

PINNACLE WEST CAPITAL CORP

FORM 8-K (Current report filing)

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Address	400 NORTH FIFTH STREET MS8695 PHOENIX, AZ 85004
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 8-K

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

Date of Report (Date of earliest event reported): September 30, 2010

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

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

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

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

Item 2.02. Results of Operations and Financial Condition.

Item 7.01. Regulation FD Disclosure.

The following information is furnished pursuant to both Item 2.02 and 7.01.

On October 28, 2010, Pinnacle West Capital Corporation (the “Company” or “Pinnacle West”) issued a press release regarding its financial results for the fiscal quarter ended September 30, 2010 and its earnings outlook for 2010 and 2011. A copy of the press release is attached hereto as Exhibit 99.1.

The Company is providing a quarterly consolidated statistical summary and a copy of the slide presentation made in connection with the quarterly earnings conference call on October 28, 2010. This information contains Company operating results for the fiscal quarter ended September 30, 2010 and is attached hereto as Exhibits 99.2 and 99.3. The summary and slide presentation are concurrently being posted to the Company’s website at www.pinnaclewest.com, which also contains a glossary of relevant terms.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Registrant(s)	Description
99.1	Pinnacle West APS	Earnings News Release issued on October 28, 2010.
99.2	Pinnacle West APS	Pinnacle West Capital Corporation quarterly consolidated statistical summary for the three-month and nine-month periods ended September 30, 2010 and 2009.
99.3	Pinnacle West APS	Pinnacle West Capital Corporation Third Quarter 2010 slide presentation accompanying October 28, 2010 conference call.

SIGNATURES

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

PINNACLE WEST CAPITAL CORPORATION
(Registrant)

Dated: October 28, 2010

By: /s/ James R. Hatfield
James R. Hatfield
Senior Vice President and Chief Financial Officer

ARIZONA PUBLIC SERVICE COMPANY
(Registrant)

Dated: October 28, 2010

By: /s/ James R. Hatfield
James R. Hatfield
Senior Vice President and Chief Financial Officer

Exhibit Index

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**FOR IMMEDIATE RELEASE**

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Analyst Contact: Rebecca Hickman, (602) 250-5668
Website: pinnaclewest.com

October 28, 2010

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PINNACLE WEST REPORTS STRONGER THIRD-QUARTER RESULTS

- *On-going earnings improve on higher retail revenue*
- *Company affirms earnings guidance*
- *Renewable energy expansion and continuing cost management remain company priorities*

PHOENIX — Pinnacle West Capital Corp. (NYSE: PNW) today reported consolidated on-going earnings of \$226.7 million, or \$2.08 per diluted share of common stock, for the quarter ended September 30, 2010, compared to on-going earnings of \$198.4 million, or \$1.96 per share, for the same quarter in 2009. The quarterly comparison excludes results of discontinued operations, primarily related to the Company's real estate segment. A reconciliation of on-going earnings to net income attributable to common shareholders is provided at the end of this release.

"Our financial and operating performance in the third quarter was solid, even with slow economic recovery," said Pinnacle West Chairman, President and Chief Executive Officer Don Brandt. "Focusing on our core utility business, our top priorities remain operational excellence, disciplined cost management and sound capital investment to provide a reliable, sustainable energy future for Arizona."

Pinnacle West's consolidated net income attributable to common shareholders in the 2010 third quarter was \$233.9 million, or \$2.14 per diluted share of common stock, compared with net income attributable to common shareholders of \$186.7 million, or \$1.84 per diluted share, in the same period a year ago.

The third-quarter on-going results comparison was positively impacted by the following factors:

- *Higher revenues resulting from retail electricity rate increases* improved earnings by \$0.33 per share. Of this amount, \$0.30 per share was related to base rates and the remainder was related to line extension revenues, both implemented in January 2010 as a result of Arizona Public Service's 2009 regulatory settlement.
- *Increased capitalized financing costs* related to projects under construction improved earnings by \$0.06 per share.
- *Weather patterns* improved the Company's earnings by \$0.02 per share. While the average daily temperature in the 2010 third quarter of 94.1 degrees was not as hot as the 2009 quarterly average of 94.6 degrees, weather effects also were impacted by humidity. The mean daily humidity was almost 5 percent higher than the year-ago quarter.
- *The net effect of other miscellaneous items*, including the favorable resolution of tax matters and fuel market prices, increased earnings \$0.02 per share.

These positive factors were partially offset by the following items:

- *An increase in operations and maintenance expenses* of \$0.09 per share due largely to employee benefit costs and acceleration of a fossil plant overhaul. The variance excludes costs associated with renewable energy and demand-side management programs, which are offset by comparable amounts of operating revenues.
- *Lower retail electricity sales, excluding the effects of weather*, reduced earnings by \$0.05 per share. Weather-normalized retail sales decreased 1.7 percent in the current-year third quarter compared with the corresponding 2009 period. The sales decrease was related largely to the impact of APS's energy efficiency programs for customers.
- *Higher infrastructure-related costs* decreased earnings by \$0.03 per share as property taxes and depreciation and amortization increased.
- *The common share issuance* in April 2010 diluted earnings \$0.14 per share.

Consolidated on-going earnings exclude results from discontinued operations, principally the Company's real estate operations. Income from discontinued operations was \$7.2 million, or \$0.06 per share, for the 2010 third-quarter, which compared favorably with a loss from discontinued operations of \$11.7 million, or \$0.12 per share, for the same quarter a year earlier.

APS, the Company's principal subsidiary, reported 2010 third-quarter net income attributable to common shareholder of \$226.6 million versus earnings of \$197.1 million for the comparable 2009 quarter.

During the quarter, APS announced 33 megawatts of new solar power plants to be built in Arizona. The facilities, which are expected to begin operating in mid- to late-2011, will produce enough power at peak production to serve 8,250 homes.

