

# PINNACLE WEST CAPITAL CORP

## FORM 8-K (Current report filing)

Filed 07/23/02 for the Period Ending 06/30/02

Address	400 NORTH FIFTH STREET MS8695 PHOENIX, AZ 85004
Telephone	602 250 1000
CIK	0000764622
Symbol	PNW
SIC Code	4911 - Electric Services
Industry	Electric Utilities
Sector	Utilities
Fiscal Year	12/31

# PINNACLE WEST CAPITAL CORP

## FORM 8-K (Unscheduled Material Events)

Filed 7/23/2002 For Period Ending 6/30/2002

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

# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): June 30, 2002

## PINNACLE WEST CAPITAL CORPORATION

(Exact name of registrant as specified in its charter)

Arizona  
(State or other jurisdiction  
of incorporation)

1-8962  
(Commission  
File Number)

86-0512431  
(IRS Employer  
Identification Number)

400 North Fifth Street, P.O. Box 53999, Phoenix, Arizona 85072-3999  
(Address of principal executive offices) (Zip Code)

(602) 250-1000  
(Registrant's telephone number, including area code)

NONE  
(Former name or former address, if changed since last report)

## ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS

(c) EXHIBITS.

### EXHIBIT

#### NO. DESCRIPTION

99.1 Pinnacle West Capital Corporation quarterly consolidated statistical summary for June 30, 2002 (cover page and list of contents).

99.2 Pinnacle West Capital Corporation quarterly consolidated statistical summary for the periods ended June 30, 2002 and 2001.

99.3 Pinnacle West Capital Corporation consolidated statistics by quarter for 2002 (year-to-date).

99.4 Pinnacle West Capital Corporation consolidated statistics by quarter for 2001.

99.5 Pinnacle West Capital Corporation consolidated statistics by quarter for 2000.

99.6 Pinnacle West Capital Corporation consolidated statistics by quarter for 1999.

99.7 Pinnacle West Capital Corporation earnings variance explanations for the periods ended June 30, 2002 and 2001 and condensed consolidated statements of income for the three months, six months and twelve months ended June 30, 2002 and 2001.

99.8 Glossary of Terms.

## ITEM 9. REGULATION FD DISCLOSURE

The Company is providing quarterly consolidated statistical summaries, earnings variance explanations, and a glossary of relevant terms (collectively, "Information") to help interested parties better understand its business. This Information is concurrently being posted to the Company's website at [www.pinnaclewest.com](http://www.pinnaclewest.com). The Information may not represent all of the factors that could affect the Company's operating or financial results for various periods. Some of the Information is preliminary in nature and could be subject to significant adjustment. Some of the Information is based on information received from third parties and may contain inaccuracies. The Company is not responsible for any such inaccuracies. Although the Company may update or correct the Information if it is aware that such Information has been revised or is inaccurate, the Company assumes no obligation to update or correct the Information and reserves the right to discontinue the provision of all or any portion of the Information at any time or to change the type of Information provided.

## **SIGNATURES**

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

**PINNACLE WEST CAPITAL CORPORATION**  
(Registrant)

Dated: July 22, 2002 By: Barbara M. Gomez Barbara M. Gomez Treasurer

**Last Updated 7/23/2002**

**PINNACLE WEST CAPITAL CORPORATION**

**QUARTERLY CONSOLIDATED STATISTICAL SUMMARY  
PERIODS ENDED JUNE 30, 2002 AND 2001**

**LIST OF CONTENTS**

**2002 SECOND-QUARTER SUMMARY**

**2002 YEAR-TO-DATE**

**2001 BY QUARTER**

**2000 BY QUARTER**

**1999 BY QUARTER**

See the Glossary of Terms on this website for definitions of terms used in this summary. Quarters may not sum to totals due to rounding.

