PINNACLE WEST CAPITAL CORP

FORM	8-	٠K
(Current repo	rt fili	ng)

Filed 06/02/14 for the Period Ending 06/02/14

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

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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): June 2, 2014

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 appropri the following provisions:	ate box below if the Form 8-K filing is intended to simultaneously satisfy the filing of	bligation of the registrant under any of

□ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

□ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

□ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

□ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Item 7.01 Regulation FD Disclosure.

Investor and Analyst Meetings

Pinnacle West Capital Corporation ("Pinnacle West") will be participating in various meetings with securities analysts and investors on June 3 through June 4, 2014 and will be utilizing handouts during those meetings. Copies of the handouts are attached hereto as Exhibit 99.1.

Item 9.01	Financial Statements and Exhibits.		
(d)	Exhibits		
Exhibit No.	Registrant(s)	Description	
99.1	Pinnacle West Arizona Public Service Company	Pinnacle West handouts for use at meetings on June 3 through June 4, 2014.	
		2	

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: June 2, 2014 By: /s/ James R. Hatfield Executive Vice President and Chief Financial Officer ARIZONA PUBLIC SERVICE COMPANY (Registrant) Dated: June 2, 2014 By: /s/ James R. Hatfield James R. Hatfield Executive Vice President and Chief Financial Officer 3

PINNACLE WEST



DELIVERING SUPERIOR SHAREHOLDER VALUE

Investor Meetings | June 3-4, 2014



FORWARD LOOKING STATEMENTS

This presentation contains forward-looking statements based on current expectations, including statements regarding our earnings guidance and financial outlook and goals. These forward-looking statements are often identified by words such as "estimate," predict," "may," "believe," "plan," "expect," "require," "intend," "assume" and similar words. Because actual results may differ materially from expectations, we caution you not to place undue reliance on these statements. A number of factors could cause future results to differ materially from historical results, or from outcomes currently expected or sought by Pinnacle West or APS. These factors include, but are not limited to: our ability to manage capital expenditures and operations and maintenance costs while maintaining reliability and customer service levels; variations in demand for electricity, including those due to weather, the general economy, customer and sales growth (or decline), and the effects of energy conservation measures and distributed generation; power plant and transmission system performance and outages; competition in retail and wholesale power markets; regulatory and judicial decisions, developments and proceedings; new legislation or regulation, including those relating to environmental requirements, nuclear plant operations and potential deregulation of retail electric markets; fuel and water supply availability; our ability to achieve timely and adequate rate recovery of our costs, including returns on debt and equity capital; our ability to meet renewable energy and energy efficiency mandates and recover related costs; risks inherent in the operation of nuclear facilities, including spent fuel disposal uncertainty; current and future economic conditions in Arizona, particularly in real estate markets; the cost of debt and equity capital and the ability to access capital markets when required; environmental and other concerns surrounding coal-fired generation; volatile fuel and purchased power costs; the investment performance of the assets of our nuclear decommissioning trust, pension, and other postretirement benefit plans and the resulting impact on future funding requirements; the liquidity of wholesale power markets and the use of derivative contracts in our business; potential shortfalls in insurance coverage; new accounting requirements or new interpretations of existing requirements; generation, transmission and distribution facility and system conditions and operating costs; the ability to meet the anticipated future need for additional baseload generation and associated transmission facilities in our region; the willingness or ability of our counterparties, power plant participants and power plant land owners to meet contractual or other obligations or extend the rights for continued power plant operations; technological developments affecting the electric industry; and restrictions on dividends or other provisions in our credit agreements and ACC orders. These and other factors are discussed in Risk Factors described in Part I, Item 1A of the Pinnacle West/APS Annual Report on Form 10-K for the fiscal year ended December 31, 2013, which you should review carefully before placing any reliance on our financial statements, disclosures or earnings outlook. Neither Pinnacle West nor APS assumes any obligation to update these statements, even if our internal estimates change, except as required by law.



