

# PINNACLE WEST CAPITAL CORP

## FORM S-3ASR

(Automatic shelf registration statement of securities of well-known seasoned issuers)

Filed 11/25/08

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 S-3**

**REGISTRATION STATEMENT  
Under  
THE SECURITIES ACT OF 1933**

**PINNACLE WEST CAPITAL CORPORATION**

(Exact name of Registrant as specified in its charter)

ARIZONA  
(State of Incorporation)

86-0512431  
(I.R.S. Employer  
Identification Number)

400 North Fifth Street, PO Box 53999  
Phoenix, Arizona 85072-3999  
(602) 250-1000

(Address, including zip code and telephone number, including area code,  
of registrant's principal executive offices)

MATTHEW P. FEENEY  
Snell & Wilmer L.L.P.  
One Arizona Center  
Phoenix, Arizona 85004  
(602) 382-6239

(Name, address, including zip code and telephone number,  
including area code, of agent for service)

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act Registration Statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company 

(Do not check if a smaller reporting company)

**CALCULATION OF REGISTRATION FEE**

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Unit (2)	Proposed Maximum Aggregate Offering Price (2)	Amount of Registration Fee
Common Stock	1,000,000 shares (1)	\$29.03	\$29,030,000	\$1,141
Preferred Share Purchase Rights (3)	1,000,000 rights	—	—	(4)

- (1) This number represents shares of common stock that may be sold pursuant to the Third Amended and Restated Pinnacle West Capital Corporation Investors Advantage Plan. In addition to the shares set forth in the table, pursuant to Rule 416 under the Securities Act, the amount to be registered includes an indeterminate number of shares of common stock issuable upon stock splits, stock dividends and similar events.
- (2) Estimated solely for purposes of determining the filing fee. This amount was calculated in accordance with Rule 457(c) under the Securities Act based on the average of the high and low prices of the registrant's common stock as reported on the New York Stock Exchange on November 19, 2008.
- (3) Prior to the occurrence of certain events, the preferred share purchase rights are attached to and will trade with the common stock. The value attributable to the preferred share purchase rights, if any, is reflected in the market price of the common stock.
- (4) Since no separate consideration is paid for the preferred share purchase rights, the registration fee for such securities is included in the fee for the common stock.

prospectus

# PINNACLE WEST CAPITAL CORPORATION

## INVESTORS ADVANTAGE PLAN

1,000,000 Shares of common stock

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The Third Amended and Restated Pinnacle West Capital Corporation Investors Advantage Plan (the "Plan") provides our existing and potential investors with a convenient cost-effective way to purchase shares of common stock, no par value, of Pinnacle West Capital Corporation.

**Participants in the Plan may:**

- Reinvest all or a portion of cash dividends paid on common stock registered in their names or on common stock credited to their Plan accounts in shares of common stock;
- Make an initial investment in common stock with a cash payment of at least \$50, and additional optional investments thereafter, up to a maximum of \$150,000 per calendar year, including the initial investment;
- Receive, upon written request, certificates for whole shares of common stock credited to their Plan accounts;
- Deposit certificates representing common stock into the Plan for safekeeping; and
- Sell shares of common stock credited to their Plan accounts through the Plan.

We have the option to provide shares of common stock for the Plan from newly issued shares, shares held in our treasury, or shares purchased on the open market. We will make purchases of common stock for the Plan through an independent agent appointed by us. The common stock is listed on the New York Stock Exchange under the symbol "PNW". The closing price of the common stock on November 19, 2008 on the New York Stock Exchange was \$28.44.

The purchase price of newly issued or treasury shares of common stock purchased under the Plan for an investment date will be the average of the high and low sales prices of the common stock as reported on the New York Stock Exchange Composite Tape and published in *The Wall Street Journal* or, for any day on which there is no such publication, in another generally accepted publication for the first business day of the relevant investment period, provided that the New York Stock Exchange is open on such day. If newly issued or treasury shares had been purchased for the Plan on November 19, 2008 under this formula, the purchase price would have been \$29.03 per share.

The price of shares of common stock purchased on the open market will be the weighted average purchase price per share (including brokerage commissions, any related service charges, and applicable taxes) of the aggregate number of shares purchased on the open market for an investment date, which will generally be the last day of the investment period during which the shares are bought. We will pay the costs of administration of the Plan. However, see Question 36 under "Description of the Plan" for a description of certain fees that we will charge to the participants.

**See "Risk Factors" beginning on page 2 of this prospectus where we describe certain factors you should consider in making an investment decision.**

This prospectus contains a summary of the material provisions of the Plan and, therefore, this prospectus should be retained by participants in the Plan for future reference.

Our principal executive offices are located at 400 North Fifth Street, Phoenix, Arizona 85004. Our telephone number is (602) 250-1000.

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**NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

The date of this *prospectus* is November 25, 2008

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## RISK FACTORS

We include a discussion of risk factors relating to our business and an investment in our securities in our Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q filed from time to time by us with the Securities and Exchange Commission (the “SEC”). These reports are incorporated by reference in this prospectus. See “Where You Can Find More Information.” We describe additional risks of investment in our securities below. We may also describe additional risks related to our securities in a prospectus supplement from time to time. Before purchasing our securities, you should carefully consider the risk factors we describe in those reports, in this prospectus and in any prospectus supplement. Although we try to discuss key risks in the risk factor descriptions, please be aware that other risks may prove to be important in the future. New risks may emerge at any time and we cannot predict such risks or estimate the extent to which they may affect our financial performance.

In addition to the general risks that we describe in our SEC reports, you should consider the following additional risks before investing in our common stock.

### **CERTAIN PROVISIONS OF OUR ARTICLES OF INCORPORATION AND BYLAWS AND OF ARIZONA LAW MAKE IT DIFFICULT FOR SHAREHOLDERS TO CHANGE THE COMPOSITION OF OUR BOARD AND MAY DISCOURAGE TAKEOVER ATTEMPTS.**

These provisions, which could preclude our shareholders from receiving a change of control premium, include the following:

- provisions of our bylaws and possibly Arizona law that restrict our ability to engage in a wide range of “business combination” transactions with an “interested shareholder” (generally, any person who owns 10% or more of our outstanding voting power or any of our affiliates or associates) or any affiliate or associate of an interested shareholder, unless specific conditions are met;
- anti-greenmail provisions of Arizona law and our bylaws that prohibit us from purchasing shares of our voting stock from beneficial owners of more than 5% of our outstanding shares unless specified conditions are satisfied;
- provisions of our bylaws and Arizona law that provide that shareholder action may be taken only at an annual or special meeting or by unanimous written consent, and provisions of our bylaws that provide that a special meeting of shareholders may only be called by a majority of our Board of Directors, the Chairman of our Board of Directors, or our President;
- advance notice procedures for nominating candidates to our Board of Directors or presenting matters at shareholder meetings;
- provisions of our bylaws that provide that shareholders may only remove a director with or without cause by a majority vote at a special meeting of shareholders;
- provisions in our bylaws that allow the Board of Directors to increase the size of the Board and fill vacancies on the Board, whether resulting from such increase, or from death, resignation, disqualification or otherwise; and
- the ability of our Board of Directors to issue additional shares of common stock and shares of preferred stock and to determine the price and, with respect to preferred stock, the other terms, including preferences and voting rights, of those shares without shareholder approval.

In addition, we have adopted a shareholder rights plan that may have the effect of discouraging unsolicited takeover proposals, including takeover proposals that could result in a premium over the market price of our common stock.

While these provisions have the effect of encouraging persons seeking to acquire control of us to negotiate with our Board of Directors, they could enable the Board to hinder or frustrate a transaction that some, or a majority, of our shareholders might believe to be in their best interests and, in that case, may prevent or discourage attempts to remove and replace incumbent directors.

**OUR STOCK PRICE COULD BE AFFECTED BECAUSE A SUBSTANTIAL NUMBER OF SHARES OF OUR COMMON STOCK COULD BE AVAILABLE FOR SALE IN THE FUTURE.**

Sales in the public market of a substantial number of shares of common stock could depress the market price of the common stock and could impair our ability to raise capital through the sale of additional equity securities. Because of the number of shares of our common stock that we are authorized to issue under our articles of incorporation, a substantial number of shares of our common stock could be available for future sale.

**ABOUT THIS PROSPECTUS**

This prospectus is part of a shelf registration statement that we filed with the SEC. By using a shelf registration statement, we may sell the securities described in this prospectus from time to time or continuously. You should rely only on the information contained or incorporated by reference in this prospectus. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We will not make an offer to sell these securities in any jurisdiction where the offer or sale is not permitted.

**FORWARD-LOOKING STATEMENTS**

This prospectus, any accompanying prospectus supplement, and the information contained or incorporated by reference in this prospectus may contain forward-looking statements based on current expectations, and we assume no obligation to update these statements or make any further statements on any of these issues, except as required by applicable law. These forward-looking statements are often identified by words such as “estimate,” “predict,” “hope,” “may,” “believe,” “anticipate,” “plan,” “expect,” “require,” “intend,” “assume” and similar words. 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 us. In addition to the Risk Factors described above, these factors include, but are not limited to:

- state and federal regulatory and legislative decisions and actions, including the outcome or timing of any pending rate case of our principal subsidiary, Arizona Public Service Company (“APS”);
- increases in our capital expenditures and operating costs and our ability to achieve timely and adequate rate recovery of these increased costs;
- our ability to reduce capital expenditures and other costs while maintaining reliability and customer service levels, and unexpected developments that would limit us from achieving all or some of our planned capital expenditure reductions;
- volatile fuel and purchased power costs, including fluctuations in market prices for natural gas, coal, uranium and other fuels used in our generating facilities, and availability of supplies of such commodities;
- the outcome of regulatory, legislative and judicial proceedings, both current and future, including those related to environmental matters and climate change;



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- the potential for additional restructuring of the electric industry, including decisions impacting wholesale competition and the introduction of retail electric competition in Arizona;
- regional, national and international economic and market conditions, including the strength of the housing, credit and financial markets;
- the potential adverse impact of current economic conditions on our results of operations;
- the cost of debt and equity capital and access to capital markets;
- changes in the market price of our common stock;
- entering into credit agreements that restrict dividends or contain other burdensome provisions;
- our ability to meet debt service obligations;
- current credit ratings remaining in effect for any given period of time;
- the performance of the stock market and the changing interest rate environment, which affect the value of our nuclear decommissioning trusts, pension and other postretirement benefit plan assets, the amount of required contributions to our pension plan and contributions to APS' nuclear decommissioning trust funds, as well as the reported costs of providing pension and other postretirement benefits;
- volatile market liquidity, any deteriorating counterparty credit and the use of derivative contracts in our business (including the interpretation of the subjective and complex accounting rules related to these contracts);
- changes in accounting principles generally accepted in the United States of America and the interpretation of those principles;
- customer growth and energy usage;
- weather variations affecting local and regional customer energy usage;
- power plant performance and outages;
- transmission outages and constraints;
- the completion of generation and transmission construction in the region, which could affect customer growth and the cost of power supplies;
- risk inherent in the operation of nuclear facilities, such as environmental, health and financial risks, and risk of terrorist attack;
- the ability of our power plant participants to meet contractual or other obligations;
- technological developments in the electric industry;
- the results of litigation and other proceedings resulting from the California and Pacific Northwest energy situations;
- the performance of our subsidiaries and any resulting effects on our cash flows;
- the strength of the real estate market and economic and other conditions affecting the real estate market in the market areas of our subsidiary, SunCor Development Company ("SunCor"), which include Arizona, Idaho, New Mexico and Utah; and
- other uncertainties, all of which are difficult to predict and many of which are beyond our control.

We generally update these factors in each of our Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q filed with the SEC. We caution you not to place undue reliance on any forward looking statements. We claim the protection of the safe harbor for forward looking statements contained in the Private Securities Litigation Reform Act of 1995 for any forward looking statements contained in this prospectus.

## WHERE YOU CAN FIND MORE INFORMATION

### AVAILABLE INFORMATION

We file annual, quarterly, and current reports, and other information with the SEC. Our SEC filings are available to the public over the Internet at the SEC's web site: <http://www.sec.gov>. You may also read and copy any document we file at the SEC's public reference room, which is located at 100 F Street,

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N.W., Washington, D.C. 20549. You may call the SEC at 1-800-SEC-0330 for further information on the public reference room. Reports and other information concerning us can also be inspected and copied at the offices of the New York Stock Exchange at 20 Broad Street, New York, New York 10005. Our filings with the SEC are also available on our own web site at <http://www.pinnaclewest.com>. The other information on our website is not part of this prospectus or any prospectus supplement.

### INCORPORATION BY REFERENCE

The SEC allows us to incorporate by reference the information we file with it, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus, and later information we file with the SEC will automatically update and supersede this information. We incorporate by reference the documents listed below and any future filings we make with the SEC under Sections 13(a), 13(c), 14, or 15(d) of the Securities and Exchange Act of 1934 prior to the termination of this offering, excluding, in each case, information deemed furnished and not filed.