2010 and 2011 Earnings Outlook

The Company continues to expect its 2010 consolidated on-going earnings to be in the range of \$2.95 to \$3.10 per diluted share. Key factors and assumptions underlying the outlook remain unchanged, except for the following:

- Actual weather for first nine months of year and normal weather patterns for remainder of year;
- Weather-normalized retail electricity sales volumes to be slightly below the prior year, in part due to the Company's energy efficiency initiatives and reflecting weak first-quarter and third-quarter results;
- Total electricity gross margin (operating revenues, net of fuel and purchased power expenses, excluding Renewable Energy Surcharge and similar rate adjustors) of about \$2.00 billion to \$2.02 billion, which was previously expected to be \$2.00 billion to \$2.05 billion;
- Operating expenses (operations and maintenance, excluding costs for Renewable Energy Standard and similar regulatory programs; depreciation and amortization; and taxes other than income taxes) of about \$1.29 billion to \$1.31 billion, which was previously expected to be \$1.26 billion to \$1.29 billion; and
- Interest expense, net of allowances for borrowed and equity funds used for construction, of about \$200 million to \$210 million, which was previously expected to be \$210 million to \$220 million.

The Company also continues to estimate its 2011 consolidated on-going earnings will be within the 2010 guidance range with some opportunity for modestly exceeding that range.

Conference Call and Web Cast

Pinnacle West invites interested parties to listen to the live web cast of management's conference call to discuss the Company's 2010 third-quarter results, as well as recent developments, at 12:00 noon (ET) today, October 28. The web cast can be accessed at www.pinnaclewest.com/presentations and will be available for replay on the web site for 30 days. To access the live conference call by telephone, dial (877) 407-8035 or (201) 689-8035 for international callers. A replay of the call also will be available until 11:55 p.m. (ET), Wednesday, November 3, 2010, by calling (877) 660-6853 in the U.S. and Canada or (201) 612-7415 internationally and entering Account number 286, followed by Conference ID number 358822.

General Information

Pinnacle West is a Phoenix-based company with consolidated assets of about \$12.4 billion. Through its subsidiaries, the Company generates, sells and delivers electricity and sells energy-related products and services to retail and wholesale customers in the western United States.

Dollar amounts in this news release are after income taxes. Earnings per share amounts are based on average diluted common shares outstanding. For more information on Pinnacle West's operating statistics and earnings, please visit www.pinnaclewest.com/investors.

**PINNACLE WEST CAPITAL CORPORATION
NON-GAAP FINANCIAL MEASURE RECONCILIATION**

**NET INCOME ATTRIBUTABLE TO COMMON SHAREHOLDERS
(GAAP MEASURE) TO ON-GOING EARNINGS (NON-GAAP FINANCIAL MEASURE)**

	Three Months Ended Sept. 30, 2010		Three Months Ended Sept. 30, 2009	
	Dollars in Millions	Diluted EPS	Dollars in Millions	Diluted EPS
Net Income Attributable to Common Shareholders	\$ 233.9	\$ 2.14	\$ 186.7	\$ 1.84
Adjustments:				
Discontinued Operations, primarily real estate segment	(7.2)	(0.06)	11.7	0.12
On-going Earnings	<u>\$ 226.7</u>	<u>\$ 2.08</u>	<u>\$ 198.4</u>	<u>\$ 1.96</u>

NON-GAAP FINANCIAL INFORMATION

In this press release, we refer to “on-going earnings.” On-going earnings is a “non-GAAP financial measure,” as defined in accordance with SEC rules. We believe on-going earnings provide investors with a useful indicator of our results that is comparable among periods because it excludes the effects of unusual items that may occur on an irregular basis. Investors should note that these non-GAAP financial measures involve judgments by management, including whether an item is classified as an unusual item. We use on-going earnings, or similar concepts, to measure our performance internally in reports for management.

FORWARD-LOOKING STATEMENTS

This press release contains forward-looking statements regarding our 2010 and 2011 earnings outlook, and neither Pinnacle West nor APS assumes any obligation to update these statements, even if our internal estimates change, except as required by applicable law. These forward-looking statements are often identified by words such as “estimate,” “predict,” “may,” “believe,” “plan,” “expect,” “require,” “intend,” “assume” and similar words. Because actual results may differ materially from expectations, we caution you not to place undue reliance on these statements. A number of factors could cause future results to differ materially from historical results, or from outcomes currently expected or sought by Pinnacle West or APS. These factors include, but are not limited to:

- regulatory and judicial decisions, developments and proceedings;
- our ability to achieve timely and adequate rate recovery of our costs;
- our ability to reduce capital expenditures and other costs while maintaining reliability and customer service levels;
- variations in demand for electricity, including those due to weather, the general economy, customer and sales growth (or decline), and the effects of energy conservation measures;
- power plant performance and outages;
- volatile fuel and purchased power costs;
- fuel and water supply availability;
- new legislation or regulation including those relating to greenhouse gas emissions, renewable energy mandates and energy efficiency standards;
- our ability to meet renewable energy requirements and recover related costs, including returns on debt and equity capital;
- risks inherent in the operation of nuclear facilities, including spent fuel disposal uncertainty;
- competition in retail and wholesale power markets;
- the duration and severity of the economic decline in Arizona and current credit, financial and real estate market conditions;



- the cost of debt and equity capital and the ability to access capital markets when required;
- restrictions on dividends or other burdensome provisions in our credit agreements and Arizona Corporation Commission orders;
- our ability, or the ability of our subsidiaries, to meet debt service obligations;
- changes to our credit ratings;
- the investment performance of the assets of our nuclear decommissioning trust, pension, and other postretirement benefit plans and the resulting impact on future funding requirements;
- the liquidity of wholesale power markets and the use of derivative contracts in our business;
- potential shortfalls in insurance coverage;
- new accounting requirements or new interpretations of existing requirements;
- generation, transmission and distribution facility and system conditions and operating costs;
- the ability to meet the anticipated future need for additional baseload generation and associated transmission facilities in our region;
- the willingness or ability of our counterparties and power plant participants to meet contractual or other obligations;
- technological developments affecting the electric industry; and
- economic and other conditions affecting SunCor Development Company's ability to dispose of its remaining assets and satisfy its debt obligations.

These and other factors are discussed in Risk Factors described in Item 1A of the Pinnacle West/APS Annual Report on Form 10-K for the fiscal year ended December 31, 2009, which readers should review carefully before placing any reliance on our financial statements, disclosures or our earnings outlook.