VALUE PROPOSITION

Experienced Management Team Driving Focused Strategy	 Maintaining focus on core electric utility business Delivering long-term value Creating a sustainable energy future for Arizona and the communities we serve Driving cost management discipline through increased transparency and accountability
Leverage to Arizona Economic Recovery	 Arizona's long-term growth fundamentals remain largely intact; supportive of more traditional growth patterns 2-3x the national average Housing market is gaining momentum, providing more support to new construction
Executing on Operational Excellence	 Customer Satisfaction: Top decile in J.D. Power Survey Reliability: Customer outage time continues to trend in top quartile Safety: 2013 was safest year on record, sixth straight year of improvement Palo Verde continues record levels of electricity production
Delivering on Achievable Long-Term Targets	 Consolidated earned ROE of at least 9.5% (9.9% in 2012 and 2013) Rate base growing at 6-7% through 2018 Manageable dividend growth of 4% Strong investment-grade credit ratings
	PINACLE WEST

PINNACLE WEST: WHO WE ARE

We are a vertically integrated, regulated electric utility in the growing southwest U.S.

NYSE Ticker	PNW
Market Cap*	\$6 Billion
Enterprise Value*	\$9.5 Billion
Dividend Yield*	4%
Consolidated Assets	Over \$13 Billion

Consolidated Assets

- Principal Subsidiary
- cipal Subsidiary **() aps** Arizona's largest and longest-serving electric utility
- Regulated utility provides stable, regulated earnings and cash flow base for Pinnacle West

Service Territory

- 1.2 million customer accounts (89% residential)
- 34,646 square miles ٠

Peak Demand - 6,927 MW (July 8, 2013)



Nearly 6,400 MW of owned or leased capacity (~9,400 MW with long-term contracts); including 29.1% interest in Palo Verde Nuclear Generating Station, the largest in the United States

2013	Retail Sales: 28,088 GWh	Operating Revenues: \$3.2 Billion	
Residential	47%	52%	
Commercial	44%	42%	
Industrial	8%	6%	
Other	< 1%	< 1%	
* As of April	30, 2014		



ARIZONA ECONOMIC INDICATORS



CUSTOMER GROWTH



RETAIL SALES GROWTH (WEATHER-NORMALIZED)



 Weather-normalized retail sales growth about 1% for 2014-2016 after impacts of energy efficiency, customer conservation and distributed renewable generation initiatives (excluding Lost Fixed Cost Recovery)

Distributed Energy (DE) Impact

 DE makes up 0.5% (or less) of the negative impact to retail sales growth as shown in the chart; equates to approximately 60 GWh out of our total retail sales of over 28,000 GWh

PINNACLE WEST

 Average residential rooftop solar system produces 10,000 – 12,000 KWh per year (average metro-Phoenix customer's usage is nearly 15,000 KWh)

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ARIZONA'S RENEWABLE RESOURCE AND ENERGY EFFICIENCY STANDARDS

Renewable Energy (RES) Requirements

- Portion of retail sales to be supplied by renewable resources
 - 5% by 2015
 - 15% by 2025
- Distributed energy component
 - 30% of total requirement by 2013

Energy Efficiency Requirements

- Cumulative savings from energy efficiency programs must be equivalent to 22% of annual retail sales by 2020
- Annual milestones in place to measure progress toward cumulative 2020 goal
 - 9.5% by 2015
 - 22% by 2020



APS on track to meet target





APS on track to approximately double 2015 requirement

OPERATIONAL EXCELLENCE



Palo Verde

Palo Verde has exceeded 30 million megawatt-hours annual production 9 times – the only U.S. plant to ever do so.



Safety



2013 lowest number of recordable injuries in company history.