1. Pinnacle West Capital Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2007 (except for Items 1, 6, 7, 8 and 15, which have been updated in the Current Report on Form 8-K dated November 25, 2008);
2. Pinnacle West Capital Corporation's Quarterly Reports on Form 10-Q for the fiscal quarters ended March 31, 2008, June 30, 2008 and September 30, 2008;
3. Pinnacle West Capital Corporation's Current Reports on Form 8-K filed January 28, 2008, January 30, 2008, February 4, 2008, February 14, 2008, February 25, 2008, March 24, 2008, April 29, 2008, May 7, 2008, June 2, 2008, June 9, 2008, June 24, 2008, July 25, 2008, July 30, 2008, November 4, 2008, November 7, 2008, November 13, 2008, November 24, 2008 and November 25, 2008; and
4. The description of (a) our common stock included in our registration statement on Form 8-B, File No. 1-8962, as filed on July 25, 1985, and any amendment or report that we have filed (or will file after the date of this prospectus and prior to the termination of this offering) for the purpose of updating such description, including our Current Report on Form 8-K filed with the SEC on November 24, 2008 and (b) our preferred share purchase rights included in our registration statement on Form 8-A, File No. 1-8962, as filed on March 31, 1989 and any amendment or report that we have filed (or will file after the date of this prospectus and prior to the termination of this offering) for the purpose of updating such description, including a Form 8-A Amendment No. 1 filed on April 19, 1999, and a Form 8-A Amendment No. 2 filed on June 28, 2002.

You may request a copy of these filings and will receive a copy of these filings, at no cost, by writing, telephoning, or contacting us through our website at the following:

Pinnacle West Capital Corporation  
Office of the Secretary  
Station 9068  
P. O. Box 53999  
Phoenix, Arizona 85072-3999  
(602) 250-3252  
or online at [www.pinnaclewest.com](http://www.pinnaclewest.com)

### THE COMPANY

Pinnacle West Capital Corporation ("Pinnacle West" or the "Company") was incorporated in 1985 under the laws of the State of Arizona and owns all of the outstanding equity securities of APS, its major subsidiary. APS is a vertically-integrated electric utility that provides either retail or wholesale electric service to most of the state of Arizona, with the major exceptions of about one-half of the Phoenix

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metropolitan area, the Tucson metropolitan area and Mohave County in northwestern Arizona. Pinnacle West's other principal subsidiaries are SunCor, which is engaged in real estate development activities, APS Energy Services Company, Inc., which provides energy-related products and services to commercial and industrial retail customers in the western United States, and El Dorado Investment Company, which owns minority interests in several energy-related investments and Arizona community-based ventures.

Our principal executive offices are located at 400 North Fifth Street, Phoenix, Arizona 85004, and the telephone number is 602-250-1000.

### SUMMARY OF THE PLAN

- **Administration:** The Bank of New York Mellon administers the Plan. See "Description of the Plan – Plan Administration" below.
- **Enrollment:** An interested investor who does not already own shares of our common stock may enroll in the Plan by making an initial investment of at least \$50 and submitting a completed Enrollment Form or enrolling online. Other shareholders may participate by submitting a completed Enrollment Form or enrolling online. See "Description of the Plan – Participation in the Plan" below.
- **Reinvestment of Dividends:** You may elect to have all or a portion of your cash dividends on our common stock automatically reinvested toward the purchase of additional shares of our common stock without paying any fees. You also have the option to receive cash dividends on all or a portion of the shares held in your account under the Plan. See "Description of the Plan – Participation Options" and "Description of the Plan – Reinvestment of Dividends" below.
- **Optional Investments :** You may invest additional funds in our common stock through optional investments up to \$150,000 per calendar year (including any Initial Cash Investment). Optional investments will be fully invested in our common stock and your account will be credited with whole and fractional shares. See "Description of the Plan – Cash Investments" below.
- **Safekeeping of Certificates:** The Plan offers a safekeeping service whereby you may deposit certificates representing our common stock held in certificate form into the Plan. You can select this service without participating in any other feature of the Plan. The safekeeping service is free of any service charges. See "Description of the Plan – Safekeeping of Certificates" below.
- **Sale or Transfer of Shares:** You may sell shares of our common stock credited to your account (including those shares deposited into the Plan for safekeeping) through the Plan. The Administrator will deduct a \$10 service fee plus broker commissions and applicable taxes from the proceeds that you receive from the sale. See "Description of the Plan – Sale of Shares" below. You may also direct us to transfer all or a portion of the shares of our common stock credited to your account to another participant or establish an account for a person not already a participant. See Question 43 under "Description of the Plan – Other Information" below.
- **Statements:** You will receive a statement for each quarter in which your account has purchase or investment activity; however, if the only activity for the quarter is the receipt of a cash dividend that is not reinvested, you will not receive a statement. In addition, you will receive a notice at the time of each Plan transaction, including any sale or transfer. See "Description of the Plan – Reports to Participants" below.

**DESCRIPTION OF THE PLAN**

The following questions and answers describe the provisions of the Third Amended and Restated Pinnacle West Capital Corporation Investors Advantage Plan (the "Plan"). For convenience of reference, the definitions of certain key terms are included below:

**DEFINITIONS**

- Administrator* - The Bank of New York Mellon ("BNYM"). See also "Plan Administrator."
- Cash Investment* - An Initial Cash Investment and any payment made subsequent to enrollment in the Plan. The maximum aggregate Cash Investment (including the Initial Cash Investment) is \$150,000 per account per calendar year.
- Company* - Pinnacle West Capital Corporation.
- Dividend Payment Date* - The date determined by our Board of Directors on which common stock dividends are payable. These dates are normally the first business day of March, June, September, and December.
- Dividend Record Date* - The date fixed for determining the Shareholders of Record who will be entitled to receive a dividend payable on a Dividend Payment Date. The Dividend Record Date is generally the first business day of the month immediately preceding the Dividend Payment Date.
- Eligible Investor* - An investor who makes an Initial Cash Investment of at least \$50 or a Shareholder of Record.
- Enrollment Forms* - Forms available through the Administrator that the investor must complete to be able to participate in the Plan or various features of the Plan, or to change the investor's participation in the Plan.
- Ex-Dividend Date* - A date, normally two business days prior to the Dividend Record Date, based on industry regulations, necessary to allow for the settlement of traded securities by the Dividend Record Date.
- Initial Cash Investment* - A payment made to the Administrator by a person who is not already a Shareholder of Record to purchase shares of common stock to open a Plan account. The minimum Initial Cash Investment is \$50.
- Investment Date* - The date on which the purchase price for all shares of common stock to be purchased during an Investment Period has been determined. The purchased shares are credited to a participant's account as of the Investment Date. Generally, the Investment Date will be the first day of the relevant Investment Period if shares are newly issued or treasury shares purchased from us, and the last day of the relevant Investment Period if shares are purchased on the open market. If the Investment Date would otherwise fall on a day on which the New York Stock Exchange is not open, the Investment Date will be the first business day following such day on which the New York Stock Exchange is open.
- Investment Period* - The period during which common stock is purchased. An Investment Period will occur approximately every 5 business days, except that an Investment Period that would normally begin

on a Dividend Record Date will be postponed until the second business day after the Dividend Record Date.

*Plan -* Third Amended and Restated Pinnacle West Capital Corporation Investors Advantage Plan.

*Plan Administrator -* The Bank of New York Mellon (“BNYM”).

*Plan Statement -* A statement prepared by the Administrator and sent to a participant following the end of each quarter if the participant’s account had purchase or investment activity during the quarter as described in Question 37.

*Shareholder of Record -* An investor whose shares are registered on the books of the Company in the shareholder’s name.

## **PURPOSE OF THE PLAN**

### **1. What is the purpose of the Plan?**

The purpose of the Plan is to promote long-term stock ownership among existing shareholders and new investors by providing a convenient and cost effective method to purchase shares of common stock with Cash Investments (including an Initial Cash Investment) or reinvested dividends.

## **ADVANTAGES AND DISADVANTAGES OF THE PLAN**

### **2. What are the advantages and disadvantages of the Plan?**

#### **Advantages:**

**A. Direct Purchase of Stock** - Persons not presently owning shares of common stock may become shareholders by making an Initial Cash Investment of at least \$50. See Question 5. Participants may invest additional funds to purchase shares of common stock at any time. The maximum annual Cash Investment (including the Initial Cash Investment) is \$150,000 per account. See “Cash Investments” below.

**B. Certificate Safekeeping** - Participants may deposit their common stock certificates with the Administrator, whether or not the common stock represented by such certificates was purchased through the Plan, and have their ownership maintained on the Company’s records in their Plan accounts. This convenience is provided at no cost to the participant and eliminates the possibility of loss, inadvertent destruction, or theft of certificates. Also, because shares deposited for safekeeping are treated in the same manner as shares purchased through the Plan, they may be transferred or sold through the Plan. See Question 31.

**C. Reinvestment of Dividends** - All or a portion of common stock dividends may be reinvested to purchase additional shares of common stock. See Questions 7 through 11.

**D . Simplified Recordkeeping** - A notice will be mailed to participants after any Plan activity, including when shares are sold or otherwise withdrawn from the Plan. It may be a statement that is cumulative, providing year-to-date Plan account activity. Participants will receive a Plan Statement for any quarter in which the participant’s account had purchase or investment activity as described in Question 37. Additionally, participants have the option to receive Plan activity notices electronically via MLink, BNYM’s on-line electronic document management program. See also Question 34.

**E. Broker Commissions** - The broker commissions paid for buying and selling shares under the Plan may be less than those you would otherwise pay if you were to purchase or sell the shares directly. No commissions are paid for newly issued shares or for treasury shares. See Questions 27, 33 and 36.

**F. Transfer of Shares** - Participants may transfer shares held in their Plan account to another individual's account at no cost. The normal transfer requirements will apply. See Question 43.

**G. Full Investment of Funds** - The full amount of reinvested dividends and Cash Investments can be invested because the Plan permits fractional shares to be credited to Plan accounts. Dividends are paid on fractional shares as well as on whole shares. See Question 28.

**H. Sell Stock** - Participants may sell shares held in their Plan account through the Plan. See Questions 32 and 33.

**Disadvantages:**

**A. No Interest on Funds Pending Investment** - No interest is paid on dividends or Cash Investments held pending investment or reinvestment. See Questions 8, 9 and 17.

**B. Delay in Determining Purchase Price** - The number of shares purchased for an investor's Plan account will not be determined until all shares for the relevant Investment Period have been purchased. Therefore, investors will not know the number of shares purchased or the purchase price until the Investment Date and will bear the risk of fluctuations in the market price of the common stock during the Investment Period. See Questions 25 through 29.

**C. Return of Cash Investments** - Cash Investments (including Initial Cash Investments) sent to the Plan Administrator will not be returned to the investor unless a written request is received by the Plan Administrator at least 2 business days prior to the first day of the Investment Period. See Question 19.

**D. Periodic Delays for Issuing Certificates or Selling Shares** – Requests for termination of an account by issuance of certificates or the sale of shares from a Plan account may be delayed during the 2-3 business day period prior to the Dividend Payment Date. See Questions 30, 33, and 34.

**E. Broker Commissions** - The broker commissions paid for buying and selling shares under the Plan may be more than you would otherwise pay if you were to purchase or sell the shares directly. Also, the commissions payable under the Plan could change from time to time. See Questions 27, 33 and 36.

**F. Price of Shares** - Plan participants can not designate a specific price at which to sell or purchase common stock. Requests for the sale of Plan shares are accumulated and the Plan Administrator places an order with the appointed agent. Similarly, an order is placed with the independent agent to purchase stock with all funds available for investment. See Questions 24, 27, and 32.

**G. Funds are not Insured** - Plan accounts are not insured by the Securities Investor Protection Deposit Insurance Corporation, the Federal Deposit Insurance Corporation, or any other entity.

**PLAN ADMINISTRATION**

**3. Who administers the Plan?**

BNYM administers the Plan, with certain administrative duties, including recordkeeping, sending periodic statements of account, and holding shares purchased through the Plan or otherwise deposited for safekeeping, performed by its affiliate, BNY Mellon Shareowner Services. Shares that are purchased through the Plan or deposited for safekeeping will be registered in the name of, and held by, BNYM, as Plan Administrator, or its nominee, as custodian for the participants. See Questions 30 and 31.

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Written communications about the Plan, including certificate transfer requests and address changes, should be directed to:

BNY Mellon Shareowner Services  
P.O. Box 358035  
Pittsburgh, PA 15252-8035

E-mail communications should be directed to: [shrrelations@bnymellon.com](mailto:shrrelations@bnymellon.com)

When writing, please include a day-time telephone number or e-mail address to expedite our reply.

You may speak with a BNYM customer service representative by dialing the nationwide toll-free number: 1-800-457-2983. BNYM representatives are available between the hours of 8:00 a.m. and 8:00 p.m. Eastern Standard Time Monday through Friday.

BNYM's website is: [www.bnymellon.com/shareowner/isd](http://www.bnymellon.com/shareowner/isd).

## PARTICIPATION IN THE PLAN

### 4. Who is eligible to participate in the Plan?

Any interested investor making an Initial Cash Investment of at least \$50 and all common stock Shareholders of Record are eligible to participate. Citizens or residents of, or entities that are organized or incorporated under or have their principal place of business in, a country other than the United States or its territories and possessions should determine whether they are subject to any governmental regulations prohibiting or restricting participation in the Plan, and must provide evidence satisfactory to the Administrator that their participation will not violate any such regulations, before enrolling in the Plan.

Beneficial owners of common stock whose shares are held in a name other than their own (for example, a bank, broker, or trustee) may participate in the Plan with respect to such shares by transferring those shares into their own name. Once the shares are registered on the books of the Company in the name of the investor, the investor will be eligible to enroll in the Plan.