Last Updated 7/23/2002

## PINNACLE WEST CAPITAL CORPORATION

QUARTERLY CONSOLIDATED STATISTICAL SUMMARY  
PERIODS ENDED JUNE 30, 2002 AND 2001

Line	3 MO. ENDED JUNE 30			6 MO. ENDED JUNE 30			
	2002	2001	INCR (DECR)	2002	2001	INCR (DECR)	
EARNINGS CONTRIBUTION BY SUBSIDIARY (\$ MILLIONS)							
1	Arizona Public Service	\$ 64	\$ 70	\$ (6)	\$ 96	\$ 134	\$ (38)
2	Pinnacle West Energy	1	1	--	2	1	1
3	APS Energy Services	11	--	11	13	(7)	20
4	SunCor	8	--	8	10	--	10
5	El Dorado	(3)	--	(3)	(3)	--	(3)
6	Parent Company	(6)	(4)	(2)	11	1	10
7	Income Before Accounting Change	75	67	8	129	129	--
8	Cumulative Effect of Change in Accounting - Net of Tax	--	--	--	--	(3)	3
9	Net Income	\$ 75	\$ 67	\$ 8	\$ 129	\$ 126	\$ 3
EARNINGS PER SHARE BY SUBSIDIARY - DILUTED							
10	Arizona Public Service	\$ 0.76	\$ 0.82	\$ (0.06)	\$ 1.13	\$ 1.58	\$ (0.45)
11	Pinnacle West Energy	0.01	0.02	(0.01)	0.02	0.01	0.01
12	APS Energy Services	0.13	--	0.13	0.16	(0.09)	0.25
13	SunCor	0.10	--	0.10	0.12	0.01	0.11
14	El Dorado	(0.04)	--	(0.04)	(0.04)	--	(0.04)
15	Parent Company	(0.07)	(0.05)	(0.02)	0.13	0.01	0.12
16	Income Before Accounting Change	0.89	0.79	0.10	1.52	1.52	--
17	Cumulative Effect of Change in Accounting - Net of Tax	--	--	--	--	(0.03)	0.03
18	Net Income	\$ 0.89	\$ 0.79	\$ 0.10	\$ 1.52	\$ 1.49	\$ 0.03
19	BOOK VALUE PER SHARE	\$ 30.54	\$ 28.17	\$ 2.37	\$ 30.54	\$ 28.17	\$ 2.37
COMMON SHARES OUTSTANDING - DILUTED (THOUSANDS)							
20	Average	84,926	85,042	(116)	84,910	85,005	(95)
21	End of Period	84,768	84,713	55	84,768	84,713	55
12 MO. ENDED JUNE 30							
Line		2002	2001	INCR (DECR)			
EARNINGS CONTRIBUTION BY SUBSIDIARY (\$ MILLIONS)							
1	Arizona Public Service	\$ 243	\$ 312	\$ (69)			
2	Pinnacle West Energy	19	--	19			
3	APS Energy Services	11	(17)	28			
4	SunCor	13	6	7			
5	El Dorado	(3)	(14)	11			
6	Parent Company	44	1	43			
7	Income Before Accounting Change	327	288	39			
8	Cumulative Effect of Change in Accounting - Net of Tax	(12)	(3)	(9)			
9	Net Income	\$ 315	\$ 285	\$ 30			
EARNINGS PER SHARE BY SUBSIDIARY - DILUTED							
10	Arizona Public Service	\$ 2.86	\$ 3.67	\$ (0.81)			

11	Pinnacle West Energy	0.22	(0.01)	0.23
12	APS Energy Services	0.13	(0.20)	0.33
13	SunCor	0.15	0.07	0.08
14	El Dorado	(0.04)	(0.16)	0.12
15	Parent Company	0.54	0.01	0.53
		-----	-----	-----
16	Income Before Accounting Change	3.86	3.38	0.48
17	Cumulative Effect of Change in Accounting - Net of Tax	(0.15)	(0.03)	(0.12)
		-----	-----	-----
18	Net Income	\$ 3.71	\$ 3.35	\$ 0.36
		-----	-----	-----
19	BOOK VALUE PER SHARE	\$ 30.54	\$ 28.17	\$ 2.37
	COMMON SHARES OUTSTANDING - DILUTED (THOUSANDS)			
20	Average	84,888	85,007	(119)
21	End of Period	84,768	84,713	55

**See Glossary of Terms.**



## PINNACLE WEST CAPITAL CORPORATION

QUARTERLY CONSOLIDATED STATISTICAL SUMMARY  
PERIODS ENDED JUNE 30, 2002 AND 2001

Line	3 MO. ENDED JUNE 30			6 MO. ENDED JUNE 30			
	2002	2001	INCR (DECR)	2002	2001	INCR (DECR)	
ELECTRIC OPERATING REVENUES (DOLLARS IN MILLIONS)							
Retail							
22	Residential	\$ 226	\$ 234	\$ (8)	\$ 397	\$ 407	\$ (10)
23	Business	251	258	(7)	446	457	(11)
24	Total retail	477	492	(15)	843	864	(21)
Wholesale revenue on delivered electricity							
25	Traditional contracts	1	55	(54)	2	81	(79)
26	Retail load hedge management	11	182	(171)	13	187	(174)
Marketing and trading -- delivered							
27	Generation sales other than native load	2	51	(49)	10	138	(128)
28	Other delivered electricity (a)	153	443	(290)	339	802	(463)
29	Total delivered marketing and trading	155	494	(339)	349	940	(591)
30	Total delivered wholesale electricity	167	731	(564)	364	1,208	(844)
Other marketing and trading							
31	Realized margins on delivered commodities other than electricity (a)	1	(12)	13	5	\$ (17)	22
32	Prior period mark-to-market (gains) losses on contracts delivered during current period (a)	(8)	5	(13)	(22)	15	(37)
33	Change in mark-to-market for future-period deliveries	1	35	(34)	17	78	(61)
34	Total other marketing and trading	(6)	28	(34)	--	76	(76)
35	Transmission for others	6	5	1	12	9	3
36	Other miscellaneous services	2	5	(3)	7	11	(4)
37	Total electric operating revenues	\$ 646	\$ 1,261	\$ (615)	\$ 1,226	\$ 2,168	\$ (942)
ELECTRIC SALES (GWH)							
Retail sales							
38	Residential	2,441	2,467	(26)	4,582	4,589	(7)
39	Business	3,429	3,445	(16)	6,200	6,269	(69)
40	Total retail	5,870	5,912	(42)	10,782	10,858	(76)
Wholesale electricity delivered							
41	Traditional contracts	121	598	(477)	192	1,167	(975)
42	Retail load hedge management	230	736	(506)	388	811	(423)
Marketing and trading -- delivered							
43	Generation sales other than native load	74	436	(362)	450	1,059	(609)
44	Other delivered electricity	4,369	3,169	1,200	8,205	6,219	1,986
45	Total delivered marketing and trading	4,443	3,605	838	8,655	7,278	1,377
46	Total delivered wholesale electricity	4,794	4,939	(145)	9,235	9,256	(21)
47	Total electric sales	10,664	10,851	(187)	20,017	20,114	(97)
12 MO. ENDED JUNE 30							
Line		2002	2001	INCR (DECR)			
ELECTRIC OPERATING REVENUES (DOLLARS IN MILLIONS)							
Retail							
22	Residential	\$ 905	\$ 903	\$ 2			
23	Business	941	943	(2)			
24	Total retail	1,846	1,846	--			
Wholesale revenue on delivered electricity							
25	Traditional contracts	(5)	172	(177)			
26	Retail load hedge management	404	705	(301)			
Marketing and trading -- delivered							
27	Generation sales other than native load	20	232	(212)			
28	Other delivered electricity (a)	1,097	1,486	(389)			
29	Total delivered marketing and trading	1,117	1,718	(601)			
30	Total delivered wholesale electricity	1,515	2,594	(1,079)			