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PINNACLE WEST CAPITAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(unaudited)

(dollars and shares in thousands, except per share amounts)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2010	2009	2010	2009
Operating Revenues				
Regulated electricity segment	\$ 1,116,211	\$ 1,083,750	\$ 2,527,052	\$ 2,498,838
Other revenues	22,874	5,286	52,982	16,164
Total	<u>1,139,085</u>	<u>1,089,036</u>	<u>2,580,034</u>	<u>2,515,002</u>
Operating Expenses				
Regulated electricity segment fuel and purchased power	353,904	381,543	821,244	920,630
Operations and maintenance	221,469	198,030	644,415	610,401
Depreciation and amortization	104,194	103,008	307,864	304,066
Taxes other than income taxes	37,528	34,015	100,936	100,788
Other expenses	18,365	5,033	41,009	15,862
Total	<u>735,460</u>	<u>721,629</u>	<u>1,915,468</u>	<u>1,951,747</u>
Operating Income	<u>403,625</u>	<u>367,407</u>	<u>664,566</u>	<u>563,255</u>
Other				
Allowance for equity funds used during construction	5,524	2,197	16,417	11,919
Other income	4,348	4,386	3,828	4,102
Other expense	(3,855)	(1,934)	(8,650)	(8,887)
Total	<u>6,017</u>	<u>4,649</u>	<u>11,595</u>	<u>7,134</u>
Interest Expense				
Interest charges	60,491	60,299	181,937	177,447
Allowance for borrowed funds used during construction	(6,163)	(1,349)	(12,314)	(8,318)
Total	<u>54,328</u>	<u>58,950</u>	<u>169,623</u>	<u>169,129</u>
Income From Continuing Operations Before Income Taxes	355,314	313,106	506,538	401,260
Income Taxes	<u>123,486</u>	<u>109,778</u>	<u>168,143</u>	<u>137,594</u>
Income From Continuing Operations	231,828	203,328	338,395	263,666
Income (Loss) From Discontinued Operations				
Net of Income Taxes	<u>7,211</u>	<u>(12,305)</u>	<u>19,313</u>	<u>(165,867)</u>
Net Income	239,039	191,023	357,708	97,799
Less: Net income (loss) attributable to noncontrolling interests	<u>5,119</u>	<u>4,371</u>	<u>15,005</u>	<u>(690)</u>
Net Income Attributable To Common Shareholders	<u>\$ 233,920</u>	<u>\$ 186,652</u>	<u>\$ 342,703</u>	<u>\$ 98,489</u>
Weighted-Average Common Shares Outstanding — Basic	108,632	101,223	105,846	101,107
Weighted-Average Common Shares Outstanding — Diluted	109,094	101,385	106,318	101,184
Earnings Per Weighted-Average Common Share Outstanding				
Income from continuing operations attributable to common shareholders — basic	\$ 2.09	\$ 1.96	\$ 3.06	\$ 2.47
Net income attributable to common shareholders — basic	\$ 2.15	\$ 1.84	\$ 3.24	\$ 0.97
Income from continuing operations attributable to common shareholders — diluted	\$ 2.08	\$ 1.96	\$ 3.04	\$ 2.46
Net income attributable to common shareholders — diluted	\$ 2.14	\$ 1.84	\$ 3.22	\$ 0.97

Amounts Attributable To Common Shareholders

Income from continuing operations, net of tax	\$ 226,700	\$ 198,375	\$ 323,361	\$ 249,412
Discontinued operations, net of tax	7,220	(11,723)	19,342	(150,923)
Net income attributable to common shareholders	<u>\$ 233,920</u>	<u>\$ 186,652</u>	<u>\$ 342,703</u>	<u>\$ 98,489</u>

Last Updated 10/28/2010

Pinnacle West Capital Corporation

Quarterly Consolidated Statistical Summary
Periods Ended September 30, 2010 and 2009

Line		3 Months Ended September			9 Months Ended September		
		2010	2009	Incr (Decr)	2010	2009	Incr (Decr)
EARNINGS CONTRIBUTION BY SUBSIDIARY (\$ Millions)							
1	Arizona Public Service	\$ 232	\$ 202	\$ 30	\$ 343	\$ 274	\$ 69
2	APS Energy Services	2	(1)	3	3	(4)	7
3	SunCor	—	—	—	—	—	—
4	El Dorado	1	—	1	1	(6)	7
5	Parent Company	(3)	2	(5)	(9)	(1)	(8)
6	Income From Continuing Operations	232	203	29	338	263	75
	Income (Loss) From Discontinued Operations — Net of Tax						
7	SunCor	13	(21)	34	(9)	(268)	259
8	Other	(6)	9	(15)	29	102	(73)
9	Total	7	(12)	19	20	(166)	186
10	Net Income	239	191	48	358	97	261
11	Less: Net Income (Loss) Attributable to Noncontrolling Interests	5	4	1	15	(1)	16
12	Net Income Attributable to Common Shareholders	\$ 234	\$ 187	\$ 47	\$ 343	\$ 98	\$ 245
EARNINGS PER SHARE BY SUBSIDIARY — DILUTED							
13	Arizona Public Service	\$ 2.13	\$ 2.00	\$ 0.13	\$ 3.22	\$ 2.71	\$ 0.51
14	APS Energy Services	0.02	(0.01)	0.03	0.03	(0.03)	0.06
15	SunCor	—	—	—	—	—	—
16	El Dorado	0.01	—	0.01	0.01	(0.06)	0.07
17	Parent Company	(0.03)	0.02	(0.05)	(0.08)	(0.02)	(0.06)
18	Income From Continuing Operations	2.13	2.01	0.12	3.18	2.60	0.58
	Income (Loss) From Discontinued Operations — Net of Tax						
19	SunCor	0.12	(0.21)	0.33	(0.09)	(2.65)	2.56
20	Other	(0.06)	0.08	(0.14)	0.27	1.01	(0.74)
21	Total	0.06	(0.13)	0.19	0.18	(1.64)	1.82
22	Net Income	2.19	1.88	0.31	3.36	0.96	2.40
23	Less: Net Income (Loss) Attributable to Noncontrolling Interests	0.05	0.04	0.01	0.14	(0.01)	0.15
24	Net Income Attributable to Common Shareholders	\$ 2.14	\$ 1.84	\$ 0.30	\$ 3.22	\$ 0.97	\$ 2.25
25	BOOK VALUE PER SHARE	\$ 34.19	\$ 33.54	\$ 0.65	\$ 34.19	\$ 33.54	\$ 0.65
COMMON SHARES OUTSTANDING (Thousands)							
26	Average — Diluted	109,094	101,385	7,709	106,318	101,184	5,134
27	End of Period	108,710	101,275	7,435	108,710	101,275	7,435

See Glossary of Terms.