EARNED ROE

Delivering consistent earned return on equity is one of our top priorities



DIVIDEND GROWTH

Pinnacle West's annual dividend is \$2.27 per share; targeting ~4% annual dividend growth

Indicated Annual Dividend Rate at Year-End **Dividend Yield** 6% Annual Dividend Growth Approx. 4% PNW 5% 4% \$2.27 \$2.18 3% \$2.10 2% 1% 0% 30% 50% 2011 2012 2013 2014 2015 — Projected — _ Future dividends subject to declaration at Board of Director's discretion

Dividend Growth Goal



Yield as of April 30, 2014 Payout 12 Months Ended December 31, 2013



CAPITAL EXPENDITURES

80% of capital expenditures are recovered through rate adjustors (40%) and depreciation cash flow (40%)



2014 - 2016 as disclosed in First Quarter 2014 Form 10-Q

PINACLE WEST

RESOURCE PLANNING*



OCOTILLO POWER PLANT (TEMPE, AZ)

Ocotillo modernization project will maintain valley grid reliability and increase APS's generating capacity by 290 MW

- · Maintains system reliability through retirement of aging steam units
- · Replacement units meet need for increased portfolio responsiveness
- · Aids integration of renewables
- Estimated project cost of \$600M \$700M
- · Expected timeline:
 - Early 2014: Stakeholder engagement and initiate permitting activities
 - · Q3 2014: ACC Certificate of Environmental Compatibility application filing
 - Late 2014: ACC Siting Committee hearings
 - 2016: Expect to begin construction
 - · Q2 2018: Expected project completion



Site Capacity (MW)	Current	Future		
(2) Westinghouse 110 MW steam units - constructed 1960	220	Retire		
(2) Westinghouse 55 MW combustion turbines - constructed 1972/73	110	110		
Install (5) GE 102 MW combustion turbines	0	510		
Total	330	620		
Net site capacity increased by 290 MW				



FOUR CORNERS POWER PLANT

- On December 30, 2013, APS and Southern California Edison ("SCE") completed previously announced transaction whereby APS agreed to purchase SCE's 48% interest in Units 4 and 5 of Four Corners
 - Final purchase price: \$182 million
 - Estimated environmental compliance: \$350 million, primarily in 2016-2017
 - APS will continue to operate Four Corners and now has total interest of about 970 MW
- APS filed Four Corners-specific revenue requirement on docket 11-0224
- APS notified EPA that the Four Corners participants selected the BART alternative requiring APS to retire Units 1-3 by January 1, 2014 and install and operate SCR control technology on Units 4-5 by July 31, 2018
 - Construction expected to begin by early 2016 after approval of final EPA permit
- Next Steps:
 - ACC decision on revenue requirement (rates in effect immediately following decision)
 - EPA permitting process

15 Delivering Superior Shareholder Value

ALJ Procedural Schedule

Staff/Intervenor Direct Testimony	June 19, 2014
APS Rebuttal Testimony	July 3, 2014
Staff/Intervenor Surrebuttal Testimony	July 21, 2014
APS Rejoinder Testimony	July 28, 2014
Prehearing Conference	July 30, 2014
Hearing Begins	August 4, 2014



TRANSMISSION

Strategic transmission investment is essential to maintain reliability and deliver diversified resources to customers



- 10-Year Transmission Plan filed January 2014 (115 kV and above)
 - \$496 million of transmission investment
 - 275 miles of new lines
 - Includes Hassayampa-North Gila (HANG2)
 - ~110 miles; 500 kV
 - Construction started March 2013
 - Estimated in-service mid 2015
- Projects to deliver renewable energy approved by ACC
- Transmission investment diversifies regulatory risk
 - Constructive regulatory treatment
 - FERC formula rates and retail adjustor



AZ SUN PROGRAM

Owning solar resources makes sense for our customers and the environment and provides earnings growth potential

- Utility-scale photovoltaic solar plants to be owned by APS ٠
- Constructive rate recovery through RES until included in base rates ٠
- 118 MW in commercial operation to date; 150 MW by end of 2014 ٠
- Commitments to date: •
 - 170 MW; \$695 million estimated capital investment