	Other marketing and trading			
	Realized margins on delivered commodities			
31	other than electricity (a)	8	(22)	30
	Prior period mark-to-market (gains) losses on			
32	contracts delivered during current period (a)	(89)	9	(80)
33	Change in mark-to-market for future-period deliveries	117	82	35
		-----	-----	-----
34	Total other marketing and trading	36	51	(15)
		-----	-----	-----
35	Transmission for others	28	17	11
36	Other miscellaneous services	15	25	(10)
		-----	-----	-----
37	Total electric operating revenues	\$ 3,440	\$ 4,533	\$ (1,093)
		-----	-----	-----

ELECTRIC SALES (GWH)

	Retail sales			
38	Residential	10,328	10,123	205
39	Business	12,996	12,908	88
		-----	-----	-----
40	Total retail	23,324	23,031	293
		-----	-----	-----
	Wholesale electricity delivered			
41	Traditional contracts	239	2,056	(1,817)
42	Retail load hedge management	2,617	6,668	(4,051)
	Marketing and trading -- delivered			
43	Generation sales other than native load	779	1,942	(1,163)
44	Other delivered electricity	16,599	14,005	2,594
		-----	-----	-----
45	Total delivered marketing and trading	17,378	15,947	1,431
		-----	-----	-----
46	Total delivered wholesale electricity	20,233	24,671	(4,438)
		-----	-----	-----
47	Total electric sales	43,557	47,702	(4,145)
		-----	-----	-----

(a) The net effect on net electric operating revenues from realization of prior-period mark-to-market included in line 37 is zero. Realization of prior-period mark-to-market relates to cash flow recognition, not revenue recognition. The arithmetic opposites of amounts included in line 32 are included in lines 28 and 31. For example, line 32 shows that a prior-period mark-to-market gain of \$8 million was transferred to "realized" for the second quarter of 2002. Lines 28 and 31 include amounts totaling \$8 million of realized revenues for the second quarter of 2002.

See Glossary of Terms.

Last Updated 7/23/2002

PINNACLE WEST CAPITAL CORPORATION

QUARTERLY CONSOLIDATED STATISTICAL SUMMARY  
PERIODS ENDED JUNE 30, 2002 AND 2001

Line	3 MO. ENDED JUNE 30			6 MO. ENDED JUNE 30		
	2002	2001	INCR (DECR)	2002	2001	INCR (DECR)
MARKETING AND TRADING PRETAX GROSS MARGIN ANALYSIS (DOLLARS IN MILLIONS)						
REALIZED AND MARK-TO-MARKET COMPONENTS						
Current Period Effects						
Realized margin on delivered commodities						
Electricity						
48						
49						
50						
51						
52						
Prior-period mark-to-market (gains) losses on contracts delivered during current period						
Electricity (a)						
53						
54						
Charge related to trading activities with Enron and its affiliates						
55						
56						
57						
Change in mark-to-market gains (losses) for future period deliveries (b)						
Electricity						
58						
59						
60						
61						

Line	12 MO. ENDED JUNE 30		
	2002	2001	INCR (DECR)
MARKETING AND TRADING PRETAX GROSS MARGIN ANALYSIS (DOLLARS IN MILLIONS)			
REALIZED AND MARK-TO-MARKET COMPONENTS			
Current Period Effects			
Realized margin on delivered commodities			
Electricity			
48			
49			
50			
51			
52			
Prior-period mark-to-market (gains) losses on contracts delivered during current period			
Electricity (a)			
53			
54			
Charge related to trading activities with Enron and its affiliates			
55			
56			
57			
Change in mark-to-market gains (losses) for future period deliveries (b)			
Electricity			
58			
59			
60			
61			

## **FUTURE MARKETING AND TRADING MARK-TO-MARKET REALIZATION**

As of June 30, 2002, Pinnacle West had accumulated mark-to-market net gains of \$133 million related to our power marketing and trading activities. We estimate that these gains will be reclassified to realized gains as the underlying commodities are delivered, as follows: remainder of 2002, \$12 million; 2003, \$28 million; 2004, \$29 million; 2005 and thereafter, \$64 million.

---

(a) The net effect on pretax gross margin from realization of prior-period mark-to-market included in line 57 and in line 61 is zero. Realization of prior-period mark-to-market relates to cash flow recognition, not earnings recognition. The arithmetic opposites of amounts included in line 53 are included in line 49. The opposites of amounts included in line 54 are included in line 51. For example, line 53 shows that a prior-period mark-to-market gain of \$9 million was transferred to "realized" for the second quarter of 2002. A \$9 million realized gain is included in the \$24 million on line 49 for the second quarter of 2002.