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Pinnacle West Capital Corporation
Quarterly Consolidated Statistical Summary
Periods Ended September 30, 2010 and 2009

Line	3 Months Ended September			9 Months Ended September			
	2010	2009	Incr (Decr)	2010	2009	Incr (Decr)	
ELECTRIC OPERATING REVENUES (Dollars in Millions)							
REGULATED ELECTRICITY SEGMENT							
Retail							
28	Residential	\$ 596	\$ 588	\$ 8	\$ 1,224	\$ 1,221	\$ 3
29	Business	445	446	(1)	1,116	1,133	(17)
30	Total retail	1,041	1,034	7	2,340	2,354	(14)
Wholesale revenue on delivered electricity							
31	Traditional contracts	20	21	(1)	54	49	5
32	Off-system sales	31	8	23	66	42	24
33	Transmission for others	10	10	—	27	25	2
34	Other miscellaneous services	15	11	4	41	29	12
35	Total regulated operating electricity revenues	1,117	1,084	33	2,528	2,499	29
MARKETING AND TRADING							
36	Electricity and other commodity sales	—	—	—	1	—	1
37	Total operating electric revenues	\$ 1,117	\$ 1,084	\$ 33	\$ 2,529	\$ 2,499	\$ 30
ELECTRIC SALES (GWH)							
REGULATED ELECTRICITY SEGMENT							
Retail sales							
38	Residential	4,890	4,948	(58)	10,422	10,627	(205)
39	Business	4,325	4,373	(48)	11,211	11,475	(264)
40	Total retail	9,215	9,321	(106)	21,633	22,102	(469)
Wholesale electricity delivered							
41	Traditional contracts	262	295	(33)	623	692	(69)
42	Off-system sales	785	374	411	2,068	1,791	277
43	Retail load hedge management	264	541	(277)	563	918	(355)
44	Total regulated electricity	10,526	10,531	(5)	24,887	25,503	(616)
MARKETING AND TRADING							
45	Wholesale sales of electricity	—	—	—	—	—	—
46	Total electric sales	10,526	10,531	(5)	24,887	25,503	(616)
POWER SUPPLY ADJUSTOR ("PSA") — REGULATED ELECTRICITY SEGMENT (Dollars in Millions)							
47	Deferred fuel and purchased power regulatory asset — beginning balance	\$ (97)	\$ (71)	\$ (26)	\$ (87)	\$ 8	\$ (95)
48	Deferred fuel and purchased power costs — current period	15	60	(45)	(49)	47	(96)
49	Interest on deferred fuel	—	—	—	—	—	—
50	Amounts recovered through revenues	41	(49)	90	96	(115)	211
51	Deferred fuel and purchased power regulatory asset — ending balance	\$ (41)	\$ (60)	\$ 19	\$ (41)	\$ (60)	\$ 19

See Glossary of Terms.

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Pinnacle West Capital Corporation
Quarterly Consolidated Statistical Summary
Periods Ended September 30, 2010 and 2009

Line	3 Months Ended September			9 Months Ended September			
	2010	2009	Incr (Decr)	2010	2009	Incr (Decr)	
AVERAGE ELECTRIC CUSTOMERS							
Retail customers							
52	Residential	985,460	978,657	6,803	989,879	983,027	6,852
53	Business	125,118	125,291	(173)	125,349	125,216	133
54	Total	1,110,578	1,103,948	6,630	1,115,228	1,108,243	6,985
55	Wholesale customers	49	46	3	50	47	3
56	Total customers	1,110,627	1,103,994	6,633	1,115,278	1,108,289	6,989
57	Customer growth (% over prior year)	0.6%	0.6%	0.0%	0.6%	0.7%	(0.1)%
RETAIL SALES (GWH) — WEATHER NORMALIZED							
58	Residential	4,766	4,866	(100)	10,517	10,602	(85)
59	Business	4,320	4,381	(61)	11,329	11,460	(131)
60	Total	9,086	9,247	(161)	21,846	22,062	(216)
RETAIL USAGE (KWh/Average Customer)							
61	Residential	4,963	5,056	(93)	10,529	10,810	(281)
62	Business	34,565	34,905	(340)	89,437	91,646	(2,209)
RETAIL USAGE — WEATHER NORMALIZED (KWh/Average Customer)							
63	Residential	4,836	4,972	(136)	10,624	10,785	(161)
64	Business	34,527	34,966	(439)	90,381	91,519	(1,138)
ELECTRICITY DEMAND (MW)							
65	Native load peak demand	6,936	7,218	(282)	6,936	7,218	(282)
WEATHER INDICATORS							
Actual							
66	Cooling degree-days	2,679	2,721	(42)	4,106	4,408	(302)
67	Heating degree-days	—	—	—	520	407	113
68	Average humidity	29%	24%	5%	31%	26%	5%
10-Year Averages							
69	Cooling degree-days	2,560	2,560	—	4,268	4,268	—
70	Heating degree-days	—	—	—	522	522	—
71	Average humidity	31%	31%	—	29%	29%	0%

See Glossary of Terms.

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Pinnacle West Capital Corporation
Quarterly Consolidated Statistical Summary
Periods Ended September 30, 2010 and 2009

Line	3 Months Ended September			9 Months Ended September			
	2010	2009	Incr (Decr)	2010	2009	Incr (Decr)	
ENERGY SOURCES (GWH)							
Generation production							
72	Nuclear	2,534	2,544	(10)	6,910	7,051	(141)
73	Coal	3,101	3,388	(287)	9,224	9,196	28
74	Gas, oil and other	2,040	2,284	(244)	4,052	4,592	(540)
75	Total generation production	7,674	8,216	(542)	20,185	20,839	(654)
Purchased power							
76	Firm load	2,984	2,230	754	4,812	4,628	184
77	Marketing and trading	481	753	(272)	1,325	1,739	(414)
78	Total purchased power	3,465	2,983	482	6,137	6,367	(230)
79	Total energy sources	11,139	11,199	(60)	26,322	27,206	(884)
POWER PLANT PERFORMANCE							
Capacity Factors							
80	Nuclear	100%	101%	(1)%	92%	94%	(2)%
81	Coal	80%	88%	(8)%	80%	81%	(1)%
82	Gas, oil and other	27%	31%	(4)%	18%	21%	(3)%
83	System average	55%	59%	(4)%	49%	51%	(2)%
ECONOMIC INDICATORS							
Building Permits — Metro Phoenix (a)(c)							
84	Single-family	910	1,412	(502)	4,296	4,226	70
85	Multi-family	110	27	83	572	930	(358)
86	Total	1,020	1,439	(419)	4,868	5,156	(288)
Arizona Job Growth (b)(c)							
87	Payroll job growth (% over prior year)	(0.1)%	(8.0)%	7.9%	(2.0)%	(7.4)%	5.4%
88	Unemployment rate (%, seasonally adjusted)	9.7%	9.5%	0.2%	9.5%	8.9%	0.6%