Name	Location	Capacity	Developer	Actual or Target COD*
Paloma	Gila Bend, AZ	17 MW	First Solar	September 2011
Cotton Center	Gila Bend, AZ	17 MW	Solon	October 2011
Hyder Phase 1	Hyder, AZ	11 MW	SunEdison	October 2011
Hyder Phase 2	Hyder, AZ	5 MW	SunEdison	February 2012
Chino Valley	Chino Valley, AZ	19 MW	SunEdison	November 2012
Yuma Foothills Phase 1	Yuma, AZ	17 MW	AMEC	March 2013
Yuma Foothills Phase 2	Yuma, AZ	18 MW	AMEC	December 2013
Hyder II	Hyder, AZ	14 MW	McCarthy	December 2013
Gila Bend	Gila Bend, AZ	32 MW	Black & Veatch	2Q 2014
City of Phoenix	Buckeye, AZ	10 MW	TBD	2015
Luke Air Force Base	Glendale, AZ	10 MW	TBD	2015
Total		170 MW		

As of March 31, 2014

* In-Service or Commercial Operation Date PINNACLE WEST

NET METERING



TYPICAL GRID INTERACTION FOR ROOFTOP SOLAR

- Customers with rooftop solar systems do not pay for all of the electric services they use (i.e. rooftop customers still need support from the grid 24 hours a day)
- These unpaid costs are then paid, through higher rates, by non-rooftop solar customers
- The issue will get bigger over time as applications and installs continue to increase



RATE DESIGN CHANGES NEEDED TO ALIGN FIXED COSTS AND REVENUE



APS TAKING STEPS TO LEAD EVOLUTION OF GRID AND RATE DESIGN



- APS' perspective
 - Today's rate designs are not compatible with the evolving energy landscape
 - Rate redesign should be discussed in an open process including all stakeholders
 - Because each utility is unique, final decisions on rate design must be determined in utility specific processes
 - Separating rate redesign from a traditional rate case allows a more deliberate discussion and focus on this critical issue
 - · Rate design is historically secondary to overall revenue requirements
- APS plans to discuss our perspectives with the ACC and stakeholders through the current workshop processes to determine the best path forward



2014 KEY DATES

	Docket #	Q1	Q2	Q3	Q4
Key Regulatory Filings					
Lost Fixed Cost Recovery	11-0224	Jan 15			
Transmission Cost Adjustor			May 15		
Renewable Energy Surcharge				Jul 1	
10-Year Transmission Plan (Annual)	13-0002	Jan 31			
2014 Integrated Resource Plan (Biennial)	13-0070		Apr 1		
Net Metering (Decision No. 74202)	13-0248				
Quarterly Installation Filings	13-0248		Apr 15	Jul 15	Oct 15
Value and Cost of Distributed Generation	14-0023		May 7 Jun 20	TBD	
Innovations and Technology Development Docket Workshops – Substantive (a), Response (b)	13-0375	Mar 20 (1a)	Apr 25 (1b) May 28 (2a) Jun TBD (2b)	Jul 28 (3a) Aug 18 (3b)	
Four Corners Rate Rider	11-0224		Testimony Jun - Jul;	Hearings being Aug	ACC Open Meeting TBD
Energy Efficiency workshops – (a) Cost effectiveness, (b) Cost recovery and (c) EE standards/rulemaking	13-0214	Mar 18 (a) Mar 31 (b)	Apr 17 (c)		
ACC Open Meetings		ACC Open Meetings Held Monthly			
Elections			May 28: Nominations	Aug 26: Primary	Nov 4: General
Arizona State Legislature	-	In Session Jan 1	13 - Apr 24 (Adjourned)		
Annual Shareholder Meeting			May 21		