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

**See Glossary of Terms.**

## PINNACLE WEST CAPITAL CORPORATION

QUARTERLY CONSOLIDATED STATISTICAL SUMMARY  
PERIODS ENDED JUNE 30, 2002 AND 2001

Line	3 MO. ENDED JUNE 30			6 MO. ENDED JUNE 30			
	2002	2001	INCR (DECR)	2002	2001	INCR (DECR)	
MARKETING AND TRADING PRETAX GROSS MARGIN ANALYSIS (CONTINUED) (DOLLARS IN MILLIONS)							
BY COMMODITY SOLD OR TRADED							
62	Electricity	\$ 25	\$ 111	\$ (86)	\$ 70	\$ 209	\$ (139)
63	Natural gas	1	(12)	13	(4)	(15)	11
64	Coal	(2)	2	(4)	(3)	16	(19)
65	Emission allowances	(5)	(3)	(2)	(4)	(5)	1
66	Other	--	--	--	--	--	--
67	Total Gross Margin	\$ 19	\$ 98	\$ (79)	\$ 59	\$ 205	\$ (146)
BY PINNACLE WEST ENTITY							
Parent company marketing and trading division							
68	Generation sales other than native load	\$ --	\$ --	\$ --	\$ 1	\$ --	\$ 1
69	Other marketing and trading	9	3	6	43	10	33
APS							
70	Generation sales other than native load	--	26	(26)	1	74	(73)
71	Other marketing and trading	--	68	(68)	--	121	(121)
Pinnacle West Energy							
72	Generation sales other than native load	--	--	--	--	--	--
73	Other marketing and trading	--	--	--	--	--	--
APS ES							
74	Other marketing and trading	10	1	9	14	--	14
75	Total gross margin before income taxes	\$ 19	\$ 98	\$ (79)	\$ 59	\$ 205	\$ (146)
12 MO. ENDED JUNE 30							
Line		2002	2001	INCR (DECR)			
MARKETING AND TRADING PRETAX GROSS MARGIN ANALYSIS (CONTINUED) (DOLLARS IN MILLIONS)							
BY COMMODITY SOLD OR TRADED							
62	Electricity	\$ 189	\$ 268	\$ (79)			
63	Natural gas	3	(8)	11			
64	Coal	(11)	13	(24)			
65	Emission allowances	(10)	(10)	--			
66	Other	--	--	--			
67	Total Gross Margin	\$ 171	\$ 263	\$ (92)			
BY PINNACLE WEST ENTITY							
Parent company marketing and trading division							
68	Generation sales other than native load	\$ 1	\$ --	\$ 1			
69	Other marketing and trading	111	7	104			
APS							
70	Generation sales other than native load	6	120	(114)			
71	Other marketing and trading	35	136	(101)			
Pinnacle West Energy							
72	Generation sales other than native load	--	--	--			
73	Other marketing and trading	--	--	--			
APS ES							
74	Other marketing and trading	18	--	18			
75	Total gross margin before income taxes	\$ 171	\$ 263	\$ (92)			

See Glossary of Terms.

Last Updated 7/23/2002

PINNACLE WEST CAPITAL CORPORATION

QUARTERLY CONSOLIDATED STATISTICAL SUMMARY  
PERIODS ENDED JUNE 30, 2002 AND 2001

Line	3 MO. ENDED JUNE 30			6 MO. ENDED JUNE 30			
	2002	2001	INCR (DECR)	2002	2001	INCR (DECR)	
AVERAGE ELECTRIC CUSTOMERS							
Retail customers							
76	Residential	795,681	770,335	25,346	798,341	772,826	25,515
77	Business	100,096	98,065	2,031	99,710	97,644	2,066
78	Total	895,777	868,400	27,377	898,051	870,470	27,581
79	Wholesale customers	67	66	1	67	67	--
80	Total customers	895,844	868,466	27,378	898,118	870,537	27,581
81	Customer Growth (% over prior year)	3.2%	3.9%	(0.7)%	3.2%	3.9%	(0.7)%
RETAIL ELECTRIC SALES (GWH) - WEATHER NORMALIZED							
82	Residential	2,387	2,204	183	4,551	4,241	310
83	Business	3,392	3,321	71	6,166	6,146	20
84	Total	5,779	5,525	254	10,717	10,387	330
RETAIL ELECTRICITY USAGE (KWH/AVERAGE CUSTOMER)							
85	Residential	3,068	3,203	(135)	5,739	5,938	(199)
86	Business	34,258	35,133	(875)	62,188	64,202	(2,014)
RETAIL ELECTRICITY USAGE - WEATHER NORMALIZED (KWH/AVERAGE CUSTOMER)							
87	Residential	3,000	2,861	139	5,701	5,487	214
88	Business	33,886	33,868	18	61,839	62,942	(1,103)
ELECTRICITY DEMAND (MW)							
89	System peak demand	5,425	5,358	67	5,425	5,358	67
12 MO. ENDED JUNE 30							
Line		2002	2001	INCR (DECR)			
AVERAGE ELECTRIC CUSTOMERS							
Retail customers							
76	Residential	789,096	763,445	25,651			
77	Business	99,231	96,448	2,783			
78	Total	888,327	859,893	28,434			
79	Wholesale customers	67	67	--			
80	Total customers	888,394	859,960	28,434			
81	Customer Growth (% over prior year)	3.3%	4.0%	(0.7)%			
RETAIL ELECTRIC SALES (GWH) - WEATHER NORMALIZED							
82	Residential	9,987	9,560	427			
83	Business	12,683	12,777	(94)			
84	Total	22,670	22,337	333			
RETAIL ELECTRICITY USAGE (KWH/AVERAGE CUSTOMER)							
85	Residential	13,088	13,259	(171)			
86	Business	129,822	133,839	(4,017)			
RETAIL ELECTRICITY USAGE - WEATHER NORMALIZED (KWH/AVERAGE CUSTOMER)							
87	Residential	12,656	12,522	134			
88	Business	127,813	132,475	(4,662)			