### 5. How does an Eligible Investor enroll in the Plan?

After reviewing the Plan prospectus, Eligible Investors may join the Plan by completing and submitting an Enrollment Form to the Administrator. Alternatively, enrollment is available online at the website listed above. New investors must also submit an Initial Cash Investment of at least \$50 (but not more than \$150,000).

Once enrolled in the Plan, Eligible Investors will remain enrolled until they discontinue their participation or the Plan is terminated. See Question 34, 35, and 41.

### 6. When may an Eligible Investor join the Plan?

An Eligible Investor may join the Plan at any time by completing and returning an Enrollment Form or by enrolling online.

## PARTICIPATION OPTIONS

### 7. What participation options are available in the Plan?

On the Enrollment Form, the investor is offered the following participation options:



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- Full Dividend Reinvestment
- Partial Dividend Reinvestment or
- Cash Investment Only

If participants do not indicate a participation option on the Enrollment Form, their account will automatically be enrolled into the "Full Dividend Reinvestment" option. Dividends will be reinvested as to all shares in a participant's Plan account unless the participant specifically elects otherwise. Common stock purchased on or after a specific Ex-Dividend Date may not receive the next subsequent dividend.

### **8. How does the "Full Dividend Reinvestment" option of the Plan work?**

Participants enrolling in the Full Dividend Reinvestment option will have dividends earned on all common stock, both in their Plan account and held of record, reinvested to purchase additional shares of common stock. The reinvestment of dividends will commence with the first dividend to which the participant is entitled payable after the next Dividend Record Date following enrollment. See "Reinvestment of Dividends" below beginning with Question 20. See also Question 7 above. No interest is paid on dividends pending reinvestment. A participant may also make Cash Investments of up to \$150,000 per account annually (including any Initial Cash Investment) to purchase common stock. See "Cash Investments" below beginning with Question 13.

### **9. How does the "Partial Dividend Reinvestment" option of the Plan work?**

Participants enrolling in the Partial Dividend Reinvestment option may designate a specific number of shares held of record or in their Plan accounts on which they wish to receive cash dividends, with dividends on the balance of shares being reinvested to purchase common stock. Participants may also elect to receive cash dividends on shares they hold in certificated form, with dividends on shares held in their Plan account being reinvested. The reinvestment of dividends will commence with the first dividend to which the participant is entitled payable after the next Dividend Record Date following enrollment. See "Reinvestment of Dividends" below beginning with Question 20. See also the Question 7 above. No interest is paid on dividends pending reinvestment. In addition, a participant may make Cash Investments of up to \$150,000 per account annually to purchase common stock. See "Cash Investments" below beginning with Question 13.

See Question 10 below for information regarding how cash dividends are paid.

If a participant has elected this option and subsequently directs that a portion of the shares held in the participant's plan account are to be sold, transferred, or withdrawn, unless the participant otherwise directs, all shares on which a participant receives reinvested dividends will be sold, transferred, or withdrawn prior to the sale, transfer, or withdrawal of any shares on which a participant receives cash dividends.

### **10. How does the "Cash Investment Only" option of the Plan work?**

Participants enrolling in the Cash Investment Only option may make Cash Investments of up to \$150,000 per account annually. The Cash Investment will be used to purchase additional shares of common stock. Dividends earned on all common stock, both in the Plan account and of record, will be paid directly to the investor either by check or direct deposit at the election of the shareholder. Dividends paid by check will be mailed to the shareholder's address of record.

Shareholders electing to have dividends deposited to a financial institution account must complete and submit a direct deposit authorization form and deposit slip to the Administrator. The financial institution must be a member of the Automated Clearing House network ("ACH").



**11. May participants change their participation option?**

Yes. The participation option may be changed by completing and submitting a new Enrollment Form to the Administrator or by accessing your account online. The change will be effective as of the next Dividend Record Date following receipt and processing of the new Enrollment Form.

**12. May the Company restrict participation in the Plan?**

Yes. We reserve the right to restrict participation in the Plan if we believe that such participation may be contrary to the general purpose of the Plan (see Question 1) or in violation of applicable law.

**CASH INVESTMENTS**

**13. Who is eligible to make Cash Investments?**

Any participant is eligible to make Cash Investments regardless of the participation option chosen, subject to the maximum contribution. See Question 16.

**14. Who is eligible to make an Initial Cash Investment?**

Any interested investor may enroll either online or by submitting an Enrollment Form and making an Initial Cash Investment, subject to the minimum and maximum contributions. See Question 16.

**15. How are Initial Cash Investments and Cash Investments made?**

Initial and other Cash Investments may be made by personal check, payable through a U.S. bank or other U.S. financial institution, in U.S. dollars, to Pinnacle West Capital Corporation or via electronic funds transfer as individual or monthly recurring transactions. **Cash and third-party checks will not be accepted**. Initial Cash Investments made by personal check must be accompanied by a completed initial Enrollment Form. An Enrollment Form, Cash Investment form or, for electronic funds transfers, an automatic investment form, should accompany all Cash Investments to ensure credit to the proper account.

Initial Cash Investments and regular Cash Investments made by electronic funds transfer require that the participant authorize the Administrator to deduct a specified amount directly from a U.S. checking, savings, or credit union account which is a member of the ACH network. The participant must complete and forward an automatic investment form to the Administrator, or do so online, to authorize such investment. Recurring Cash Investment (via electronic funds transfer) amounts will only be deducted from the participant's account once a month, on or around the 25th day of the month or the previous business day if the 25<sup>th</sup> falls on a holiday or weekend. Generally, the funds will be invested during the first Investment Period following the 25<sup>th</sup> day of the month. However, if the funds are not received at least two business days prior to such Investment Period, the investment could be delayed to the next following Investment Period. See also Question 17.

**16. Is there a minimum and maximum Cash Investment?**

Yes. The minimum Initial Cash Investment is \$50. Subsequent Cash Investments may be any amount. The maximum aggregate Cash Investment (including the Initial Cash Investment) is \$150,000 per account per calendar year. Other restrictions may be imposed from time to time on amounts that may be invested in any transaction. Reinvested dividends are not counted as Cash Investments for purposes of this limitation.

**17. When will a participant's Initial Cash Investment or Cash Investment be invested?**

Generally, Initial Cash Investments and Cash Investments made by personal check or one-time (non-recurring) electronic funds transfer will be invested during the next scheduled Investment Period.

However, if the funds are not received at least two business days prior to such Investment Period, the investment could be delayed to the next following Investment Period. In Dividend Record Date months (February, May, August, and November), if the first regularly scheduled Investment Period would normally begin on the Dividend Record Date, the Investment Period will be delayed until the second business day following the Dividend Record Date. Unless otherwise agreed by us and the Plan Administrator, funds are considered to be received when delivered, either by postal service or by electronic delivery to the Administrator (see "Shareholder Information" below for address) before 12:00 p.m. Eastern Standard Time on any business day.

Deduction of funds related to Cash Investments by recurring electronic funds deduction will only occur once a month, on or about the 25<sup>th</sup> day of the month, and generally such funds will be invested in shares of common stock during the next succeeding Investment Period. However, if the funds are not received at least two business days prior to such Investment Period, the investment could be delayed to the next following Investment Period. Interest is not paid on funds held pending investment.

If the Plan Administrator does not receive credit for a cash payment because of insufficient funds or incorrect ACH draft information, the requested purchase will be deemed void. Any shares credited will be immediately removed from the participant's account. The Plan Administrator will be entitled to sell those shares to satisfy any uncollected amounts and if the net proceeds of the sale of such shares are insufficient to satisfy the balance of such uncollected amounts, the Plan Administrator will be entitled to sell additional shares from the participant's account to satisfy the uncollected balance. In addition, an "insufficient funds" fee of \$20 will be charged. The Administrator may place a hold on the account until this fee is paid, or may sell shares from the account to pay this fee. The insufficient funds fee could change from time to time.

**18. When will shares purchased with Initial Cash Investments or Cash Investments be entitled to receive dividends?**

Shares purchased with an Initial Cash Investment or Cash Investment will be entitled to dividends if the shares were credited to the participant's account as of a date preceding the Dividend Record Date for payment of a dividend.

**19. May a participant request that an Initial Cash Investment or Cash Investment be returned?**

Yes. A participant may request the return of an Initial Cash Investment or Cash Investment. The funds will be returned if the request is received at least 2 business days prior to the next scheduled Investment Period. However, no refund of a check will be made until the Administrator has collected the funds from that instrument.

**REINVESTMENT OF DIVIDENDS**

**20. Is there a minimum or maximum amount for reinvested dividends?**

No. Dividends designated for reinvestment through the Plan are not subject to a minimum or maximum.

**21. When will a participant's dividends be reinvested?**

A participant's dividends will be reinvested during the first Investment Period that follows the Dividend Payment Date.

**22. When will shares purchased with reinvested dividends be entitled to receive dividends?**

Shares purchased with reinvested dividends and credited to a participant's account prior to a Dividend Record Date will be entitled to dividends on the Dividend Payment Date following such Dividend Record Date.

## **PURCHASES**

### **23. What is the source of common stock purchased through the Plan?**

Common stock purchased through the Plan will be purchased, at the discretion of the Company and in accordance with applicable law, either on the open market or directly from the Company or through a combination of the foregoing. Shares purchased from the Company may be either authorized but unissued shares or shares held in the treasury of the Company.

### **24. How is common stock purchased on the open market?**

Common stock will be purchased through an independent agent appointed by us. Subject to the requirements of the Plan, the independent agent will have full discretion in all matters related to such purchases, including the day and time of purchase, price paid, number of shares purchased, and the markets or persons through whom the purchases are made.

### **25. When are shares purchased for the Plan?**

Purchases of shares on the open market may begin on the first day of the relevant Investment Period and will generally be completed no later than 30 days thereafter. Dividends not invested in common stock within 30 days of the Dividend Payment Date and Cash Investments not invested in common stock within 35 days of receipt will be promptly returned to participants.

Shares purchased from the Company (newly issued common stock or treasury stock) will be acquired as soon as practicable following an Investment Date. See Question 26.

### **26. When will shares be credited to a participant's account?**

Participants' shares will be credited to their Plan accounts as of the Investment Date and are considered to be owned by the participant on that day.

### **27. How is the purchase price of the common stock determined?**

The purchase price of common stock purchased on the open market will be the weighted average purchase price per share, including broker commissions, related service charges, and applicable taxes, of all shares purchased on the open market for an Investment Date.

The purchase price of common stock purchased from the Company (newly issued common stock or treasury stock) will be the average of the high and low sales prices of the common stock on a given Investment Date as reported on the New York Stock Exchange Composite Tape and published in *The Wall Street Journal* or, for any day on which there is no such publication, in another generally accepted publication for the applicable Investment Date. If there is no trading reported for a trading day, the Company will determine the purchase price on the basis of such quotations as it deems appropriate.

### **28. How many shares of common stock will be purchased for a participant?**

The number of shares purchased for a participant will be equal to the participant's Cash Investments received for the Investment Period plus dividends available for reinvestment divided by the purchase price of the shares. The participant's account will be credited with the whole and fractional shares as of the related Investment Date.

### **29. Can a participant request the purchase of a specific number of shares?**

No. Since the purchase price of the common stock cannot be calculated until the common stock is purchased, a participant may not request the purchase of a specific number of shares.

## CERTIFICATES

### 30. Will certificates be issued for shares purchased through the Plan?

No. The certificates for shares purchased through the Plan are registered in the name of the Plan Administrator. A certificate will be issued to participants only upon request.

Participants requesting the issuance of a certificate for their Plan shares should submit the request to the Plan Administrator either in writing, by telephone or online, specifying the number of shares to be issued. Certificates will be issued as soon as practicable following the receipt of the request. However, requests received during the 2 – 3 business day period prior to the Dividend Payment Date may be delayed. See Question 2, “Disadvantages of the Plan – D.” Certificates cannot be issued for fractional shares.

The certificate will be issued in the name(s) of the participant(s). Requests to issue a certificate into another registration must meet the requirements for transfer of stock. See Question 43.

See Question 9 for information relating to the certification of only a portion of a participant’s Plan shares when the participant has elected the Partial Dividend Reinvestment option for the participant’s shares.

## SAFEKEEPING OF CERTIFICATES

### 31. Can certificates be returned to the Administrator to be held in the participant’s Plan account?

Yes. Certificates for common stock may be returned to the Plan Administrator to take advantage of the safekeeping feature of the Plan. **The certificates should not be endorsed and registered mail is recommended.** The certificates should be submitted with a letter to the Plan Administrator directing the Plan Administrator to deposit the shares represented by such certificates into the Plan account of the participant. Alternatively, the certificates can be submitted with a new Enrollment Form with the certificate safekeeping option checked thereon. Investors may submit certificates for safekeeping upon initial enrollment in the Plan or at any time while participating in the Plan. The shares of common stock so deposited will be transferred into the name of the Administrator or its nominee and credited to the participant’s Plan account. Common stock surrendered for safekeeping will be treated as shares purchased through the Plan.

## SALE OF SHARES

### 32. How may participants sell their Plan shares?

Participants may sell their Plan shares by submitting a written request to the Plan Administrator. The request should indicate the number of shares to be sold and must be signed by **ALL** account owners. The Administrator may also allow certain instructions to be communicated by telephone or online as agreed to by the Administrator and the participant. If the request to sell Plan shares is communicated via telephone or online, the maximum value of shares that may be sold on any single day for each account is \$10,000. Shares acquired through and held in the Plan, as well as shares deposited for safekeeping, may be sold in this manner. A request to sell shares is irrevocable after it is received by the Administrator.