APPENDIX





2014 – 2016 FINANCIAL OUTLOOK

Key Factors & Assumptions as of May 2, 2014

Gross Margin – Customer Growth and Weather				
Assumption	Impact			
Retail customer growth	 Expected to average about 2.5% annually (2014-2016) Modestly improving Arizona and U.S. economic conditions 			
Weather-normalized retail electricity sales volume growth	 About 1% after customer conservation and energy efficiency and distributed renewable generation initiatives 			
Weather	Actual weather through March 2014; normal weather patterns thereafter			
Gross Margin - Related to 2012	Retail Rate Settlement			
Assumption	Impact			
AZ Sun Program	 Additions to flow through RES until next base rate case First 50 MW of AZ Sun is recovered through base rates 			
Lost Fixed Cost Recovery (LFCR)	 Offsets 30-40% of revenues lost due to ACC-mandated energy efficiency and distributed renewable generation initiatives 			
Environmental Improvement Surcharge (EIS)	 Assumed to recover up to \$5 million annually of carrying costs for government- mandated environmental capital expenditures 			
Power Supply Adjustor (PSA)	 100% recovery as of July 1, 2012 			
Transmission Cost Adjustor (TCA)	 TCA is filed each May and automatically goes into rates effective June 1 Beginning July 1, 2012 following conclusion of the regulatory settlement, transmission revenue is accrued each month as it is earned. 			
Four Corners Acquisition	Pending final ACC approval			
Potential Property Tax Deferrals (20 rates, therefore, will be eligible for defe	D12 retail rate settlement) – Assume 60% of property tax increases relate to tax rrals (Deferral rates: 50% in 2013; 75% in 2014 and thereafter)			

OPERATIONS & MAINTENANCE

Our goal is to keep consolidated O&M growth at or below retail sales growth levels



Note: Pinnacle West O&M for 2009-2014E: \$10M, \$9M, \$8M, \$11M, \$27M and \$10M, respectively.

* 2013 includes \$9M related to the closure of Four Corners Units 1, 2 and 3 deferred for regulatory recovery in depreciation.

**Renewable energy and demand side management expenses are offset by revenue adjustors.

PINACLE WEST

SUSTAINABLE COST MANAGEMENT INITIATIVE ("SCMI")

Motivation for Change

- Capitalize on changes driven by aging workforce
- Improve organizational efficiencies
- Strengthen governance and clarify accountability
- Refine understanding of cost structure to better identify opportunities
- Manage costs during regulatory stay-out

Sustainable Changes

Tiered Metrics

Linked to incentives to drive accountability across all levels

Business Planning

To increase transparency and drive consistent, annual process across organization

Corporate Resource Operating Model

Align corporate support services with business needs to identify overlaps and gaps; centralize financial analysis and information technology

Target

Bottom of top-quartile staffing and costs by 2014 (IT by 2015)

Enterprise Process Improvement

A standardized, systematic approach to understanding our work and determining how we can do it better



PENSION & OTHER POST RETIREMENT BENEFITS ("OPEB")

Pension Funded Status⁽¹⁾⁽²⁾



- Pension funded status for GAAP purposes increased to 90% at year-end 2013 due to earned returns, higher discount rates, plan contributions in excess of minimum required contributions and a liability driven investment strategy
- Improved funded status has lowered pension & OPEB expense for 2014 relative to 2013 and should allow pension contributions to be reduced post-2014

/⊄	in	millione)
(Φ		ninions)

Expense ⁽³⁾	2013A	2014E	2015E
Pension ⁽¹⁾	\$31	~\$10	~\$10
OPEB	\$18	~\$10	~\$10

Contributions	2013A	2014E	2015E	2016E
Pension	\$141	\$175	Up to \$100	Up to \$25
OPEB	\$14	\$10	\$10	\$10

Assumptions	For 2013	For 2014
Discount Rate: Pension	4.01%	4.88%
Expected Long-Term Return on Plan Assets: Pension	7.00%	6.90%

Data as of December 31, 2013

(1) Excludes supplemental excess benefit retirement plan.

(2) Funded status as defined by ERISA was 107% as of January 1, 2013 and is estimated to be 103% funded as of January 1, 2014.

(3) Excludes approximately 50% of total estimated expense which is attributable to amounts capitalized or billed to electric plant participants.