ELECTRICITY DEMAND (MW)

89	System peak demand	5,687	5,478	209
----	--------------------	-------	-------	-----

**See Glossary of Terms.**

Last Updated 7/23/2002

PINNACLE WEST CAPITAL CORPORATION

QUARTERLY CONSOLIDATED STATISTICAL SUMMARY  
PERIODS ENDED JUNE 30, 2002 AND 2001

Line	3 MO. ENDED JUNE 30			6 MO. ENDED JUNE 30			
	2002	2001	INCR (DECR)	2002	2001	INCR (DECR)	
ENERGY SOURCES (GWH)							
Generation production							
90	Nuclear	2,243	1,985	258	4,500	4,246	254
91	Coal	2,702	3,245	(543)	5,592	6,146	(554)
92	Gas, oil and other	565	1,256	(691)	902	2,263	(1,361)
93	Total	5,510	6,486	(976)	10,994	12,655	(1,661)
Purchased power							
94	Firm load	846	845	1	917	1,015	(98)
95	Marketing and trading	4,599	3,905	694	8,593	7,030	1,563
96	Total	5,445	4,750	695	9,510	8,045	1,465
97	Total energy sources	10,955	11,236	(281)	20,861	20,701	(196)
POWER PLANT PERFORMANCE							
Capacity Factors							
98	Nuclear	95%	84%	11%	95%	90%	5%
99	Coal	72%	87%	(15)%	75%	83%	(7)%
100	Gas, oil and other	20%	46%	(26)%	16%	43%	(27)%
101	System average	60%	73%	(13)%	57%	73%	(16)%
Generation Capacity Out of Service and Replaced for Native Load (average MW/day)							
102	Nuclear	66	180	(114)	64	119	(55)
103	Coal	202	166	36	193	225	(32)
104	Gas	18	52	(34)	15	44	(29)
105	Total	286	398	(112)	272	388	(116)
106	Generation Fuel Cost (\$/MWh)	\$ 11.89	\$ 19.28	\$ (7.39)	\$ 11.73	\$ 19.46	\$ (7.73)
12 MO. ENDED JUNE 30							
Line		2002	2001	INCR (DECR)			
ENERGY SOURCES (GWH)							
Generation production							
90	Nuclear	8,638	8,672	(34)			
91	Coal	12,020	12,664	(644)			
92	Gas, oil and other	2,642	4,198	(1,556)			
93	Total	23,300	25,534	(2,234)			
Purchased power							
94	Firm load	2,863	2,660	203			
95	Marketing and trading	19,215	20,673	(1,458)			
96	Total	22,078	23,333	(1,255)			
97	Total energy sources	45,733	48,868	(3,489)			
POWER PLANT PERFORMANCE							
Capacity Factors							
98	Nuclear	91%	91%	0%			
99	Coal	80%	84%	(4)%			
100	Gas, oil and other	23%	40%	(17)%			
101	System average	64%	73%	(9)%			
Generation Capacity Out of Service and Replaced for Native Load (average MW/day)							
102	Nuclear	100	100	--			
103	Coal	151	181	(30)			
104	Gas	18	31	(13)			
105	Total	269	312	(43)			
106	Generation Fuel Cost (\$/MWh)	\$ 13.87	\$ 34.76	\$ (20.89)			

See Glossary of Terms.