The Company’s appointed agent will have full discretion in all matters related to the sale, including the time of sale, sale price, and the markets or persons through whom the shares are sold. Participants cannot specify a price at which to sell their stock.

Shares held outside the Plan may not be sold through the Plan.

See Question 9 for information relating to the sale of only a portion of a participant’s Plan shares when

the participant has elected the Partial Dividend Reinvestment option for the participant's shares.

**33. When will Plan shares be sold?**

Plan shares will be sold as soon as practicable following receipt of the sale request. However, sale requests received during the 2 — 3 business day period prior to the Dividend Payment Date may be delayed. See Question 2, “Disadvantages of the Plan — D.”

A check will be issued for the proceeds of the sale minus a \$10.00 service fee. The proceeds will equal the number of shares to be sold multiplied by the weighted average sales price per share, less broker commissions, related service charges, and applicable taxes, for the period during which the sales are made, and will be paid to the registered account owners only. See Question 45 for a description of possible withholding tax on the sale of shares.

**TERMINATION OF PLAN PARTICIPATION**

**34. How may a participant terminate participation in the Plan?**

Participants may terminate participation in the Plan at any time by giving notice to the Plan Administrator in writing, by telephone or online. The terminating participant's shares will continue to be held in book entry form or through direct registration unless and until the terminating participant requests to sell all or some of the shares, requests a certificate issued for a specific number of whole shares, or requests an electronic transfer of a specific number of whole shares to a brokerage account. See Questions 30, 32, and 33. Certificates cannot be issued for fractional shares. A participant will receive a check for the cash value of fractional shares when terminating participation.

Participants terminating their Plan participation will receive one or more notices or statements detailing the termination and related transactions. **These notices and statements should be retained for tax purposes.**

Cash Investments received prior to the request to terminate Plan participation will be invested during the next Investment Period unless the participant timely requests the return of that Cash Investment. See Question 19.

The termination of Plan participation may be delayed if the request is received during the 2 — 3 business day period prior to the Dividend Payment Date. See Question 2, “Disadvantages of the Plan - D.”

**35. May we terminate a participant's Plan participation?**

Yes. If a participant does not maintain at least one whole share of common stock in the Plan account or does not own any common stock of record for which cash dividends are designated for reinvestment pursuant to the Plan, we may terminate the participant's participation. A participant whose participation has been terminated will receive a check for the cash value of any fractional share in the Plan account less applicable fees and taxes.

In addition, we may terminate a participant's participation in the Plan if we believe that such participation may be contrary to the general purpose of the Plan (see Question 1) or in violation of applicable law. The participant will receive a certificate for whole shares and a check for the cash value of the fractional share in the Plan account.

**SERVICE FEES**

**36. What fees are associated with participation in the Plan?**

The fees associated with participation in the Plan are:

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Investment fee	Broker commissions at \$0.10 per share, service charges and applicable taxes
Sales fee	\$10.00 plus broker commission at \$0.10 per share, service charge and applicable taxes
Insufficient funds fee	See Question 17

We will pay all other administrative costs. See Questions 27 and 33 for a description of when we will charge broker commissions. No broker commissions are paid for newly issued shares or for treasury shares. Broker commissions could change from time to time.

## REPORTS TO PARTICIPANTS

### 37. What reports are sent to participants?

The Plan Administrator will send a notice confirming the details of each account transaction in the form of a statement or transaction advice. In addition, for each quarter in which a participant has purchase or investment activity, the Plan Administrator will send a Plan Statement to the participant; however, if the only activity for the quarter is the receipt of a cash dividend that is not reinvested, the participant will not receive a Plan Statement. **These statements should be retained for tax purposes.** From time to time, the Company and the Plan Administrator may revise the type, content, format and timing of notices and statements sent to participants in the Plan.

Plan participants will also receive copies of all shareholder communications such as quarterly reports, annual reports, and notices of shareholder meetings and proxy materials.

Plan participants will receive an Internal Revenue Service ("IRS") Form 1099-DIV showing total dividends reported to the Internal Revenue Service which were paid to the participant both on shares of record and Plan account shares. An IRS form 1099-B will be provided for reporting the proceeds from the sale of shares through the Plan. See Question 45 for further information regarding tax reporting.

## OTHER INFORMATION

### 38. What happens if we declare a dividend payable in common stock or a stock split?

Any dividends in the form of shares of common stock and any shares resulting from a common stock split on shares held in a participant's Plan account will be credited to the participant's Plan account.

### 39. How will a participant's shares be voted at meetings of shareholders?

Participants in the Plan will receive a proxy statement and a proxy card representing Plan account shares as well as any common stock held of record. The participant's shares will be voted in accordance with the instructions indicated on the proxy card. Shares will not be voted unless the participant or the participant's proxy votes them.

### 40. What is the responsibility of the Company and its agents under the Plan?

Neither the Company, the Administrator, or any independent agent appointed by the Company or the Administrator will be liable for any act done in good faith or for any good faith omission to act with respect to the Plan, including, without limitation, any claim of liability arising out of failure to terminate a participant's account upon such participant's death prior to receipt of notice in writing of such death or with respect to the prices or times at which, or sources from which, shares are purchased or sold for participants, or with respect to any loss or fluctuation in market value before or after any purchase or sale of shares.

**Participants must recognize that the Company cannot assure them a profit, or protect them against losses, on shares purchased pursuant to the Plan. The market price of common stock can fluctuate substantially. Participants accept the risks as well as the benefits of the Plan.**

**41. May the Plan be changed or discontinued?**

Yes. We reserve the right to suspend, modify, or terminate the Plan at any time, although shareholder response is expected to justify continuing the Plan indefinitely. As a result, we may register additional shares from time to time. Any suspension or termination of the Plan, or any material modification of the Plan, will be communicated to all affected Plan participants as soon as practicable. An amendment to the Plan will not decrease the account of any participant or result in any distribution to us of any amount credited to a participant account.

**42. May common stock held in a Plan account be pledged as collateral?**

No. Common stock held in a Plan account may not be pledged as collateral. Participants wishing to use their common stock as collateral must have certificates issued for the shares. The certificates can then be delivered for collateral.

**43. May common stock held in a Plan account be transferred or assigned to another person?**

Yes. A participant may transfer or assign Plan shares to another person or entity by meeting the requirements for transfer of stock. See Question 3 for Plan Administrator contact information to request a copy of the current stock transfer requirements. When writing, please include a day-time telephone number or e-mail address to expedite our reply.

See Question 9 for information relating to the transfer of only a portion of a participant's Plan shares when the participant has elected the Partial Dividend Reinvestment option for the participant's shares.

**44. How may instructions be given to the Administrator?**

Any instructions may be submitted in writing to the Administrator at the address noted in the response to Question 3. The Administrator may also allow certain instructions to be communicated online, by telephone or e-mail as agreed to by the Administrator and the participant. You may contact BNYM at 1-800-457-2983 or by e-mail at [shrrelations@bnymellon.com](mailto:shrrelations@bnymellon.com) for more information.

**FEDERAL INCOME TAX INFORMATION**

**45. What are the Federal income tax consequences of Plan participation?**

We believe the following is an accurate summary of the federal tax consequences of participation in the Plan. **You are advised to consult your tax or financial advisor with respect to federal, state, local, and other tax laws which apply to your specific situation.**

In general, the dividends paid on common stock, whether the shares are held in certificate form by the shareholder or held by the Company in book-entry or through the Plan, are considered taxable income, whether received in cash or reinvested through the Plan. The information sent to you and the IRS at year-end will provide the information required to complete your income tax returns.

The tax basis of shares acquired through the reinvestment of dividends will be equal to the value of dividends reinvested. The tax basis of shares purchased with Cash Investments will be equal to the amount of such investments.

Upon the sale of either a portion or all of shares from the Plan, a participant may recognize a capital gain or loss based on the difference between the sales proceeds and the tax basis of the shares sold,



including any fractional shares.

For participants who are subject to U.S. withholding tax, backup withholding, or foreign taxes, the Administrator will withhold the required taxes from the gross dividends or proceeds from the sale of shares. The dividends or proceeds received by the participant, or dividends reinvested on behalf of the participant, will be net of the required taxes.

#### **USE OF PROCEEDS**

We intend to use the proceeds from the issuance of any newly issued or treasury shares of common stock pursuant to the Plan for general corporate purposes, which may include the repayment of indebtedness, capital expenditures, and the funding of working capital, acquisitions, and stock repurchases and/or capital infusions into one or more of our subsidiaries for any of those purposes.

#### **PLAN OF DISTRIBUTION**

Shares of common stock for participants under the Plan will either be directly purchased from us or in the open market through the independent agent. The Plan Administrator will assist with providing services pursuant to the Plan, but will not be acting as an underwriter with respect to the shares of our common stock purchased for purposes of the Plan. The costs associated with the Plan include brokerage commissions and certain fees. We will pay all other costs of administration of the Plan. See Questions 27, 33 and 36 under "Description of the Plan" above for a description of fees that we will charge to participants in the Plan, including broker commissions.

#### **EXPERTS**

The consolidated financial statements of Pinnacle West Capital Corporation and the related financial statement schedules, incorporated in this Prospectus by reference from Pinnacle West Capital Corporation's Current Report on Form 8-K dated November 25, 2008, and the effectiveness of Pinnacle West Capital Corporation's internal control over financial reporting have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report (which report (1) expresses an unqualified opinion on the consolidated financial statements and financial statement schedules and includes explanatory paragraphs relating to Pinnacle West Capital Corporation's adoption of Statement of Financial Accounting Standards No. 158, the adoption of FASB Staff Position No. 39-1, and discontinued operations relating to SunCor, and (2) expresses an unqualified opinion on the effectiveness of internal control over financial reporting), which is incorporated herein by reference. Such consolidated financial statements and financial statement schedules have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

#### **LEGAL OPINIONS**

The validity of the common stock offered hereby has been passed upon for the Company by Snell & Wilmer L.L.P., One Arizona Center, Phoenix, Arizona 85004.



## SHAREHOLDER INFORMATION

### Pinnacle West Capital Corporation:

*Corporate Headquarters:* 400 North 5<sup>th</sup> Street  
Phoenix, AZ 85004

*Mailing Address:* P .O. Box 53999  
Mail Station 8602  
Phoenix, AZ 85072-3999

*Telephone Number:* 602-250-1000

*E-Mail Address:* [shareholderdept@pinnaclewest.com](mailto:shareholderdept@pinnaclewest.com)

*Corporate Web Site:* [www.pinnaclewest.com](http://www.pinnaclewest.com)

### The Bank of New York Mellon:

*Telephone Numbers:* 800-457-2983 Nationwide Toll-Free  
201-680-6685 International Shareholders

*E-Mail Address:* [shrrelations@bnymellon.com](mailto:shrrelations@bnymellon.com)

*The Bank of New York Mellon Web Site:* [www.bnymellon.com/shareowner/isd](http://www.bnymellon.com/shareowner/isd)

*Shareholder Plan and Account Information & Stock Transfer Requirements:* BNY Mellon Shareowner Services  
PO. Box 358035  
Pittsburgh, PA 15252-8035  
<http://www.bnymellon.com/shareowner/isd>

### *Stock Listing Information*

*- Ticker Symbol:* PNW on the New York Stock Exchange

*- Financial Listings:* PinWst

### *Arizona Investment Council*

The Arizona Investment Council represents the interests of investors in Arizona utilities. If interested, send your name and address to:

Arizona Investment Council  
2100 North Central Avenue #210  
Phoenix, AZ 85004

No person has been authorized to give any information or to make any representation not contained in this prospectus and, if given or made, such information or representation must not be relied upon as having been authorized by the Company. This prospectus does not constitute an offer to sell, or a solicitation of any offer to buy, any of the securities offered hereby in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction.



**PINNACLE WEST**  
CAPITAL CORPORATION

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INVESTORS ADVANTAGE PLAN

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1,000,000 Shares of  
common stock  
(No Par Value)

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**PROSPECTUS**

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**PART II**  
**INFORMATION NOT REQUIRED IN PROSPECTUS**

**Item 14. Other Expenses of Issuance and Distribution.**

The following table sets forth the various expenses that are expected to be incurred in connection with the issuance and distribution of the securities being registered and that would be paid by the Registrant over the three year period following the effective date of this registration statement. All amounts are estimated, except for the SEC registration fee.

Securities and Exchange Commission registration fee	\$ 1,141
Printing, engraving, and postage expenses	43,000
Legal fees and expenses	80,000
Accounting fees and expenses	45,000
Plan Administrator and Independent Agent Fees	300,000
Miscellaneous	10,000
Total	\$479,141

**Item 15. Indemnification of Directors and Officers.**

The Arizona Business Corporation Act (the “ABCA”) permits extensive indemnification of present and former directors, officers, employees or agents of an Arizona corporation, whether or not authority for such indemnification is contained in the indemnifying corporation’s articles of incorporation or bylaws. Specific authority for indemnification of present and former directors and officers to the fullest extent permitted by applicable law is contained in Article VII of our Bylaws. Such indemnification is mandatory.

