u>129</u>	195.5%	B
Net Income (Loss)	<u>\$ (4,473)</u>	<u>\$ 16,530</u>	<u>\$(21,003)</u>	127.1%	W
Weighted-Average Common Shares Outstanding — Basic	100,521	100,045	476	0.5%	
Weighted-Average Common Shares Outstanding — Diluted	100,521	100,622	(101)	0.1%	
Earnings Per Weighted-Average Common Share Outstanding					
Income (loss) from continuing operations — basic	\$ (0.05)	\$ 0.16	\$ (0.21)	131.3%	W
Net income (loss) — basic	\$ (0.04)	\$ 0.17	\$ (0.21)	123.5%	W
Income (loss) from continuing operations — diluted	\$ (0.05)	\$ 0.16	\$ (0.21)	131.3%	W
Net income (loss) — diluted	\$ (0.04)	\$ 0.16	\$ (0.20)	125.0%	W

B — Better

W — Worse

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

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

Degree-Days — Cooling

A measure of temperatures designed to indicate the amount of electricity demand for cooling purposes. Cooling degree-days are calculated by summing the difference between each day's actual average temperature and a base temperature of 65°F for the month. Average temperatures less than the base temperature are ignored.

Degree-Days — Heating

A measure of temperatures designed to indicate the amount of electricity demand for heating purposes. Heating degree-days are calculated by summing the difference between each day's actual average temperature and a base temperature of 65°F for the month. Average temperatures greater than the base temperature are ignored.

El Dorado

El Dorado Investment Company, a subsidiary of Pinnacle West.

Electricity and Other Commodity Sales, Realized

Marketing and trading gross margin related to electricity and other commodities that were delivered in the then-current period.

Electricity Spot Prices — Palo Verde — Off-Peak

Electricity average daily spot prices at Palo Verde substation during off-peak hours. It measures electric prices at the producer level and is the result of real time prices used for benchmarking, price comparisons, and establishing price contracts. Measured in dollars per megawatt-hour.

Electricity Spot Prices — Palo Verde — On-Peak

Electricity average daily spot prices at Palo Verde substation during on-peak hours. It measures electric prices at the producer level and is the result of real time prices used for benchmarking, price comparisons, and establishing price contracts. Measured in dollars per megawatt-hour.

Electricity Spot Prices — SP15 — Off-Peak

Electricity average daily spot prices at SP15, a region of California substations, during off-peak hours. It measures electric prices at the producer level and is the result of real time prices used for benchmarking, price comparisons, and establishing price contracts. Measured in dollars per megawatt-hour.

Electricity Spot Prices — SP15 — On-Peak

Electricity average daily spot prices at SP15, a region of California substations, during on-peak hours. It measures electric prices at the producer level and is the result of real time prices used for benchmarking, price comparisons, and establishing price contracts. Measured in dollars per megawatt-hour.

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

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

Retail Load Hedge Management	Wholesale sales to liquidate electricity purchases originally intended to meet firm load during peak times, which purchases were not needed ultimately for firm load. These sales are made to other electric companies, power marketers, or public entities for the purpose of resale. Measured in gigawatt-hours.
Retail Sales	Sales of electricity made directly to retail customers or ultimate customers. Residential retail sales are sales to households. Business retail sales include commercial, industrial, irrigation, and streetlighting sales. Measured in gigawatt-hours.
SunCor	SunCor Development Company, a subsidiary of Pinnacle West.
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.
Wholesale Sales of Electricity	All wholesale sales of electricity not accounted for in sales under traditional contracts or retail load hedge management. These sales are made to other electric companies, power marketers, or public entities for the purpose of resale. Measured in gigawatt-hours.

**FOR IMMEDIATE RELEASE**

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April 29, 2008
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PINNACLE WEST REPORTS 2008 FIRST QUARTER LOSS

Costs to Serve Arizona's Growth Continue to Rise

PHOENIX — Pinnacle West Capital Corporation (NYSE: PNW) today reported a consolidated net loss for the quarter ended March 31, 2008, of \$4.5 million, or \$0.04 per diluted share of common stock. This result compares with net income of \$16.5 million, or \$0.16 per share, for the first quarter of 2007.

Rising costs incurred by Arizona Public Service Co. (APS) to maintain and expand its electric system to sustain Arizona's growth, and decreased earnings from Pinnacle West's real estate operations, drove the lower results.

APS reported a net loss of \$6.4 million for the 2008 first quarter, compared with net income of \$4.3 million in the 2007 first quarter. APS' increased operating costs in 2008 were related to a greater number of planned power plant overhauls and system maintenance, as well as higher customer service costs. Increased depreciation and interest costs related to growth also dampened the quarterly results. Higher retail sales, primarily due to customer growth, partially offset the increased costs.