## PINNACLE WEST CAPITAL CORPORATION

QUARTERLY CONSOLIDATED STATISTICAL SUMMARY  
PERIODS ENDED JUNE 30, 2002 AND 2001

Line	3 MO. ENDED JUNE 30			6 MO. ENDED JUNE 30			
	2002	2001	INCR (DECR)	2002	2001	INCR (DECR)	
ENERGY MARKET INDICATORS (A)							
Electricity Average Daily Spot Prices (\$/MWh)							
On-Peak							
107	Palo Verde	\$ 30.65	\$ 182.71	\$(152.06)	\$ 28.75	\$ 198.46	\$(169.71)
108	SP15	\$ 31.51	\$ 186.30	\$(154.79)	\$ 29.98	\$ 202.98	\$(173.00)
Off-Peak							
109	Palo Verde	\$ 14.10	\$ 70.32	\$(56.22)	\$ 18.13	\$ 100.36	\$(82.23)
110	SP15	\$ 15.95	\$ 84.78	\$(68.83)	\$ 19.35	\$ 122.29	\$(102.94)
WEATHER INDICATORS							
Actual							
111	Cooling degree-days	1,741	1,733	8	1,830	1,839	(9)
112	Heating degree-days	--	43	(43)	472	700	(228)
113	Average humidity	16%	25%	(9)%	22%	37%	(15)%
10-Year Averages							
114	Cooling degree-days	1,458	1,458	--	1,529	1,529	--
115	Heating degree-days	35	35	--	591	591	--
116	Average humidity	25%	25%	0%	35%	35%	0%
ECONOMIC INDICATORS							
Building Permits -- Metro Phoenix (b) (d)							
117	Single-family	6,456	5,888	568	13,970	14,569	(599)
118	Multi-family	662	928	(266)	1,647	4,846	(3,199)
119	Total	7,118	6,816	302	15,617	19,415	(3,798)
Arizona Job Growth (c) (d)							
120	Payroll job growth (% over prior year)	(1.1)%	1.7%	(2.8)%	(1.1)%	2.4%	(3.5)%
121	Unemployment rate (% , seasonally adjusted)	5.7%	4.3%	1.4%	5.8%	4.2%	1.6%
12 MO. ENDED JUNE 30							
Line		2002	2001	INCR (DECR)			
ENERGY MARKET INDICATORS (A)							
Electricity Average Daily Spot Prices (\$/MWh)							
On-Peak							
107	Palo Verde	\$ 33.55	\$ 169.15	\$(135.60)			
108	SP15	\$ 33.49	\$ 167.21	\$(133.72)			
Off-Peak							
109	Palo Verde	\$ 20.46	\$ 75.84	\$(55.38)			
110	SP15	\$ 22.01	\$ 90.26	\$(68.25)			
WEATHER INDICATORS							
Actual							
111	Cooling degree-days	5,113	4,638	475			
112	Heating degree-days	932	1,200	(268)			
113	Average humidity	29%	37%	(8)%			
10-Year Averages							
114	Cooling degree-days	4,381	4,381	0			
115	Heating degree-days	1,026	1,026	0			
116	Average humidity	36%	36%	0%			
ECONOMIC INDICATORS							
Building Permits -- Metro Phoenix (b) (d)							
117	Single-family	28,474	29,310	(836)			
118	Multi-family	4,878	9,215	(4,337)			
119	Total	33,352	38,525	(5,173)			
Arizona Job Growth (c) (d)							
120	Payroll job growth (% over prior year)	(0.7)%	3.1%	(3.8)%			
121	Unemployment rate (% , seasonally adjusted)	5.3%	4.0%	1.3%			

## Sources:

- (a) This price is an average of daily prices obtained and used with permission from Dow Jones & Company, Inc.  
(b) Arizona Real Estate Center, Arizona State University College of Business  
(c) Arizona Department of Economic Security  
(d) The economic indicators reflect latest available data through periods ending May 2002 and May 2001.

**See Glossary of Terms.**

Last Updated 7/23/2002

**PINNACLE WEST CAPITAL CORPORATION**  
**CONSOLIDATED STATISTICS BY QUARTER**  
**2002**

Line		1ST QTR	2ND QTR	3RD QTR	4TH QTR	YEAR-TO-DATE	INCREASE (DECREASE) VS PRIOR YTD
		-----	-----	-----	-----	-----	-----
EARNINGS CONTRIBUTION BY SUBSIDIARY (\$ MILLIONS)							
1	Arizona Public Service	\$ 32	\$ 64			\$ 96	\$ (38)
2	Pinnacle West Energy	1	1			2	1
3	APS Energy Services	2	11			13	20
4	SunCor	2	8			10	10
5	El Dorado	--	(3)			(3)	(3)
6	Parent Company	17	(6)			11	10
		-----	-----	-----	-----	-----	-----
7	Income Before Accounting Change	54	75			129	--
8	Cumulative Effect of Change in Accounting - Net of Tax	--	--			--	3
		-----	-----	-----	-----	-----	-----
9	Net Income	\$ 54	\$ 75			\$ 129	\$ 3
		-----	-----	-----	-----	-----	-----
EARNINGS PER SHARE BY SUBSIDIARY - DILUTED							
10	Arizona Public Service	\$ 0.37	\$ 0.76			\$ 1.13	\$ (0.45)
11	Pinnacle West Energy	0.01	0.01			0.02	0.01
12	APS Energy Services	0.03	0.13			0.16	0.25
13	SunCor	0.02	0.10			0.12	0.11
14	El Dorado	--	(0.04)			(0.04)	(0.04)
15	Parent Company	0.20	(0.07)			0.13	0.12
		-----	-----	-----	-----	-----	-----
16	Income Before Accounting Change	0.63	0.89			1.52	--
17	Cumulative Effect of Change in Accounting - Net of Tax	--	--			--	0.03
		-----	-----	-----	-----	-----	-----
18	Net Income	\$ 0.63	\$ 0.89			\$ 1.52	\$ 0.03
		-----	-----	-----	-----	-----	-----
19	BOOK VALUE PER SHARE	\$ 30.06	\$ 30.54			\$ 30.54	2.37
COMMON SHARES OUTSTANDING - DILUTED (THOUSANDS)							
20	Average	84,884	84,926			84,910	(95)
21	End of Period	84,789	84,768			84,768	55

See Glossary of Terms.