Under the ABCA, in order for a corporation to indemnify a director or officer, a majority of the corporation’s disinterested directors, special legal counsel, or the shareholders must find that the conduct of the individual to be indemnified was in good faith and that the individual reasonably believed that the conduct was in the corporation’s best interests (in the case of conduct in an “official capacity” with the corporation) or that the conduct was at least not opposed to the corporation’s best interests (in all other cases). In the case of any criminal proceeding, the finding must be to the effect that the individual had no reasonable cause to believe the conduct was unlawful. Indemnification is permitted with respect to expenses, judgments, fines and amounts paid in settlement by such individuals, except that, in the case of a proceeding by or in the right of the corporation, indemnification is limited to reasonable expenses incurred in connection with the proceeding. However, a corporation cannot indemnify a director in the cases noted in clause (ii) of the second sentence of the following paragraph. Broader indemnification is allowed, with certain limitations, for a director as provided in a corporation’s articles of incorporation, and for an officer who is not also a director or where the basis on which the officer was made a party to the proceeding is an act or omission solely as an officer, as provided in the articles of incorporation, bylaws, a resolution of the board of directors or a contract.

Indemnification under the ABCA is permissive, except in the event of a successful defense, in which case a director or officer must be indemnified against reasonable expenses, including attorneys’ fees, incurred in connection with the proceeding unless such indemnification is limited by the articles of incorporation. In addition, the ABCA requires Arizona corporations to indemnify any “outside director” (a director who is not an officer, employee or holder of more than five percent of any class of the corporation’s stock or the stock of any affiliate of the corporation) against liability unless (i) the corporation’s articles of incorporation limit such indemnification, (ii) the director is adjudged liable in a proceeding by or in the right of the corporation or in any other proceeding charging improper financial benefit to the director, whether or not involving action in the director’s official capacity, in which the director was adjudged liable on the basis

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that financial benefit was improperly received by the director, or (iii) a court determines, before payment to the outside director, that the director failed to meet the standards of conduct described in the preceding paragraph. With certain limitations, a court may also order that an individual be indemnified if the court finds that the individual is fairly and reasonably entitled to indemnification in light of all of the relevant circumstances, whether or not the individual has met the standards of conduct in this and the preceding paragraph or was adjudged liable as described above.

In addition, we have, from time to time, entered into and/or may enter into agreements to indemnify certain of our directors and officers to the fullest extent allowed by law, subject to certain exceptions. To the extent the Board or shareholders may in the future wish to limit or repeal our ability to provide indemnification to our officers and directors, such repeal or limitation may not be effective as to directors or officers who are parties to any indemnification agreements because their rights to full protection would be contractually assured by such agreements.

In Arizona, a corporation may purchase and maintain insurance on behalf of a director or officer of the corporation against liability asserted against or incurred by the individual arising from the individual's status as a director or officer. We maintain insurance on a regular basis (and not specifically in connection with this offering) against liabilities arising on the part of directors and officers out of their performance in such capacities or arising on the part of the Company out of the foregoing indemnification provisions, subject to certain exclusions and to the policy limits.

For information regarding our undertaking to submit to adjudication the issue of indemnification for violation of the securities laws, see Item 17 below.

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### Item 16. List of Exhibits.

EXHIBIT NO.	DESCRIPTION
4.1	Third Amended and Restated Pinnacle West Capital Corporation Investors Advantage Plan
5.1	Opinion of Snell & Wilmer L.L.P.
23.1	Consent of Deloitte & Touche LLP
23.2	Consent of Snell & Wilmer L.L.P. (included in Opinion filed as Exhibit 5.1)
24.1	Powers of Attorney (contained within the signature page hereto)
24.2	Resolutions of Board of Directors re Powers of Attorney

In addition to those Exhibits shown above, the Company hereby incorporates the following Exhibits pursuant to Rule 411 of Regulation C promulgated under the Act by reference to the filings set forth below:

Exhibit No.	Description	Previously Filed as Exhibit	File No. <sup>1</sup>	Date Filed
4.1	Articles of Incorporation, restated as of May 21, 2008	Exhibit 3.1 to Pinnacle West/APS Quarterly Report on Form 10-Q for the quarter ended June 30, 2008	1-8962	8/07/08
4.2	Pinnacle West Capital Corporation Bylaws, amended as of May 23, 2007	Exhibit 4.2 to Pinnacle West/APS Current Report on Form 8-K dated May 23, 2007	1-8962	5/25/07
4.3	Amended and Restated Rights Agreement, dated as of March 26, 1999, between Pinnacle West and BankBoston, N.A., as Rights Agent, including (i) as Exhibit A thereto the form of Amended Certificate of Designation of Series A Participating Preferred Stock of Pinnacle West, (ii) as Exhibit B thereto the Form of Rights Certificate and (iii) as Exhibit C thereto the Summary of Right to Purchase Preferred Shares	Exhibit 4.1 to Pinnacle West Current Report on Form 8-K dated April 19, 1999	1-8962	4/19/99
4.4	Amendment to Rights Agreement effective as of January 1, 2002	Exhibit 4.1 to Pinnacle West Quarterly Report on Form 10-Q for the quarter ended March 31, 2002	1-8962	5/15/02
4.5	Specimen Certificate of Pinnacle West common stock, no par value	Exhibit 4.12 to Pinnacle West Current Report on Form 8-K dated April 29, 2005	1-8962	5/02/05

<sup>1</sup> Reports filed under File No. 1-8962 were filed in the office of the SEC located in Washington, D.C.

**Item 17. Undertakings.**

The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement; *provided, however*, that paragraphs (a)(1)(i), (a)(1)(ii) and (a)(1)(iii) of this section do not apply if the registration statement is on Form S-3 or Form F-3 and the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the Commission by the registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement, or is contained in a form of prospectus filed pursuant to Rule 424(b) that is part of the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for the purpose of determining liability of the registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities, the undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

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(iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

(iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

(5) That, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(6) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this amendment to the registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Phoenix, State of Arizona, on November 25, 2008.

Pinnacle West Capital Corporation

By: /s/ William J. Post  
 William J. Post  
 Chairman of the Board of Directors and Chief  
 Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated. Each person whose signature appears below hereby authorizes James R. Hatfield, Barbara M. Gomez and Nancy C. Loftin, and each of them, as attorneys-in-fact, to sign his or her name on his or her behalf, individually and in each capacity designated below, to file any amendments, including post-effective amendments, to this Registration Statement.

<u>SIGNATURE</u>	<u>TITLE</u>	<u>DATE</u>
<u>/s/ William J. Post</u> (William J. Post, Chairman of the Board of Directors and Chief Executive Officer)	Principal Executive Officer and Director	November 25, 2008
<u>/s/ James R. Hatfield</u> (James R. Hatfield, Senior Vice President and Chief Financial Officer)	Principal Financial Officer and Principal Accounting Officer	November 25, 2008
<u>/s/ Edward N. Basha, Jr.</u> (Edward N. Basha, Jr.)	Director	November 25, 2008
<u>/s/ Susan Clark-Johnson</u> (Susan Clark-Johnson)	Director	November 25, 2008
<u>/s/ Michael L. Gallagher</u> (Michael L. Gallagher)	Director	November 25, 2008



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<u>SIGNATURE</u>	<u>TITLE</u>	<u>DATE</u>
<u>/s/ Pamela Grant</u> (Pamela Grant)	Director	November 25, 2008
<u>/s/ Roy A. Herberger, Jr.</u> (Roy A. Herberger, Jr.)	Director	November 25, 2008
<u>/s/ William S. Jamieson</u> (William S. Jamieson)	Director	November 25, 2008
<u>/s/ Humberto S. Lopez</u> (Humberto S. Lopez)	Director	November 25, 2008
<u>/s/ Kathryn L. Munro</u> (Kathryn L. Munro)	Director	November 25, 2008
<u>/s/ Bruce J. Nordstrom</u> (Bruce J. Nordstrom)	Director	November 25, 2008
<u>/s/ W. Douglas Parker</u> (W. Douglas Parker)	Director	November 25, 2008
<u>/s/ William L. Stewart</u> (William L. Stewart)	Director	November 25, 2008

**SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

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EXHIBITS TO  
**FORM S-3**  
REGISTRATION STATEMENT  
Under  
THE SECURITIES ACT OF 1933

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

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**INDEX TO EXHIBITS**

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24.1	Powers of Attorney (contained within the signature page hereto)
24.2	Resolutions of Board of Directors re Powers of Attorney

**THIRD AMENDED AND RESTATED PINNACLE WEST CAPITAL CORPORATION  
INVESTORS ADVANTAGE PLAN**

Pinnacle West Capital Corporation, an Arizona corporation (the “Company”), hereby amends and restates, as of November 25, 2008, the Pinnacle West Capital Corporation Investors Advantage Plan (the “Plan”):

ARTICLE 1  
DEFINITIONS

The terms defined in this Article I shall, for all purposes of this Plan, have the following respective meanings:

Account

The term “Account” shall mean, as to any Participant, the account maintained by the Administrator evidencing (i) the shares (and/or fraction of a share) of Common Stock (a) purchased through the Plan and/or (b) deposited by such Participant into the Plan pursuant to Section 4.1 hereof and credited to such Participant; (ii) any dividends in the form of shares of Common Stock and any shares resulting from a Common Stock split on such shares, and (iii) cash held in the Plan pending investment in Common Stock for such Participant.

Account Shares

The term “Account Shares” shall mean all shares (and/or fraction of a share) of Common Stock credited to the Account of a Participant by the Administrator, which shall include shares deposited into the Plan pursuant to Section 4.1 hereof.

Administrator

The term “Administrator” shall mean the individual (who may be an employee of the Company), bank, trust company, or other entity (including the Company) appointed from time to time by the Company to act as Administrator hereunder.

Automatic Investment Form

The term “Automatic Investment Form” shall mean documentation that the Administrator shall require to be completed and received if Participant elects to make an initial cash investment, or authorize automatic monthly investments, to be deducted directly from a U.S. checking, savings, or credit union account which is a member of the Automated Clearing House (“ACH”) network.

Cash Investment Form

The term “Cash Investment Form” shall mean documentation prepared by the Administrator that may be utilized by a Participant when making an optional cash investment pursuant to Section 2.4 hereof.

Cash Investment Only option

As defined in Subsection 2.2.3 hereof.

Common Stock

The Company’s Common Stock, no par value.

Company

As defined in the Preamble.

Company Share Purchase Price

The term “Company Share Purchase Price,” when used with respect to newly issued shares of Common Stock, or shares of Common Stock held in the Company’s treasury, shall mean the average of the high and low sales prices of Common Stock on a given Investment Date as reported on the New York Stock Exchange Composite Tape and

published in The Wall Street Journal, or, for any day on which there is no such publication, as published in another generally accepted publication for the applicable Investment Date. In the absence of knowledge of inaccuracy, the Company may rely upon such prices as published in The Wall Street Journal or such other publication. In the event no trading is so reported for a trading day, the Company Share Purchase Price for such shares may be determined by the Company on the basis of such market quotations as it deems appropriate.

#### Direct Deposit Authorization Form

The term “Direct Deposit Authorization Form” shall mean documentation that the Administrator shall require to be completed and received if Participant elects to have Dividends deposited directly to a financial institution which is a member of the ACH network.

#### Dividend

The term “Dividend” shall mean cash dividends paid on Reinvestment Eligible Securities .

#### Dividend Payment Date

The term “Dividend Payment Date” shall mean a date on which a cash dividend on shares of Common Stock is payable.

#### Dividend Processing Period

The term “Dividend Processing Period” shall mean a 2-3 business day period prior to the Dividend Payment Date.

#### Dividend Record Date

The term “Dividend Record Date” shall mean the date fixed for the determination of shareholders of record who will be entitled to receive a Dividend payable on a Dividend Payment Date.

#### Eligible Securities

The term “Eligible Securities” shall mean those securities of the Company and its subsidiaries, whether issued prior to, on, or after the date hereof, set forth in Section 6.1 hereof, and such other securities of the Company and its subsidiaries as the Company may designate, in its sole discretion, pursuant to Section 6.2 hereof.

#### Enrollment Forms

The term “Enrollment Forms” shall mean the documentation that the Administrator shall require to be completed and received (subject to Section 2.1 hereof with respect to automatic enrollment of Plan Participants) prior to an investor’s enrollment in the Plan pursuant to Section 2.1 hereof, a Participant’s changing the Participant’s options under the Plan pursuant to Section 7.1 hereof, or, at the option of a Participant as described in Section 4.1 hereof, a Participant’s depositing shares of Common Stock into the Plan pursuant to Section 4.1 hereof. An Enrollment Form may also be used by the Administrator for other purposes as described herein or as determined by the Administrator from time to time.

#### Exchange Act

The term “Exchange Act” shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder.

#### Ex-Dividend Date

The term “Ex-Dividend Date” shall mean a date, normally two business days prior to the Dividend Record Date, based on industry regulations, necessary to allow for the settlement of traded securities by the Dividend Record Date.

#### Foreign Person

The term “Foreign Person” shall mean a Person that is a citizen or resident of, or is organized or incorporated under, or has its principal place of business in, a country other than the United States, its territories, and possessions.

#### Full Dividend Reinvestment option

As defined in Subsection 2.2.1 hereof.

#### Independent Agent

The term “Independent Agent” shall mean an agent independent of the Company who satisfies applicable legal requirements (including without limitation the requirements of Regulation M and Rule 10b-18 promulgated under the Exchange Act) and who has been selected by the Company, pursuant to Section 10.6 hereof, to serve as an Independent Agent for purposes of making purchases and sales of Common Stock under the Plan.

#### Initial Enrollment Form

The term “Initial Enrollment Form” shall mean the specific type of Enrollment Form (defined above) required for all new investors in the Plan who are not existing shareholders of record.