PINACLE WEST

APS IS A LEADER IN SOLAR

We are committed to making Arizona the solar capital of America

APS Solar Portfolio*



* AZ Sun – Includes 32MW Gila Bend project; excludes 20MW of approved projects which are expected online in 2015; includes 4 MW of other APS owned solar * DE includes 15 MW of APS owned

SEPA

APS 2013 Rankings

- **3rd** of all U.S. utilities for solar energy installed in 2013 (410 MW)
- 4th for new solar installed in 2013 (368 watts/customer)
- 4th for overall solar capacity (740 MW)
- 5th for overall solar capacity per customer (654 watts/customer)



EMERGING TECHNOLOGIES RELY ON THE GRID

All of these technologies are dependent on the grid



OPERATIONAL CHALLENGES



The grid provides real-time voltage and power needed to start air conditioners and other motors loads



- · Steep ramp rate of backup generation
- Instant variability
- · Voltage control at distribution level



ARIZONA CORPORATION COMMISSION

Three seats of four-year terms through January 2017 were addressed in the November 2012 election

Terms To January 2015

Terms To January 2017

New Commissioners



Susan Bitter Smith (R)



Bob Burns (R)



Bob Stump (R)* Chairman



Incumbents

Brenda Burns (R)



Gary Pierce (R)*

* Term limited



REGULATORY MECHANISMS

We have achieved a more supportive regulatory structure and improvements in cost recovery timing

Mechanism	Adopted / Last Adjusted	Description
Power Supply Adjustor ("PSA")	April 2005 / February 2014	 Recovers variance between actual fuel and purchased power costs and base fuel rate Includes forward-looking, historical and transition components
Renewable Energy Surcharge ("RES")	May 2008 / January 2014	 Recovers costs related to renewable initiatives Collects projected dollars to meet RES targets Provides incentives to customers to install distributed renewable energy
Demand-Side Management Adjustment Clause ("DSMAC")	April 2005 / March 2014	 Recovers costs related to energy efficiency and DSM programs above \$10 million in base rates Provides performance incentive to APS for net benefits achieved Provides rebates and other incentives to participating customers
Environmental Improvement Surcharge ("EIS")	July 2007 / April 2013	 Allows recovery of certain carrying costs for government-mandated environmental capital projects Capped at \$5 million annually
Transmission Cost Adjustor ("TCA")	April 2005 / June 2013	 Recovers FERC-approved transmission costs related to retail customers Resets annually as result of FERC Formula Rate process (see below)
FERC Formula Rates	2008 / June 2013	 Recovers transmission costs based on historical costs per FERC Form 1 and certain projected data
Lost Fixed Cost Recovery ("LFCR")	July 2012 / March 2014	 Mitigates loss of portion of fixed costs related to ACC-approved energy efficiency and distributed renewable generation programs



REGULATORY MECHANISMS (TCA)

- FERC Formula Rates adopted in 2008
- Adjusted annually with 10.75% allowed ROE
- Based on FERC Form 1 and projected closings
 - Update filed each May
 - Annual rate true-up compares projected revenue requirement to actual, with variance incorporated into next annual update
- Retail portion flows through ACC Transmission Cost Adjustor (TCA)

	20	14	2013		20	12
	Annual Rate Increase	Rate Effective Date	Annual Rate Increase	Rate Effective Date	Annual Rate Increase	Rate Effective Date
Retail Portion (TCA)	\$5 M	6/1/2014	\$21 M	6/1/2013	\$18 M	8/1/2012
Wholesale Portion	\$1 M	6/1/2014	\$5 M	6/1/2013	\$(2) M	6/1/2012
Total Increase (Decrease)	\$6 M		\$26 M		\$16 M	
Equity Ratio	58%		57%		55%	
Rate Base (Year-End)	\$1.2 B		\$1.2 B		\$1.2 B	
Test Year	2013		2012		2011	



REGULATORY MECHANISMS (TCA)

We have achieved constructive transmission rate treatment with annual adjustments