Last Updated 7/23/2002

PINNACLE WEST CAPITAL CORPORATION

CONSOLIDATED STATISTICS BY QUARTER  
2002

Line	1ST QTR	2ND QTR	3RD QTR	4TH QTR	YEAR-TO-DATE	INCREASE (DECREASE) VS PRIOR YTD
	-----	-----	-----	-----	-----	-----
ELECTRIC OPERATING REVENUES (DOLLARS IN MILLIONS)						
Retail						
22	\$ 171	\$ 226			\$ 397	\$ (10)
23	195	251			446	(11)
24	366	477			843	(21)
Wholesale revenue on delivered electricity						
25	2	1			2	(79)
26	2	11			13	(174)
Marketing and trading -- delivered						
27	8	2			10	(128)
28	185	153			339	(463)
29	193	155			349	(591)
30	197	167			364	(844)
Other marketing and trading						
Realized margins on delivered commodities other than electricity (a)						
31	4	1			5	22
Prior period mark-to-market (gains) losses on contracts delivered during current period (a)						
32	(22)	(8)			(22)	(37)
33	25	1			17	(61)
34	7	(6)			--	(76)
35	6	6			12	3
36	4	2			7	(4)
37	\$ 580	\$ 646			\$ 1,226	\$ (942)
ELECTRIC SALES (GWH)						
Retail sales						
38	2,141	2,441			4,582	(7)
39	2,771	3,429			6,200	(69)
40	4,912	5,870			10,782	(76)
Wholesale electricity delivered						
41	71	121			192	(975)
42	158	230			388	(423)
Marketing and trading -- delivered						
43	376	74			450	(609)
44	3,836	4,369			8,205	1,986
45	4,212	4,443			8,655	1,377
46	4,441	4,794			9,235	(21)
47	9,353	10,664			20,017	(97)

(a) The net effect on net electric operating revenues from realization of prior-period mark-to-market included in line 37 is zero. Realization of prior-period mark-to-market relates to cash flow recognition, not revenue recognition. The arithmetic opposites of amounts included in line 32 are included in lines 28 and 31. For example, line 32 shows that a prior-period mark-to-market gain of \$8 million was transferred to "realized" for the second quarter of 2002. Lines 28 and 31 include amounts totaling \$8 million of realized revenues for the second quarter of 2002.

See Glossary of Terms.

Last Updated 7/23/2002

PINNACLE WEST CAPITAL CORPORATION

CONSOLIDATED STATISTICS BY QUARTER  
2002

Line	1ST QTR	2ND QTR	3RD QTR	4TH QTR	YEAR-TO-DATE	INCREASE (DECREASE) VS PRIOR YTD
	-----	-----	-----	-----	-----	-----
MARKETING AND TRADING						
PRETAX GROSS MARGIN ANALYSIS						
(DOLLARS IN MILLIONS)						
REALIZED AND MARK-TO-MARKET COMPONENTS						
Current Period Effects						
Realized margin on delivered commodities						
Electricity						
48	Generation sales other than native load	\$ 2	\$ --		\$ 3	\$ (71)
49	Other electricity marketing and trading (a)	33	24		56	9
50	Total electricity	35	24		59	(62)
51	Other commodities (a)	4	1		5	22
52	Total realized margin	39	25		64	(40)
Prior-period mark-to-market (gains) losses on contracts delivered during current period						
Electricity (a)						
53		(16)	(9)		(17)	(23)
54	Other commodities (a)	(6)	--		(5)	(22)
55	Charge related to trading activities with Enron and its affiliates	--	--		--	--
56	Subtotal	(22)	(9)		(22)	(45)
57	Total current period effects (b)	17	16		42	(85)
Change in mark-to-market gains (losses) for future period deliveries (b)						
58	Electricity	25	10		27	(55)
59	Other commodities	(2)	(7)		(10)	(6)
60	Total future period effects	23	3		17	(61)
61	Total gross margin	\$ 40	\$ 19		\$ 59	\$ (146)

FUTURE MARKETING AND TRADING MARK-TO-MARKET REALIZATION

As of June 30, 2002, Pinnacle West had accumulated mark-to-market net gains of \$133 million related to our power marketing and trading activities. We estimate that these gains will be reclassified to realized gains as the underlying commodities are delivered, as follows: remainder of 2002, \$12 million; 2003, \$28 million; 2004, \$29 million; 2005 and thereafter, \$64 million.

(a) The net effect on pretax gross margin from realization of prior-period mark-to-market included in line 57 and in line 61 is zero. Realization of prior-period mark-to-market relates to cash flow recognition, not earnings recognition. The arithmetic opposites of amounts included in line 53 are included in line 49. The opposites of amounts included in line 54 are included in line 51. For example, line 53 shows that a prior-period mark-to-market gain of \$9 million was transferred to "realized" for the second quarter of 2002. A \$9 million realized gain is included in the \$24 million on line 49 for the second quarter of 2002.

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

See Glossary of Terms.