Sources:

- (a) Arizona Real Estate Center, Arizona State University W.P. Carey College of Business
(b) Arizona Department of Economic Security
(c) Latest available data through August

See Glossary of Terms.



PINNACLE WEST
CAPITAL CORPORATION

3rd Quarter 2010 Results

Forward-Looking Statements



This presentation contains forward-looking statements based on our current expectations, and neither Pinnacle West nor APS assumes any obligation to update these statements, even if our internal estimates change, except as required by applicable law. These forward-looking statements are often identified by words such as “estimate,” “predict,” “may,” “believe,” “plan,” “expect,” “require,” “intend,” “assume” and similar words. Because actual results may differ materially from expectations, we caution you not to place undue reliance on these statements. A number of factors could cause future results to differ materially from historical results, or from outcomes currently expected or sought by Pinnacle West or APS. In addition to the Risk Factors described in Item 1A of the Pinnacle West/APS Annual Report on Form 10-K for the fiscal year ended December 31, 2009, these factors include, but are not limited to: regulatory and judicial decisions, developments and proceedings; our ability to achieve timely and adequate rate recovery of our costs; our ability to reduce capital expenditures and other costs while maintaining reliability and customer service levels; variations in demand for electricity, including those due to weather, the general economy, customer and sales growth (or decline), and the effects of energy conservation measures; power plant performance and outages; volatile fuel and purchased power costs; fuel and water supply availability; new legislation or regulation including those relating to greenhouse gas emissions, renewable energy mandates and energy efficiency standards; our ability to meet renewable energy requirements and recover related costs, including returns on debt and equity capital; risks inherent in the operation of nuclear facilities, including spent fuel disposal uncertainty; competition in retail and wholesale power markets; the duration and severity of the economic decline in Arizona and current credit, financial and real estate market conditions; the cost of debt and equity capital and the ability to access capital markets when required; restrictions on dividends or other burdensome provisions in our credit agreements and Arizona Corporation Commission orders; our ability, or the ability of our subsidiaries, to meet debt service obligations; changes to our credit ratings; the investment performance of the assets of our nuclear decommissioning trust, pension, and other postretirement benefit plans and the resulting impact on future funding requirements; the liquidity of wholesale power markets and the use of derivative contracts in our business; potential shortfalls in insurance coverage; new accounting requirements or new interpretations of existing requirements; generation transmission and distribution facility and system conditions and operating costs; the ability to meet the anticipated future need for additional baseload generation and associated transmission facilities in our region; the willingness or ability of our counterparties and power plant participants to meet contractual or other obligations; technological developments affecting the electric industry; and economic and other conditions affecting SunCor Development Company’s ability to dispose of its remaining assets and satisfy its debt obligations.

Amounts Attributable to Common Shareholders and Non-GAAP Financial Measures



In this presentation, references to net income and earnings per share refer to amounts attributable to common shareholders.

We present “regulated electricity segment gross margin” per diluted share of common stock. Regulated electricity segment gross margin refers to regulated electricity segment revenues less regulated electricity segment fuel and purchased power expenses. Regulated electricity segment gross margin is a “non-GAAP financial measure,” as defined in accordance with SEC rules. The Appendix contains a reconciliation of this non-GAAP financial measure to the referenced revenue and expense line items on our Condensed Consolidated Statements of Income, which are the most directly comparable financial measures calculated and presented in accordance with GAAP. We view regulated electricity segment gross margin as an important performance measure of the core profitability of our operations.

We refer to “on-going earnings” in this presentation, which is also a non-GAAP financial measure. We believe on-going earnings provide investors with a useful indicator of our results that is comparable among periods because it excludes the effects of unusual items that may occur on an irregular basis. Slide 6 provides a reconciliation of on-going earnings to our reported earnings.

Investors should note that these non-GAAP financial measures may involve judgments by management, including whether an item is classified as an unusual item. These measures are key components of our internal financial reporting and are used by our management in analyzing the operations of our business. We believe that investors benefit from having access to the same financial measures that management uses.

CFO Agenda



-
- **3rd Quarter Results**
 - **Arizona Economic Outlook**
 - **Earnings Guidance**
 - **Financing and Liquidity Update**