- New accounting treatment began July 1, 2012, effective with 2012 Settlement Agreement
- Quarterly true-ups can occur throughout the year (2013 included adjustments of 2012 revenue)
- Although transmission rate base is growing, 2014 transmission revenue in line with 2013 in part because of the 2012 true-ups in 2013, and higher CWIP in 2014 due to large projects (i.e. HANG2) that come online beginning in 2015

PINNACLE WEST

REGULATORY MECHANISMS (LFCR)

Lost Fixed Cost Recovery

- Lost Fixed Cost Recovery (LFCR) was implemented as part of the July 2012 settlement
 - Estimated to offset 30-40% of revenues lost due to ACCmandated energy efficiency (EE) and distributed renewable generation (DG) initiatives
- Annual filing by January 15th each year with new rates in effect March 1st, based on the EE and DG savings from the preceding calendar year
 - Subject to annual cap of 1% of company's total revenues
- Revenue accrued each month as it is earned, creating a regulatory asset since the rates lag



	2013 ACC Order	2014 ACC Order
Rates Effective	March 1, 2013	March 1, 2014
LFCR Rate	0.2%	0.95%
Residential rate per lost kWh	\$0.031	\$0.031
Non-residential rate per lost kWh	\$0.023	\$0.023
LFCR Adjustment (Annualized)	\$5.1 Million	\$25.4 Million
LFCR Revenue (Accrued in prior year)	\$7.3 Million (1)	\$22.6 Million
(1) Represents six months in 2012.		



CREDIT RATINGS

Investment Grade Credit Ratings

	APS	Parent			
Corporate Credit	Ratings				
Moody's	A3	Baa1			
S&P	A-	A-			
Fitch	BBB+	BBB+			
Senior Unsecured					
Moody's	A3	-			
S&P	A-	-			
Fitch	A-	-			
Outlook					
Moody's	Stable	Stable			
S&P	Stable	Stable			
Fitch	Stable	Stable			

We are disclosing credit ratings to enhance understanding of our sources of liquidity and the effects of our ratings on our costs of funds.



FINANCING



2014 Major Financing Activities

- \$250 million 30-year 4.70% APS senior unsecured notes issued in January 2014
- Currently expect about \$550 million additional long-term debt issuance in 2014, including issuance to refinance \$300 million of maturing debt
- In addition, there will be several taxexempt series subject to remarketing

2015 Major Financing Activities

 Currently expect about \$300 million of new long-term debt in 2015, in addition to refinancing maturing debt



GENERATION PORTFOLIO*

	Fuel/Plant	Location	Units	Dispatch	COD	Ownership Interest ^a	Net Capacity (MW)
NUCLEAR 1,146 MW	Palo Verde	Wintersburg, AZ	1-3	Base	1986-1989	29.1%	1,146
	Cholla	Joseph City, AZ	1-3	Base	1962-1980	100	647
L932 MW	Four Corners	Farmington, NM	4, 5	Base	1969-1970	63	970
SOLAR SO	Navajo	Page, AZ	1-3	Base	1974-1976	14	315
COAL L932 MW GAS/OIL COMBINED CYCLE L871 MW CAS/OIL STEAM TUREINES 220 MW GAS/OIL COMBUSTION TURBINES L088 MW	Redhawk	Arlington, AZ	1, 2	Intermediate	2002	100	984
1,871 MW	West Phoenix	Phoenix, AZ	1.5	Intermediate	1976-2003	100	887
GAS/OIL STEAM TURBINES 220 MW	Ocotillo	Tempe, AZ	1, 2	Peaking	1960	100	220
NUCLEAR L146 MW COAL L932 MW COMBINED CYCLE L871 MW CAS/OIL STEAM TURBINES 220 MW CGAS/OIL STEAM TURBINES L088 MW SOLAR 137 MW	Sundance	Casa Grande, AZ	1-10	Peaking	2002	100	420
	Yucca	Yuma, AZ	1-6	Peaking	1971-2008	100	243
	Saguaro	Red Rock, AZ	1-3	Peaking	1972-2002	100	189
	West Phoenix	Phoenix, AZ	1, 2	Peaking	1972-1973	100	110
	Ocotillo	Tempe, AZ	1, 2	Peaking	1972-1973	100	110
	Douglas	Douglas, AZ	1	Peaking	1972	100	16
	Hyder	Hyder, AZ	14	As Available	2011-2012	100	16
	Hyder II	Hyder, AZ	a.	As Available	2013	100	14
	Paloma	Gila Bend, AZ	2	As Available	2011	100	17
SOLAR	Cotton Center	Gila Bend, AZ	12	As Available	2011	100	17
137 MW	Chino Valley	Chino Valley, AZ	22.1	As Available	2012	100	19
	Yuma Foothills	Yuma, AZ		As Available	2013	100	35
	Distributed Energy	Multiple A2 Facilities	14	As Available	Various	100	15
	Various	Multiple AZ Facilities	14 () 14 ()	As Available	1996-2006	100	4
	Total Generation Ca	pacity					6,394 MW