#### Investment Date

The term “Investment Date” shall mean the date on which the purchase price for all shares of Common Stock to be purchased during an Investment Period has been determined. If shares are purchased from the Company pursuant to Section 3.3 hereof, the Investment Date will be the first business day of the relevant Investment Period. If shares are purchased on the open market pursuant to Section 3.4 hereof, the Investment Date will be the last business day of the relevant Investment Period. If the Investment Date would otherwise fall on a day on which the New York Stock Exchange is not open, the first business day immediately succeeding such day on which the New York Stock Exchange is open will be the Investment Date.

#### Investment Period

The term “Investment Period” shall mean the period during which Common Stock is purchased. An Investment Period will occur approximately every 5 business days, except that an Investment Period that would normally begin on a Dividend Record Date, will be postponed until the second business day following the Dividend Record Date.

#### Market Share Purchase Price

The term “Market Share Purchase Price,” when used with respect to shares of Common Stock purchased in the open market, shall mean the weighted average purchase price per share (including brokerage commissions, any related service charges, and applicable taxes) of the aggregate number of shares purchased in the open market for an Investment Date.

#### Market Share Sales Price

The term “Market Share Sales Price,” when used with respect to shares of Common Stock sold under the Plan, shall mean the weighted average sales price per share (less brokerage commissions, any related service charges, and applicable taxes) of the aggregate number of shares sold in the open market for the period during which the sales are made.

#### Maximum Amount

As defined in Section 2.4 hereof.

#### Partial Dividend Reinvestment option

As defined in Subsection 2.2.2 hereof.

#### Participant

As defined in Section 2.1 hereof.

#### Person

The term “Person” shall mean any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, estate, or unincorporated organization.

Plan

As defined in the Preamble.

Plan Statement

The term “Plan Statement” shall mean a written statement prepared by the Administrator and sent to a Participant following the end of each calendar quarter in which the Participant’s Account had purchase or investment activity, or otherwise as the Administrator shall determine to be appropriate (and not objected to by the Company) or as provided in this Plan, which statement reflects (i) the purchase price and number of Account Shares purchased for or credited to the Participant’s Account for such calendar quarter, (ii) the total number of Account Shares in the Participant’s Account at the date of such statement, and (iii) such additional information regarding the Participant’s Account as the Administrator may determine to be pertinent to the Participant. However, if the only activity for the quarter is the receipt of a cash dividend that is not reinvested, the participant will not receive a Plan Statement.

Reinvestment Eligible Securities

The term “Reinvestment Eligible Securities” shall mean (i) those Eligible Securities of which a Participant is the record or registered holder and (ii) a Participant’s Account Shares.

Sale/Transfer Request Form

The term “Sale/Transfer Request Form” shall mean the documentation that the Administrator may require to be completed and received prior to a Participant’s (i) sale of Account Shares pursuant to Section 5.1 hereof, (ii) gift or transfer of Account Shares pursuant to Section 5.2 hereof, and (iii) termination of participation in the Plan pursuant to Section 7.2 hereof.

A pronoun or adjective in the masculine gender includes the feminine gender, and the singular includes the plural, unless the context clearly indicates otherwise.

## ARTICLE II PARTICIPATION

Section 2.1 Participation. Any Person, whether or not a record holder of Common Stock, may elect to participate in the Plan; provided, however, that if such Person is a Foreign Person, the Person must provide evidence satisfactory to the Administrator that the Person’s participation in the Plan would not violate local laws applicable to the Company, the Plan, or such Foreign Person.

An election by a Person to participate in the Plan shall be made by completing and returning to the Administrator an Enrollment Form, or an Initial Enrollment Form, and, subject to the last two paragraphs of this Section 2.1 below, (i) electing to have Dividends on Eligible Securities of which such Person is the record holder invested in Common Stock pursuant to Section 2.2 hereof, (ii) depositing certificates representing Common Stock of which such person is the record holder into the Plan pursuant to Section 4.1 hereof, or (iii) making an initial cash investment pursuant to Section 2.3 hereof.

Any Person who has met such requirements and has made and not revoked such election is herein referred to as a “Participant.” Notwithstanding the foregoing, each participant in the Plan on the date of effectiveness hereof is automatically a Participant without submitting a new Enrollment Form; provided, however, that any such Participant who wishes to change the Participant’s current participation in any way must submit a new Enrollment Form to the Administrator. A Participant may elect to participate in any or all of the forms of investment provided in Sections 2.2 through 2.4 hereof and to utilize the Plan’s safekeeping services provided in Section 4.1 hereof by submitting an Enrollment Form designating such election to the Administrator; provided, however, that, alternatively, a Participant may elect to make optional cash investments pursuant to Section 2.4 hereof by submitting to the Administrator a completed optional Cash Investment Form in lieu of an Enrollment Form.

The Company reserves the right to restrict participation in this Plan if it believes that such participation may be contrary to the general intent of this Plan or in violation of applicable law.

Section 2.2 Dividend Reinvestment. A Participant may elect any of the Full Dividend Reinvestment, Partial Dividend Reinvestment, and Cash Investment Only options described in Subsections 2.2.1, 2.2.2, and 2.2.3 hereof.

Subsection 2.2.1 Full Dividend Reinvestment. Participants enrolling in the “Full Dividend Reinvestment” option will have Dividends earned on all Common Stock, both in their Plan Accounts and held of record by such Participants, reinvested in shares (and/or a fraction of a share) of Common Stock to be credited to their Accounts in lieu of receiving such Dividends directly.

Subsection 2.2.2 Partial Dividend Reinvestment. Participants enrolling in the “Partial Dividend Reinvestment” option will have Dividends on a designated number of shares of Reinvestment Eligible Securities held of record or in their Plan Accounts paid directly to the Participant in the manner otherwise associated with payment of Dividends, with the balance being reinvested in shares (and/or a fraction of a share) of Common Stock to be credited to their Accounts in lieu of receiving such Dividends directly.

Subsection 2.2.3 Cash Investment Only. Participants enrolling in the “Cash Investment Only” option may make cash investments pursuant to Sections 2.3 and 2.4 hereof. Dividends on Eligible Securities held by such Participants of record or in their Plan Accounts will not be reinvested. Such Dividends will be paid directly to Participant either by check or direct deposit, at the election of the Participant. The completion of a Direct Deposit Authorization Form may be required for any such direct deposit.

Subsection 2.2.4 General Matters. (a) If Participants do not indicate a participation option as described in Subsections 2.2.1, 2.2.2, and 2.2.3 hereof on their Enrollment Forms, except as otherwise provided for Plan participants in Section 2.1 hereof, such Participants will be deemed to have elected the Full Dividend Reinvestment option described in Subsection 2.2.1 hereof. Dividends will be reinvested as to all Account Shares except for Account Shares as to which the participant has elected not to have Dividends reinvested and has notified the Administrator by delivery of a completed Enrollment Form of such election. (b) Common Stock purchased on or after a specific Ex-Dividend Date may not receive the next subsequent dividend.

Section 2.3 Initial Cash Investment. A Person who is not already a Common Stock shareholder of record may become a Participant by returning to the Administrator a completed Initial Enrollment Form, accompanied by an initial cash payment of at least \$50, by personal check, payable through a U.S. bank or other U.S. financial institution, in U.S. dollars, to Pinnacle West Capital Corporation, or via electronic funds transfer, to be invested in Common Stock pursuant to Subsections 3.3.2 or 3.4.2 hereof. Initial cash investments may be made by electronic funds transfer by completing and forwarding an Automatic Investment Form to the Administrator authorizing the deduction of a set amount.

Section 2.4 Optional Cash Investments. A Participant may elect to make cash payments at any time or from time to time to the Plan, in any amount, by personal check, payable through a U.S. bank or other U.S. financial institution, in U.S. dollars, to Pinnacle West Capital Corporation, or via electronic funds transfer, for investment in Common Stock pursuant to Subsections 3.3.2 or 3.4.2 hereof; provided, however, that a Participant may not invest more than \$150,000 in aggregate amount in any calendar year (the “Maximum Amount”) and provided further that any such payment must be accompanied by a new Enrollment Form, Cash Investment Form or, for electronic funds transfers, an Automatic Investment Form. For purposes of determining whether the Maximum Amount has been reached, initial cash investments made pursuant to Section 2.3 hereof shall be counted as optional cash investment, and Dividends reinvested pursuant to Section 2.2.1 or 2.2.2 shall not be counted as optional cash investments. Optional cash investments may be made by electronic funds transfer by completing and forwarding an Automatic Investment Form to the Administrator authorizing the deduction of a set amount. Other restrictions may be imposed from time to time on amounts that may be invested in any transaction.

### ARTICLE III

#### DIVIDEND REINVESTMENT AND STOCK PURCHASE

Section 3.1 Dividend Reinvestment. Dividends as to which reinvestment has been elected by a Participant shall be paid to the Administrator or its nominee on behalf of such Participant. Dividends shall be reinvested, at the Company’s election, subject to Section 10.7 hereof, in either (i) newly issued shares of Common Stock or shares of Common Stock held in the Company’s treasury purchased from the Company or (ii) shares of Common Stock purchased in the open market.

Section 3.2 Investment of Optional Cash Payments and Initial Cash Payments. Any optional cash investments and initial cash investments may be made by either (a) personal check received by the Administrator from a Participant and as to which no request for return has been received at least two business days prior to the next scheduled Investment Period, or (b) via electronic funds deduction. Recurring electronic funds deduction, regardless of when the Participant completes and forwards the Participant’s Automatic Investment Form to the Company, will



occur only once a month, on or about the 25th day of each month, or such other time or times as the Company and the Administrator agree. Non-recurring electronic funds deductions will be made when authorized. Such optional cash investments and initial cash investments will be invested during the next Investment Period following the receipt of the check or the electronic funds deduction, in either (i) newly issued shares of Common Stock or shares of Common Stock held in the Company's treasury purchased from the Company or (ii) shares of Common Stock purchased in the open market. However, if the investments are not received at least two business days prior to the beginning of such Investment Period, the investment could be delayed to the next following Investment Period.

Section 3.3 Investment and Reinvestment in Newly Issued or Treasury Shares. Dividend reinvestment in newly issued shares of Common Stock or shares of Common Stock held in the Company's treasury shall be governed by Subsection 3.3.1 hereof. Any optional cash investments and/or initial cash investments to be invested in either newly issued shares of Common Stock or shares of Common Stock held in the Company's treasury will be governed by Subsection 3.3.2 hereof.

Subsection 3.3.1 Dividend Reinvestment. As soon as practicable following an Investment Date with respect to which the Company elects to issue new shares of Common Stock or sell shares of Common Stock held in the Company's treasury to the Plan in order to effect the reinvestment of Dividends, the Company shall issue to the Administrator upon the Company's receipt of the funds described in Subsection 3.3.3(a) below, for crediting by the Administrator to the Account of a Participant as of such Investment Date, shares (and/or fraction of a share rounded to three decimal places or other fraction determined from time to time by the Administrator) of Common Stock as provided in Subsection 3.3.3 below. Such shares shall be issued or sold to, and registered in the name of, the Administrator or its nominee as custodian for such Participant. No interest shall be paid on Dividends held pending reinvestment pursuant to this Subsection 3.3.1.

Subsection 3.3.2 Cash Investments. As soon as practicable following an Investment Date with respect to which the Company elects to issue new shares of Common Stock or sell shares of Common Stock held in the Company's treasury to the Plan in order to effect the investment of optional cash investments and/or initial cash investments, the Company shall issue to the Administrator upon the Company's receipt of the funds described in Subsection 3.3.3(b) below, for crediting by the Administrator to the Account of a Participant as of such Investment Date, shares (and/or fraction of a share rounded to three decimal places or other fraction determined from time to time by the Administrator) of Common Stock as provided in Subsection 3.3.3 below. Such shares shall be issued or sold to, and registered in the name of, the Administrator or its nominee as custodian for such Participant. No interest shall be paid on cash investments held pending investment pursuant to this Subsection 3.3.2.

Subsection 3.3.3 Number of Shares to be Issued. If shares are to be issued or sold pursuant to Subsections 3.3.1 or 3.3.2 above, the number of shares (and/or fraction of a share rounded to three decimal places or other fraction determined from time to time by the Administrator) of Common Stock that will be credited to the account of a Participant as of an Investment Date will be equal to (a) the amount of any Dividends paid to the Administrator on behalf of such Participant since the preceding Investment Date plus (b) the amount of any optional cash investments and/or initial cash investment received by the Administrator from such Participant and not previously invested, subject to the provisions of Section 3.2 and Section 3.6 hereof, divided by (c) the Company Share Purchase Price on such Investment Date.

Section 3.4 Investment and Reinvestment in Shares Purchased in the Open Market. Dividend reinvestment in shares of Common Stock purchased in the open market shall be governed by Subsection 3.4.1 hereof. Any optional cash investments and/or initial cash investments to be invested in shares of Common Stock purchased in the open market shall be governed by Subsection 3.4.2 hereof.

Subsection 3.4.1 Dividend Reinvestment. During an Investment Period with respect to which the Company elects to effect reinvestment of Dividends in shares of Common Stock purchased in the open market, the Administrator shall (if it is an Independent Agent), or shall cause an Independent Agent to, apply the amount of any Dividends paid to the Administrator on behalf of a Participant since the preceding Investment Date to the purchase of shares (and/or fraction of a share rounded to three decimal places or other fraction determined from time to time by the Administrator) of Common Stock in the open market as provided in Subsection 3.4.3 below. Such shares shall be registered in the name of the Administrator or its nominee as custodian for such Participant. No interest shall be paid on Dividends held pending reinvestment pursuant to this Subsection 3.4.1.