Consolidated EPS Comparisons

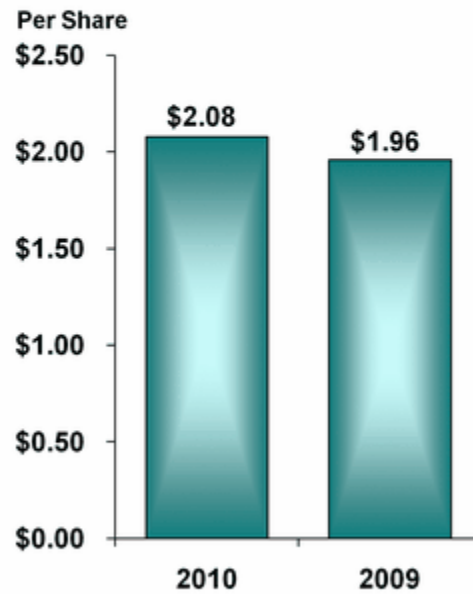
3rd Quarter 2010 vs. 3rd Quarter 2009



Net Income



On-Going Earnings



Non-GAAP EPS Reconciliation

3rd Quarter 2010 vs. 3rd Quarter 2009

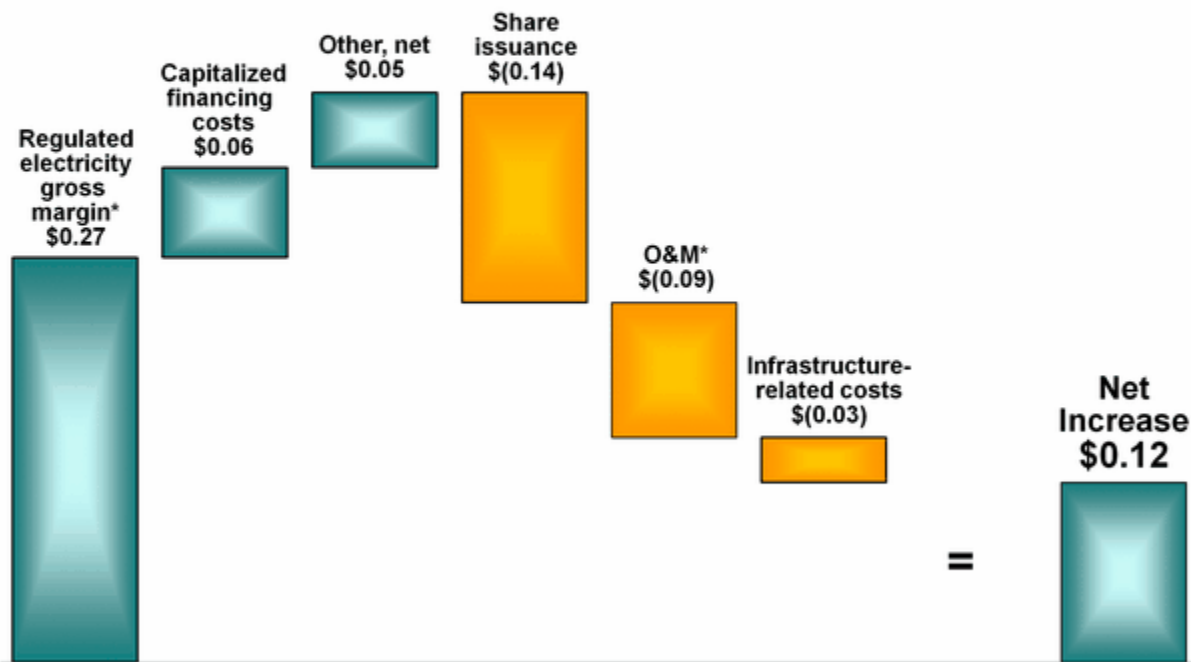


	<u>3rd Qtr 2010</u>	<u>3rd Qtr 2009</u>	<u>Change</u>
EPS as reported	\$ 2.14	\$ 1.84	\$ 0.30
Adjustments:			
Discontinued Operations*	<u>(0.06)</u>	<u>0.12</u>	<u>(0.18)</u>
On-Going EPS	<u>\$ 2.08</u>	<u>\$ 1.96</u>	<u>\$ 0.12</u>

*Primarily real estate segment

On-Going EPS Variances

3rd Quarter 2010 vs. 3rd Quarter 2009



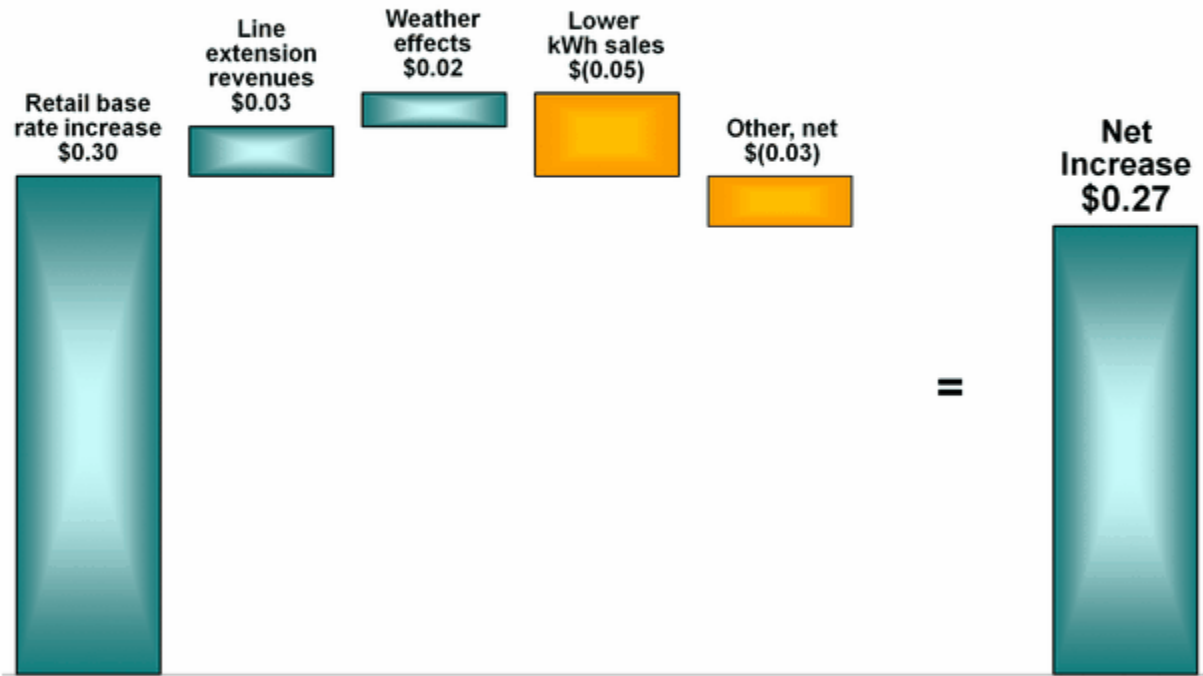
* Excluding renewable energy and demand-side management revenue increases and offsetting O&M increases, respectively. See non-GAAP reconciliation for regulated electricity gross margin in Appendix.

Regulated Electricity Gross Margin Drivers*

3rd Quarter 2010 vs. 3rd Quarter 2009



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* See non-GAAP reconciliation in Appendix.