SunCor Development Co. reported a net loss of \$0.9 million for the current-year first quarter, compared with earnings of \$9.3 million for the same period a year ago. SunCor's results reflect the distressed national real estate market.

"Arizona continues to grow even with a slower economy. To support current growth levels, we must continue building more electricity infrastructure at a time when basic building materials (such as steel, copper, aluminum and concrete) for providing electricity are at record-high prices," said Chairman Bill Post. "As a result, our costs for constructing needed facilities and maintaining APS' existing electric service continue to increase."

In a continuing effort to mitigate the rising costs, Post said the Company's focus on cost-management remains a top priority. As previously reported, the Company has streamlined its organizational structure to better serve APS' customers and is eliminating about 300 positions. These moves — and other operating cost reductions — are expected to decrease APS' operating costs by \$14 million annually.

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

Conference Call

Pinnacle West invites interested parties to listen to the live web cast of management's conference call to discuss the Company's 2008 first quarter earnings and recent developments at 1:30 p.m. (ET), today, Tuesday, April 29, 2008. The web cast can be accessed at www.pinnaclewest.com/presentations and will be available for replay on the web site for 30 days. To access the live conference call by telephone, dial (877) 356-3961 and enter Conference ID number 41125109. A replay of the call also will be available until 11:55 p.m. (ET), Tuesday, May 6, 2008, by calling (800) 642-1687 in the U.S. and Canada or (706) 645-9291 internationally and entering the same Conference ID number as above.

Based in Phoenix, Pinnacle West has consolidated assets of about \$11 billion. Through its subsidiaries, the Company generates, sells and delivers electricity and sells energy-related products and services to retail and wholesale customers in the western United States. It also develops residential, commercial and industrial real estate projects.

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This press release contains a forward-looking statement regarding expected decreases in annual operating costs resulting from the elimination of about 300 positions. The Company assumes no obligation to update this statement or to make any further statement on this issue, except as required by applicable law. Because actual results may differ materially from our expectations, the Company cautions readers not to place undue reliance on this statement. A number of factors could cause future results to differ materially from the results we currently expect. These factors include our ability to eliminate positions while maintaining required reliability and customer service levels and unexpected developments that would require us not to eliminate all or a portion of these positions or to reinstate all of a portion of these or other positions.

PINNACLE WEST CAPITAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(unaudited)
(in thousands, except per share amounts)

	THREE MONTHS ENDED MARCH 31,	
	2008	2007
Operating Revenues		
Regulated electricity segment	\$622,801	\$536,051
Real estate segment	47,742	77,132
Marketing and trading	57,458	72,471
Other revenues	8,737	9,363
Total	<u>736,738</u>	<u>695,017</u>
Operating Expenses		
Regulated electricity segment fuel and purchased power	269,378	203,353
Real estate segment operations	48,219	61,336
Marketing and trading fuel and purchased power	51,522	57,944
Operations and maintenance	194,124	171,578
Depreciation and amortization	95,607	89,378
Taxes other than income taxes	33,152	34,719
Other expenses	5,938	8,488
Total	<u>697,940</u>	<u>626,796</u>
Operating Income	<u>38,798</u>	<u>68,221</u>
Other		
Allowance for equity funds used during construction	6,124	4,444
Other income	3,848	4,512
Other expense	(4,908)	(6,353)
Total	<u>5,064</u>	<u>2,603</u>
Interest Expense		
Interest charges	54,766	50,126
Capitalized interest	(5,679)	(4,807)
Total	<u>49,087</u>	<u>45,319</u>
Income (Loss) From Continuing Operations Before Income Taxes	(5,225)	25,505
Income Taxes	(557)	9,041
Income (Loss) From Continuing Operations	(4,668)	16,464
Income From Discontinued Operations Net of Income Taxes	195	66
Net Income (Loss)	<u>\$ (4,473)</u>	<u>\$ 16,530</u>
Weighted-Average Common Shares Outstanding — Basic	100,521	100,045
Weighted-Average Common Shares Outstanding — Diluted	100,521	100,622
Earnings Per Weighted-Average Common Share Outstanding		
Income (loss) from continuing operations — basic	\$ (0.05)	\$ 0.16
Net income (loss) — basic	\$ (0.04)	\$ 0.17
Income (loss) from continuing operations — diluted	\$ (0.05)	\$ 0.16
Net income (loss) — diluted	\$ (0.04)	\$ 0.16