Subsection 3.4.2 Cash Investments. During an Investment Period with respect to which the Company elects to effect the investment of optional cash investments and/or initial cash investments in shares of Common Stock purchased in the open market, the Administrator shall (if it is an Independent Agent), or shall cause an Independent Agent to, purchase for crediting by the Administrator to the Account of a Participant a number of shares (and/or

fraction of a share rounded to three decimal places or other fraction determined from time to time by the Administrator) of Common Stock in the open market as provided in Subsection 3.4.3 below. Such shares shall be registered in the name of the Administrator or its nominee as custodian for such Participant. No interest shall be paid on cash investments held pending investment pursuant to this Subsection 3.4.2.

Subsection 3.4.3 Number of Shares to be Purchased and Other Matters. Purchases in the open market pursuant to Subsection 3.4.1 and Subsection 3.4.2 hereof may begin on the first day of the applicable Investment Period and shall be completed no later than 30 days from such date, unless completion at a later date is necessary or advisable under applicable law, including without limitation any federal securities laws. Open market purchases pursuant to Subsection 3.4.1 and Subsection 3.4.2 hereof may be made on any securities exchange on which the Common Stock is traded, in the over-the-counter market or by negotiated transactions, and may be upon such terms and subject to such conditions with respect to price and delivery to which the Independent Agent may agree. With regard to open market purchases of shares of Common Stock pursuant to Subsection 3.4.1 and Subsection 3.4.2 hereof, none of the Company, the Administrator (unless it is the Independent Agent), or any Participant shall have any authority or power to direct the time or price at which shares of Common Stock may be purchased, the markets on which such shares are to be purchased (including on any securities exchange, in the over the counter market, or in negotiated transactions), or the selection of the broker or dealer (other than the Independent Agent) through or from whom purchases may be made, except that the timing of such purchases must be made in accordance with the terms and conditions of the Plan. For the purpose of making, or causing to be made, purchases of shares of Common Stock pursuant to Subsection 3.4.1 and Subsection 3.4.2 hereof, and sales of Account Shares pursuant to Section 5.1 hereof, the Administrator may authorize the Independent Agent to commingle each Participant's funds with those of all other Participants and to offset purchases of shares of Common Stock against sales of shares of Common Stock to be made for Participants, resulting in a net purchase or a net sale of shares. The number of shares (and/or fraction of a share rounded to three decimal places or other fraction determined from time to time by the Administrator) of Common Stock that shall be credited to a Participant's Account with respect to and as of an Investment Date pursuant to Subsection 3.4.1 and Subsection 3.4.2 shall be equal to (a) the amount of any Dividends paid to the Administrator on behalf of such Participant since the preceding Investment Date plus (b) the amount of any optional cash investments and/or initial cash investment received by the Administrator from such Participant and not previously invested, subject to the provisions of Section 3.2 and Section 3.6 hereof, divided by (c) the Market Share Purchase Price with respect to such Investment Date.

Section 3.5 Request to Stop Investment. If a written request to stop investment of optional cash investments and/or an initial cash investment is received by the Administrator from a Participant at least two business days prior to the next scheduled Investment Period during which investment of such cash investments would be effected pursuant to the provisions of this Plan, such optional cash investments and/or initial cash investment shall not be invested in Common Stock and shall be returned to such Participant. If such a request is not received by the Administrator by such time, such optional cash investments or initial cash investment shall be invested in shares of Common Stock for such Participant's Account.

Section 3.6 Return of Uninvested Monies. Any Dividends to be reinvested in shares of Common Stock pursuant to Subsection 3.3.1 or Subsection 3.4.1 hereof and not reinvested in shares of Common Stock within 30 days of the applicable Dividend Payment Date shall be promptly returned to the Participant at the Participant's address of record by First Class Mail. Any optional cash investments and initial cash investments to be invested in shares of Common Stock pursuant to Subsection 3.3.2 or Subsection 3.4.2 hereof and not invested in shares of Common Stock within 35 days of receipt by the Administrator or the Company shall be promptly returned to the Participant at the Participant's address of record by First Class Mail.

Section 3.7 Uncollectible Funds. If the Administrator does not receive credit for a cash payment because of insufficient funds or incorrect ACH draft information, the requested purchase will be deemed void. Any shares credited will be immediately removed from the Participant's Account. The Administrator will be entitled to sell those shares to satisfy any uncollected amounts, and if the net proceeds of the sale of such shares are not sufficient to satisfy the balance of such uncollected amounts, the Administrator may sell additional shares from the Participant's Account to satisfy the uncollected balance. In addition, an "insufficient funds" fee of \$20.00 will be charged to the Participant. The Administrator may place a hold on the Account until this fee is paid, or may sell shares from the Account to pay this fee. The Company may change the insufficient funds fee from time to time.

## ARTICLE IV

### SAFEKEEPING SERVICES FOR DEPOSITED COMMON STOCK

Section 4.1 Deposited Common Stock. A Participant may elect to have certificates representing shares of Common Stock of which the Participant is the record holder deposited into the Plan by delivering such certificates to the Administrator, along with either (i) an Enrollment Form with the certificate safekeeping option checked thereon or (ii) a letter with respect to such certificates directing the Administrator to deposit the shares represented by such certificates into the Plan Account of the Participant. Shares of Common Stock so deposited shall be transferred into the name of the Administrator or its nominee and credited to the depositing Participant's Account. Shares of Common Stock deposited into the Plan pursuant to this Section 4.1 shall be treated as shares purchased pursuant to the Plan.

Section 4.2 Withdrawal of Common Stock Deposited Pursuant to Section 4.1. Shares of Common Stock deposited pursuant to Section 4.1 hereof may be withdrawn from the Plan pursuant to Section 8.1 hereof.

## ARTICLE V

### SALE OF ACCOUNT SHARES; GIFT OR TRANSFER OF ACCOUNT SHARES

Section 5.1 Sale of Account Shares. A Participant may request, at any time, that all or a portion of the Participant's whole Account Shares be sold by delivering to the Administrator a completed Sale/Transfer Request Form or other written instructions to that effect. The Administrator shall forward such sale instructions to the Independent Agent as soon as practicable after receipt thereof. Instructions received during the Dividend Processing Period may be delayed. The Independent Agent shall make such sales as soon as practicable (in accordance with any applicable stock transfer requirements and federal and state securities laws) after processing such sale instructions. As soon as practicable following the receipt of proceeds from such sale, the Administrator shall mail by First Class Mail to such Participant at the Participant's address of record a check in an amount equal to (a) the Market Share Sales Price multiplied by (b) the number of the Participant's Account Shares sold, minus a \$10.00 service fee. The Company may change the service fee from time to time. If the request to sell Plan shares is communicated via telephone or online, the maximum value of shares which may be sold on any single day for each account is \$10,000. A request to sell shares is irrevocable after it is received by the Administrator.

With regard to open market sales of Account Shares pursuant to this Section 5.1, none of the Company, the Administrator (unless it is the Independent Agent) or any Participant shall have any authority or power to direct the time or price at which shares of Common Stock may be sold, the markets on which such shares are to be sold (including on any securities exchange, in the over-the-counter market, or in negotiated transactions), or the selection of the broker or dealer (other than the Independent Agent) through or from whom sales may be made, except that the timing of such sales must be made in accordance with the terms and conditions of the Plan.

Section 5.2 Gift or Transfer of Account Shares. A Participant may elect to transfer (whether by gift, private sale, or otherwise) ownership of all or a portion of the Participant's Account Shares to the Account of another Participant or establish an Account for a Person not already a Participant by delivering to the Administrator a completed Sale/Transfer Request Form to that effect and a stock assignment (stock power) acceptable to the Administrator along with such other documentation as may be required by the Administrator. If the transferee is not already a Participant, the Administrator will require the completion and delivery of an Enrollment Form for the transferee prior to the transfer. No fraction of a share of Common Stock credited to the transferor's Account shall be transferred unless the transferor's entire Account is transferred.

Account Shares transferred in accordance with the preceding paragraph shall continue to be registered in the name of the Administrator as custodian and shall be credited to the transferee's Account. Unless otherwise requested by a transferee who is already a Participant on a completed Enrollment Form, the reinvestment of Dividends on such transferred Account Shares in shares of Common Stock under the Plan shall be made in proportion to the reinvestment level (i.e., full, partial or none) of the transferee's other Account Shares. The Administrator shall deliver a notice or advice of transfer to such transferee showing the transfer of such Account Shares into the Participant's Account.

Section 5.3 Reinvestment of Dividends on Remaining Account Shares. If a Participant has elected to have Dividends reinvested as to only a portion of a Participant's Account Shares and the Participant elects to (i) sell a portion of the Participant's Account Shares pursuant to Section 5.1 hereof, (ii) transfer a portion of the Participant's Account Shares pursuant to Section 5.2 hereof, or (iii) withdraw a portion of the Participant's Account Shares pursuant to Section 8.1 hereof, all of the Account Shares as to which Dividends are reinvested shall be sold, transferred, or withdrawn, as the case may be, before any Account Shares as to which Dividends are not reinvested are sold, transferred, or withdrawn unless the Participant gives specific instructions to the contrary in connection with such sale, transfer, or withdrawal of Account Shares.

ARTICLE VI  
ELIGIBLE SECURITIES

Section 6.1 Eligible Securities. The Common Stock of the Company and its subsidiaries shall be Eligible Securities.

Section 6.2 Additional Eligible Securities. The Company may from time to time or at any time designate other securities of the Company and its subsidiaries as Eligible Securities by notifying the Administrator in writing of the designation of such securities as Eligible Securities.

ARTICLE VII  
TREATMENT OF ACCOUNTS

Section 7.1 Changing Plan Options. A Participant may elect to change the Participant's Plan options, including changing the reinvestment levels (*i.e.*, Full Dividend Reinvestment, Partial Dividend Reinvestment, or Cash Investment Only) of Dividends on Reinvestment Eligible Securities by delivering to the Administrator a new Enrollment Form to that effect. To be effective with respect to any Dividend Payment Date, the Enrollment Form with respect to such Reinvestment Eligible Securities must be received and processed by the Administrator prior to the Dividend Record Date relating to such Dividend Payment Date. If the Enrollment Form is not received and processed by the Administrator by such time, such instructions shall not become effective until after such Dividend Payment Date. The shares of Common Stock purchased from the reinvestment of such Dividend shall be credited to the Participant's Account. After the Administrator's receipt of effective option changing instructions, Dividends on Reinvestment Eligible Securities as to which the reinvestment election has been revoked will be paid directly to the Participant in the manner otherwise associated with the payment of Dividends.

Section 7.2 Right of Termination of Participation. If a Participant's Sale/Transfer Request Form or other written instructions acceptable to the Administrator indicates the Participant's desire to terminate the Participant's participation in the Plan, the terminating participant's shares will continue to be held in book entry form or through direct registration unless and until the terminating participant requests that certificates be issued for such shares, that such shares be sold or transferred, or that such shares be electronically transferred to a brokerage account. Termination of participation may be delayed if a request is received during the Dividend Processing Period.

Section 7.3 Stock Splits, Stock Dividends and Rights Offerings. Any shares or other securities representing stock splits or other noncash distributions on Account Shares shall be credited to such Participant's Account. Stock splits, combinations, recapitalizations and similar events affecting the Common Stock shall, as to shares credited to Accounts of Participants, be credited to such Accounts in accordance with the number of shares held in such Accounts.

In the event of a rights offering, a Participant shall receive rights based upon the total number of whole shares of Common Stock credited to the Participant's Account.

Section 7.4 Shareholder Materials; Voting Rights. The Administrator shall send or forward to each Participant all applicable proxy solicitation materials and other shareholder materials or consent solicitation materials. Participants shall have the exclusive right to exercise all voting rights respecting Account Shares credited to their respective Accounts. A Participant may vote all of the Participant's Account Shares in person or by proxy. A Participant's proxy card shall include all the Participant's Account Shares and shares of Common Stock of which the Participant is the record holder. Account Shares shall not be voted unless a Participant or the Participant's proxy votes them. Fractions of shares of Common Stock shall be voted.

Solicitation of the exercise of Participants' voting rights by the management of the Company and others under a proxy or consent provision applicable to all holders of Common Stock shall be permitted. Solicitation of the exercise of Participants' tender or exchange offer rights by management of the Company and others shall also be permitted. The Administrator shall notify the Participants of each occasion for the exercise of their voting rights or rights with respect to a tender offer or exchange offer within a reasonable time before such rights are to be exercised. Such notification shall include all information distributed to the shareholders of the Company by the Company regarding the exercise of such rights.

Section 7.5 Reports and Notices. As soon as practicable after the end of each calendar quarter, the Administrator shall send a Plan Statement to each Participant for whom Dividends were reinvested or shares of Common Stock were purchased or who deposited Common Stock into the Plan pursuant to Section 4.1 hereof

during such calendar quarter. Additionally, the Administrator shall send a notice or advise of transfer to each Participant following each purchase and investment transaction and each sale, transfer, or withdrawal of Account Shares by a Participant. With the consent of the Company, from time to time, the Plan Administrator may revise the type, content, format and timing of notices and reports sent to Participants in the Plan.