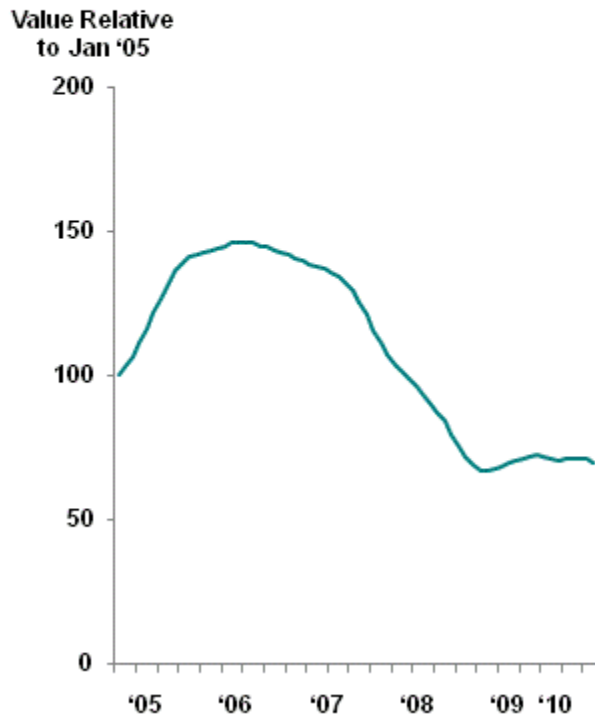
Third Quarter 2010

Arizona Economic Indicators

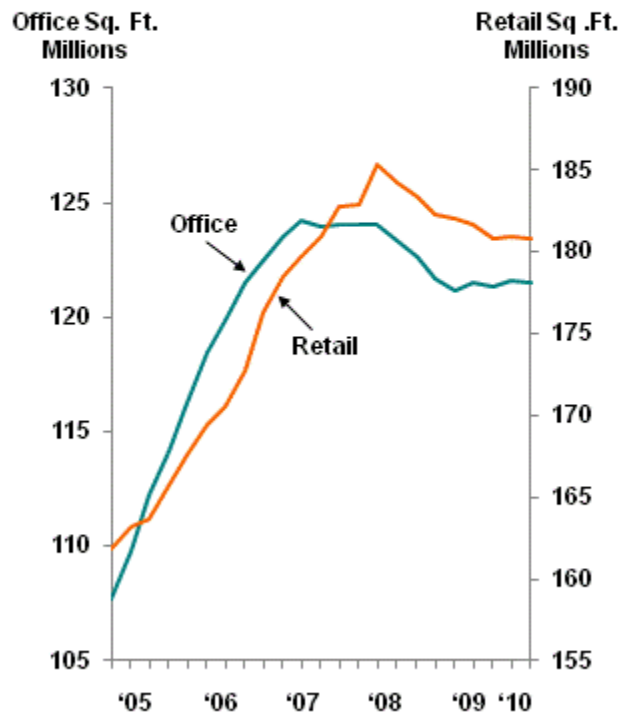
Metro Phoenix Housing & Commercial Real Estate



Home Prices

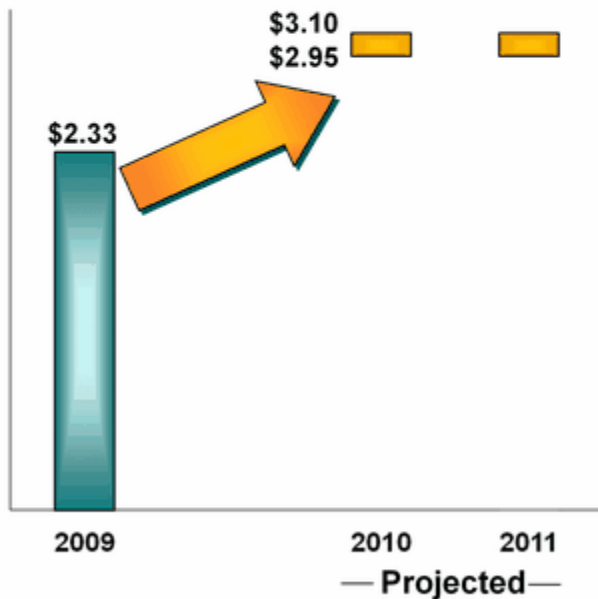


Commercial Building Occupancy



Third Quarter 2010

Consolidated On-Going EPS Outlook



2009 Actual: \$2.33 per share

Guidance as of October 28, 2010

- **2010** \$2.95 - \$3.10 per share
- **2011** Estimated to be within guidance range provided for 2010, with some opportunity for modestly exceeding the range

CEO Discussion



- **Arizona Regulatory Update**
- **Renewable Resources**
- **Operations Update**
- **Looking Ahead**

APS AZ Sun Program



-
- **100 MW photovoltaic solar plants owned by APS**
 - **Up to \$500 million capital investment**
 - **In service 2011 through 2014**
 - **Announced projects to date:**
 - **15 MW at Luke Air Force Base (mid-2011)**
 - **18 MW Gila Bend (late-2011)**
 - **\$150 million estimated total capital expenditures**
 - **Additional projects under evaluation**
 - **Constructive rate recovery**

CEO Discussion



- Arizona Regulatory Update
- Renewable Resources
- **Operations Update**
- **Looking Ahead**