PURCHASED POWER CONTRACTS*

	Fuel/Contract	Location	Owner/Developer	Status ¹	PPA Signed	COD	Term (Years)	Net Capacity (MW)
	Solana	Gila Bend, AZ	Abengoa	10	Feb-2008	2013	30	250
	RE Ajo	Ajo, AZ	Duke Energy Gen Svcs	10	Jan-2010	2011	25	5
SOLAR	Sun E AZ 1	Prescott, AZ	SunEdison	10	Feb-2010	2011	30	10
310 MW	Saddle Mountain	Tonopah, AZ	SunEdison	10	Jan - 2011	2012	30	15
	Badger	Tonopah, AZ	PSEG	10	Jan-2012	2013	30	15
	Gillespie	Maricopa County, AZ	Recurrent Energy	10	Jan-2012	2013	30	15
	Aragonne Mesa	Santa Rosa, NM	Ingifen Asset Mgmt	10	Dec-2005	2006	20	90
WIND 289 MW	High Lonesome	Mountainair, NM	Foresight / EME	10	Feb-2008	2009	30	100
	Perrin Ranch Wind	Williams, AZ	NextEra Energy	10	Jul-2010	2012	25	99
GEOTHERMAL 10 MW	Salton Sea	Imperial County, CA	Cal Energy	10	Jan-2006	2006	23	10
BIOMASS 14 MW	Snowflake	Snowflake, AZ	Novo Power	10	Sep-2005	2008	15	14
BIOGAS	Glendale Landfill	Glendale, AZ	Glendale Energy LLC	10	Jul-2008	2010	20	3
6 MW	NW Regional Landfill	Surprise, AZ	Waste Management	10	Dec-2010	2012	20	3
INTER-UTILITY	PacifiCorp Seasonal Power Exchange	2	PacifiCorp	10	Sep-1990	1991	30	480
340 MW	Not Disclosed	Not Disclosed	Not Disclosed	IO	May-2009	2010	10	60
HEAT RATE OPTIONS	Call Option	÷	Not Disclosed	10	Nov-2005	2007	8-9	500
650 MW	Call Option	2	Not Disclosed	10	Oct-2005	2007	10	150
CONVENTIONAL	CC Tolling	Not Disclosed	Not Disclosed	10	Mar-2006	2007	10	514
TOLLING 1,074 MW	CC Tolling	Not Disclosed	Not Disclosed	10	Aug-2007	2010	10	560
DEMAND RESPONSE 25 MW	Demand Response	Not Disclosed	Not Disclosed	10	Sep-2008	2010	15	25
WHOLESALE 90 MW	Wholesale Contract	Not Disclosed	Not Disclosed	10	Mar-2009	2010	5	90
	Total Contracted Car	pacity						3,008 MW

39 Delivering Superior Shareholder Value

PINNACLE WEST