## ARTICLE VIII

### CERTIFICATES AND FRACTIONS OF SHARES

Section 8.1 Certificates. A Participant, at any time or from time to time, may request in writing to receive a certificate for all or a portion of the Participant's whole Account Shares and the Administrator shall, as soon as practicable after receipt of such written request, mail such certificate by First Class Mail to such Participant at the Participant's address of record; provided, however, that requests received during the Dividend Processing Period may be delayed and provided further that upon the mailing of such certificate the shares of Common Stock represented by such certificate shall no longer be Account Shares but elections as to Dividend reinvestment with respect to such shares shall continue in effect (except to the extent such Participant has elected not to have Dividends on such Account Shares reinvested in Common Stock following the receipt of such certificate).

Section 8.2 Fractional Share. Fractions of shares of Common Stock shall be credited to Accounts as provided in Article III hereof; provided, however, that no certificate for a fraction of a share shall be distributed to any Participant at any time; and provided, further, that the Company shall issue and sell only whole shares of Common Stock to the Administrator in respect of Dividends reinvested in, and purchases made by the Administrator hereunder of, newly issued shares or shares of Common Stock held in the Company's treasury.

## ARTICLE IX

### CONCERNING THE PLAN

Section 9.1 Suspension, Modification, and Termination. The Company may at any time and from time to time, at its sole option, suspend, modify, amend, or terminate the Plan, in whole, in part or in respect of Participants in one or more jurisdictions; provided, however, no such amendment shall decrease the Account of any Participant or result in a distribution to the Company of any amount credited to the Account of any Participant. Upon complete termination of the Plan, the Accounts of all Participants (or in the case of partial termination of the Plan, the Accounts of all affected Participants) shall be treated as if each such Participant had elected to terminate the Participant's participation in the Plan pursuant to Section 7.2 hereof. The Administrator shall send each affected Participant notice of such suspension, material modification or termination as soon as practicable.

Section 9.2 Rules and Regulations. The Company may from time to time adopt such administrative rules and regulations concerning the Plan as it deems necessary or desirable for the administration of the Plan. The Company shall have the power and authority to interpret the terms and the provisions of the Plan and shall interpret and construe the Plan and reconcile any inconsistency or supply any omitted detail in a manner consistent with the general terms of the Plan and applicable law. Notwithstanding the particular enrollment, election and other forms and procedures specified herein, unless objected to by the Company, other forms and procedures may be used and implemented by the Administrator from time to time, including but not limited to online forms and procedures. Without limitation of the foregoing, unless objected to by the Company, whenever the Plan requires written instructions, requests or directions from a Participant, the Administrator may allow such instructions, requests or directions to be communicated by telephone or online, subject to such requirements as the Administrator shall impose.

Section 9.3 Costs. All costs of administration of the Plan shall be paid by the Company; provided, however, that any brokerage commissions, service charges, or applicable taxes incurred in connection with open market purchases and sales of shares of Common Stock made under the Plan shall be borne by the Participants. In addition, Participants will be responsible for a \$10.00 service fee on all sales transactions, as set forth in Section 5.1, and will be subject to an insufficient funds fee as described in Section 3.7. The Company may change the fees charged with respect to the Plan from time to time.

Section 9.4 Termination of a Participant. If a Participant does not have at least one whole Account Share or own or hold any other Common Stock of record for which Dividends are designated for reinvestment pursuant to this Plan, the Participant's participation in the Plan may be terminated by the Company, in its sole discretion. The Administrator will provide notice to such Participant of such action, which may be in the form of a Plan Statement or other notice or advice hereunder. Additionally, the Company, in its sole discretion, may terminate any

Participant's participation in the Plan after written notice mailed in advance to such Participant at the Participant's address of record, if the Company believes that such Participant's participation may be contrary to the general intent of the Plan or in violation of applicable law. Upon such termination, the Account of such Participant shall be treated as if the Participant had elected to terminate the Participant's participation in the Plan pursuant to Section 7.2 hereof.

## ARTICLE X

### ADMINISTRATION OF THE PLAN

Section 10.1 Selection of an Administrator. The Administrator shall be appointed by the Company. The Administrator's appointment to serve as such may be revoked by the Company at any time. The Administrator may resign at any time upon reasonable notice to the Company. In the event that no Administrator is appointed, the Company shall be deemed to be the Administrator for purposes of the Plan. The Company shall be the initial Administrator.

Section 10.2 Compensation. The officers of the Company shall make such arrangements regarding compensation, reimbursement of expenses and indemnification of the Administrator and any Independent Agent as they from time to time deem reasonable and appropriate.

Section 10.3 Authority and Duties of Administrator. The Administrator shall have the authority to undertake any act necessary to fulfill its duties as set forth in the various provisions of the Plan. Upon receipt, the Administrator shall deposit all Dividends, optional cash investments and initial cash investments in accounts controlled by the Administrator. The Administrator shall maintain appropriate records of the Accounts of Participants.

Section 10.4 Liability of the Company, the Administrator and Any Independent Agent. The Company, the Administrator, and any Independent Agent shall not be liable for any act done in good faith, or for the good faith omission to act in administering or performing their duties with respect to the Plan, including, without limitation, any claim of liability arising out of failure to terminate a Participant's Account upon such Participant's death prior to receipt of notice in writing of such death, or with respect to the prices or times at which, or sources from which, shares are purchased or sold for a Participant's Account, or with respect to any loss or fluctuation in the market value before or after the purchase or sale of such shares.

Section 10.5 Records and Reports. The Administrator shall keep appropriate records concerning the Plan, Accounts of Participants, purchases and sales of Common Stock made under the Plan, and Participants' addresses of record and shall send shareholder materials and statements to each Participant in accordance with the provisions of Sections 7.4 and 7.5 hereof.

Section 10.6 Selection of Independent Agent. Any Independent Agent serving in such capacity pursuant to the Plan shall be selected by the Company, and the Administrator and the Company, or either of them, shall, subject to the provisions hereof, make such arrangements and enter into such agreements with the Independent Agent in connection with the activities contemplated by the Plan as the Administrator and the Company, or either of them, deem reasonable and appropriate.

Section 10.7 Source of Shares of Common Stock. The Company shall not change the source of shares of Common Stock purchased by Participants in the Plan ( *i.e.* , either (a) newly issued shares of Common Stock or shares of Common Stock held in the Company's treasury purchased from the Company or (b) shares of Common Stock purchased in the open market) more than once in any three month period. The Company may exercise its right to change the source of shares upon approval by any one of the following:

- (i) the Company's Board of Directors,
- (ii) the Finance Committee of the Company's Board of Directors,
- (iii) the Company's Chief Financial Officer, or
- (iv) the Company's Treasurer

*provided, however* , that, if necessary and requested by the Independent Agent at any time, the Company may settle fractional shares with treasury stock even if otherwise shares are being purchased on the open market.

ARTICLE XI

MISCELLANEOUS PROVISIONS

Section 11.1 Controlling Law. This Plan shall be construed, regulated and administered under the laws of the State of Arizona.

Section 11.2 Acceptance of Terms and Conditions of Plan by Participants. Each Participant, by completing an Enrollment Form and as a condition of participation herein, for the Participant, the Participant's heirs, executors, administrators, legal representatives and assigns, approves and agrees to be bound by the provisions of this Plan and any subsequent amendments hereto, and all actions of the Company and the Administrator hereunder.

Section 11.3 Receipt by Administrator. Unless otherwise agreed by the Company and the Administrator, monies, Enrollment Forms, and other forms and communications will be considered to be received when delivered, either by postal service or electronic delivery, to the Administrator before 12:00 p.m. Eastern Standard Time on any business day.

**CERTIFICATE**

I, NANCY C. LOFTIN, Senior Vice President, General Counsel and Secretary of Pinnacle West Capital Corporation, an Arizona corporation, do HEREBY CERTIFY that the foregoing is a true, correct and complete copy of the Third Amended and Restated Pinnacle West Capital Corporation Investors Advantage Plan and that it is in full force and effect as of the date hereof.

IN WITNESS WHEREOF, I have signed this Certificate as of the 25<sup>th</sup> day of November, 2008.

/s/ Nancy C. Loftin

NANCY C. LOFTIN

Senior Vice President, General Counsel and Secretary

November 25, 2008

Pinnacle West Capital Corporation  
400 North Fifth Street  
Phoenix, Arizona 85004

Ladies and Gentlemen:

We have acted as counsel to Pinnacle West Capital Corporation, an Arizona corporation (the "Company"), in connection with the Company's preparation and filing with the Securities and Exchange Commission (the "Commission") of a registration statement on Form S-3 (the "Registration Statement") under the Securities Act of 1933, as amended (the "Securities Act"), relating to the Third Amended and Restated Pinnacle West Capital Corporation Investors Advantage Plan (the "Plan"). The Registration Statement relates to the issuance and sale from time to time, pursuant to Rule 415 of the General Rules and Regulations promulgated under the Securities Act, of up to one million shares of common stock, no par value, of the Company (the "Offered Shares") and associated preferred share purchase rights (the "Rights"). The Rights are to be issued pursuant to the Amended and Restated Rights Agreement, dated March 26, 1999, as amended by the Amendment to Rights Agreement effective as of January 1, 2002 (the "Rights Agreement"), between the Company and EquiServe Trust Company, N.A., as Rights Agent (the "Rights Agent").

This opinion is delivered in accordance with the requirements of Item 601(b)(5) of Regulation S-K under the Securities Act. In rendering the opinions set forth herein, we have examined (i) the Registration Statement and exhibits thereto, including the prospectus comprising a part thereof (the "Prospectus"); (ii) the Restated Articles of Incorporation of the Company as currently in effect; (iii) the Bylaws of the Company as currently in effect; (iv) the resolutions adopted by the Board of Directors of the Company relating to the filing of the Registration Statement and the offering and sale of the Offered Shares, and (v) the form of the Shares as incorporated into the Registration Statement. We have also examined such other documents and records and have made such other investigation as we have deemed necessary or appropriate to render the opinions set forth below. As to any facts material to the opinions expressed herein that were not independently established or verified by us, we have relied upon oral or written statements and representations of officers and other representatives of the Company and others.

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We have assumed the legal competency and capacity of all natural persons, the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as electronic, certified, conformed, photostatic or facsimile copies and the authenticity of the originals of such latter documents.

Based upon the foregoing and in reliance thereon, and subject to the qualifications and limitations set forth herein, we are of the opinion that when the Registration Statement shall have become effective, and the Offered Shares shall have been issued and delivered in accordance with the Plan and the Prospectus, including receipt of the purchase price therefor as contemplated in the Plan and the Prospectus, and further assuming that the Offered Shares have been duly authenticated, executed, countersigned, registered and delivered upon payment therefor, the Offered Shares and their associated Rights will be validly issued, fully paid and non-assessable.

We do not express any opinion as to the laws of any jurisdiction other than the laws of the State of Arizona and the laws of the United States of America. The opinions herein are based upon the facts in existence and laws in effect on the date hereof and we expressly disclaim any obligation to update, revise, or supplement our opinions herein, regardless of whether changes in such facts or laws come to our attention after the delivery hereof.

We hereby consent to the filing of this opinion with the Commission as an exhibit to the Registration Statement and the reference to our firm under the heading "Legal Opinions" in the Prospectus. In giving such consent, we do not thereby concede that we are included in the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations of the Commission promulgated thereunder.

Very truly yours,

/s/ Snell & Wilmer L.L.P.

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in this Registration Statement on Form S-3 of our report dated February 27, 2008 (November 25, 2008 as to the effects of (a) the adoption of FASB Staff Position No. 39-1 and (b) discontinued operations of SunCor) relating to the consolidated financial statements and the consolidated financial statement schedules of Pinnacle West Capital Corporation and the effectiveness of Pinnacle West Capital Corporation's internal control over financial reporting (which report expresses an unqualified opinion and includes explanatory paragraphs relating to Pinnacle West Capital Corporation's adoption of Statement of Financial Accounting Standards No. 158 and to the matters described in (a) and (b) above) appearing in the Current Report on Form 8-K of Pinnacle West Capital Corporation dated November 25, 2008 and to the reference to us under the heading "Experts" in the Prospectus, which is part of this Registration Statement.

Phoenix, AZ  
November 25, 2008

/s/ Deloitte & Touche LLP  
Deloitte & Touche LLP

CERTIFICATE

I, Shirley A. Baum, Associate Secretary of Pinnacle West Capital Corporation, an Arizona corporation (the "Company"), hereby certify that the following is a true and correct copy of an excerpt from the minutes of a meeting of the Board of Directors of the Company duly called and held on October 22, 2008, at which meeting a quorum was present and acting throughout, and such resolutions have not been amended or rescinded, but remain in full force and effect on the date hereof:

RESOLVED, that the Company, acting through its proper officers, is hereby authorized and empowered to prepare, execute and file with the Securities and Exchange Commission (the "SEC") a registration statement under the Securities Act of 1933, as amended (the "Securities Act"), with respect to up to 1,000,000 shares of common stock of the Company (the "Shares") to be offered and sold pursuant to the Plan, as well as the preferred share purchase rights that are attached to the Shares and an indeterminate amount of participation or other interests in the Plan to the extent required by securities laws, and such amendments, supplements, exhibits and other documents relating to said registration statement (including post-effective amendments to the registration statement) as any of such officers may consider appropriate or advisable from time to time; and further

RESOLVED, that the name of each of the proper officers of the Company may be signed to any such registration statement, amendment, supplement, exhibit, or other document pursuant to a power of attorney or other similar delegation of authority.

IN WITNESS WHEREOF, I have executed this Certificate as of the 25<sup>th</sup> day of November, 2008.

/s/ Shirley A. Baum

Shirley A. Baum  
Associate Secretary