Appendix

2010 On-Going EPS Guidance

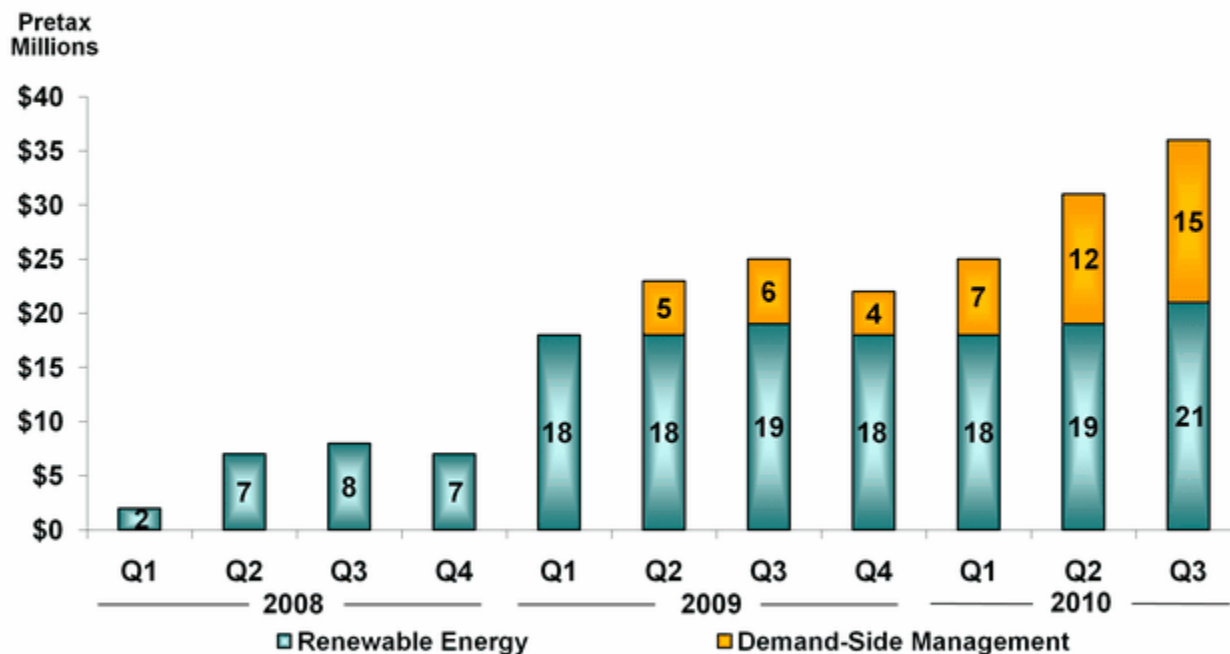
Key Factors and Assumptions



- **APS earnings to comprise nearly all of consolidated on-going earnings;**
- **Actual weather for first nine months of year and normal weather patterns for remainder of year;**
- **Retail customer growth of about 1%;**
- **Weather-normalized retail electricity sales volumes to be slightly below the prior year, in part due to the Company's energy efficiency initiatives and reflecting weak first-quarter and third-quarter results;**
- **Total electricity gross margin (operating revenues, net of fuel and purchased power expenses, excluding Renewable Energy Surcharge and similar rate adjustors*) about \$2.00 billion to \$2.02 billion;**
- **Operating expenses (operations and maintenance, excluding costs for Renewable Energy Standard and similar regulatory programs*; depreciation and amortization; and taxes other than income taxes) about \$1.29 billion to \$1.31 billion;**
- **Interest expense, net of allowances for borrowed and equity funds used for construction, about \$200 million to \$210 million; and**
- **Effective income tax rate related to consolidated on-going earnings to be about 35%.**

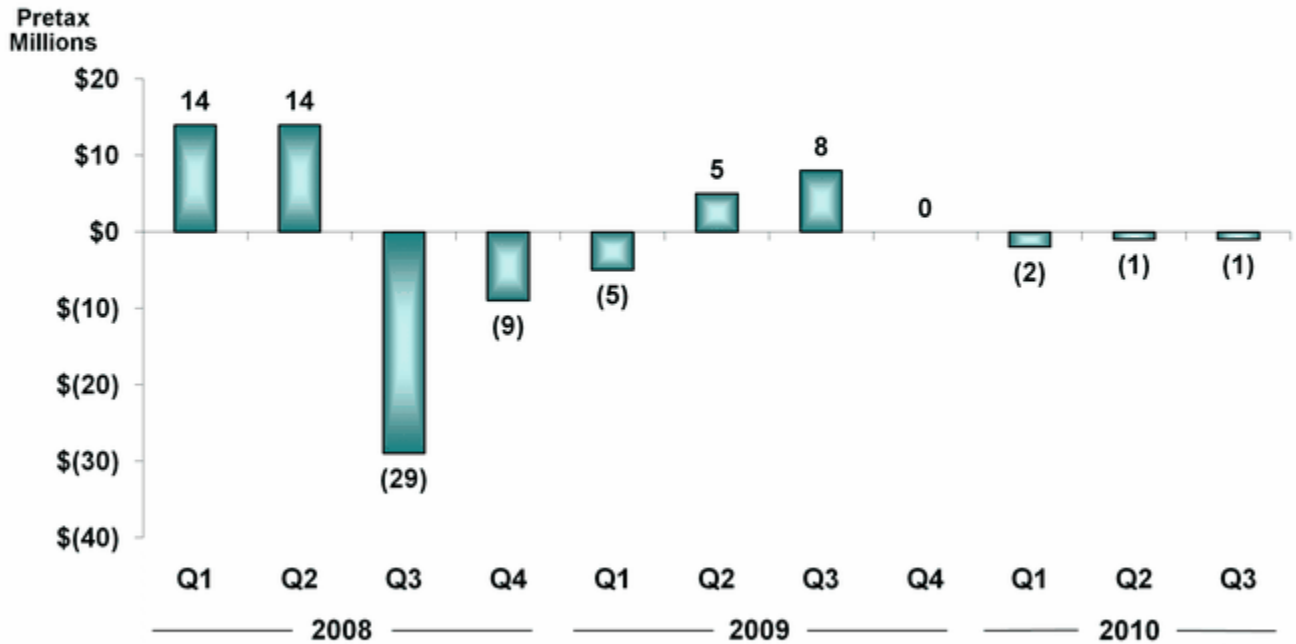
* Revenues and O&M expenses related to Renewable Energy Standard and similar regulatory programs estimated to be \$137 million.

Renewable Energy and Demand-Side Management Surcharges*



* Revenues associated with these surcharges were offset substantially by comparable amounts of O&M expense.

Quarterly Mark-to-Market on Hedge Contracts*



* Related to APS 10% share under Power Supply Adjustor (PSA), net of related deferrals.

Non-GAAP Measure Reconciliation

Regulated Electricity Segment Gross Margin



	Three Months Ended September 30,		EPS Change
	2010	2009	
\$ millions, except per share amounts			
Reconciliation of Regulated Electricity Segment Gross Margin			
Regulated electricity segment revenue*	\$ 1,116	\$ 1,084	
Regulated electricity segment fuel and purchased power expenses*	<u>(354)</u>	<u>(382)</u>	
Regulated electricity segment gross margin including RES and DSM revenue**	762	702	\$ 0.33
Less:			
RES and DSM revenues	<u>(36)</u>	<u>(25)</u>	<u>(0.06)</u>
Regulated electricity segment gross margin excluding RES and DSM revenues	<u>\$ 726</u>	<u>\$ 677</u>	<u>\$ 0.27</u>

*Line items from Consolidated Statements of Income

**RES, Renewable Energy Standard; DSM, Demand-Side management