Last Updated 7/23/2002

PINNACLE WEST CAPITAL CORPORATION

CONSOLIDATED STATISTICS BY QUARTER  
2002

Line	1ST QTR	2ND QTR	3RD QTR	4TH QTR	YEAR-TO-DATE	INCREASE (DECREASE) VS PRIOR YTD
	-----	-----	-----	-----	-----	-----
MARKETING AND TRADING						
PRETAX GROSS MARGIN ANALYSIS (CONTINUED)						
(DOLLARS IN MILLIONS)						
BY COMMODITY SOLD OR TRADED						
62	Electricity	\$ 45	\$ 25		\$ 70	\$ (139)
63	Natural gas	(5)	1		(4)	11
64	Coal	(1)	(2)		(3)	(19)
65	Emission allowances	1	(5)		(4)	1
66	Other	--	--		--	--
67	Total gross margin	\$ 40	\$ 19		\$ 59	\$ (146)
BY PINNACLE WEST ENTITY						
Parent company marketing and trading division						
68	Generation sales other than native load	\$ 1	\$ --		\$ 1	\$ 1
69	Other marketing and trading	34	9		43	33
APS						
70	Generation sales other than native load	1	--		1	(73)
71	Other marketing and trading	--	--		--	(121)
Pinnacle West Energy						
72	Generation sales other than native load	--	--		--	--
73	Other marketing and trading	--	--		--	--
APS ES						
74	Other marketing and trading	4	10		14	14
75	Total gross margin before income taxes	\$ 40	\$ 19		\$ 59	\$ (146)

See Glossary of Terms.

Last Updated 7/23/2002

PINNACLE WEST CAPITAL CORPORATION

CONSOLIDATED STATISTICS BY QUARTER  
2002

Line		1ST QTR	2ND QTR	3RD QTR	4TH QTR	YEAR-TO-DATE	INCREASE (DECREASE) VS PRIOR YTD
		-----	-----	-----	-----	-----	-----
AVERAGE ELECTRIC CUSTOMERS							
Retail customers							
76	Residential	801,000	795,681			798,341	25,515
77	Business	99,335	100,096			99,710	2,066
78	Total	900,335	895,777			898,051	27,581
89	Wholesale customers	67	67			67	--
80	Total customers	900,402	895,844			898,118	27,581
81	Customer Growth (% over prior year)	3.2%	3.2%			3.2%	(0.7)%
RETAIL ELECTRIC SALES (GWH) - WEATHER NORMALIZED							
82	Residential	2,164	2,387			4,551	310
83	Business	2,774	3,392			6,166	20
84	Total	4,938	5,779			10,717	330
RETAIL ELECTRICITY USAGE (KWH/AVERAGE CUSTOMER)							
85	Residential	2,673	3,068			5,739	(199)
86	Business	27,896	34,258			62,188	(2,014)
RETAIL ELECTRICITY USAGE - WEATHER NORMALIZED (KWH/AVERAGE CUSTOMER)							
87	Residential	2,702	3,000			5,701	214
88	Business	27,926	33,886			61,839	(1,103)
ELECTRICITY DEMAND (MW)							
89	System peak demand	3,921	5,425			5,425	67

See Glossary of Terms.

Last Updated 7/23/2002

PINNACLE WEST CAPITAL CORPORATION

CONSOLIDATED STATISTICS BY QUARTER  
2002

Line	1ST QTR	2ND QTR	3RD QTR	4TH QTR	YEAR-TO-DATE	INCREASE (DECREASE) VS PRIOR YTD
	-----	-----	-----	-----	-----	-----
ENERGY SOURCES (GWH)						
Generation production						
90	Nuclear	2,257	2,243		4,500	254
91	Coal	2,890	2,702		5,592	(554)
92	Gas, oil and other	337	565		902	(1,361)
93	Total	5,484	5,510		10,994	(1,661)
Purchased power						
94	Firm load	429	846		917	(98)
95	Marketing and trading	3,993	4,599		8,593	1,563
96	Total	4,422	5,445		9,510	1,465
97	Total energy sources	9,906	10,955		20,504	(196)
POWER PLANT PERFORMANCE						
Capacity Factors						
98	Nuclear	96%	95%		95%	5%
99	Coal	78%	72%		75%	(7)%
100	Gas, oil and other	12%	20%		16%	(30)%
101	System average	62%	60%		57%	(16)%
Generation Capacity Out of Service and Replaced for Native Load (average MW/day)						
102	Nuclear	62	66		64	55
103	Coal	184	202		193	(32)
104	Gas	12	18		15	(29)
105	Total	258	286		272	(116)
106	Generation Fuel Cost (\$/MWh)	\$ 11.57	\$ 11.89		\$ 11.73	\$ (7.73)

See Glossary of Terms.



Last Updated 7/23/2002

**PINNACLE WEST CAPITAL CORPORATION**

**CONSOLIDATED STATISTICS BY QUARTER  
2002**

Line	1ST QTR	2ND QTR	3RD QTR	4TH QTR	YEAR-TO-DATE	INCREASE (DECREASE) VS PRIOR YTD
	-----	-----	-----	-----	-----	-----
ENERGY MARKET INDICATORS (A)						
Electricity Average Daily Spot Prices (\$/MWh)						
On-Peak						
107	Palo Verde	\$ 26.86	\$ 30.65		\$ 28.75	(169.71)
108	SP15	\$ 28.46	\$ 31.51		\$ 29.98	\$(173.00)
Off-Peak						
109	Palo Verde	\$ 22.17	\$ 14.10		\$ 18.13	\$( 82.23)
110	SP15	\$ 22.76	\$ 15.95		\$ 19.35	\$(102.93)
WEATHER INDICATORS						
Actual						
111	Cooling degree-days	89	1,741		1,830	9
112	Heating degree-days	472	--		472	(228)
113	Average humidity	28%	16%		22%	(15)%
10-Year Averages						
114	Cooling degree-days	71	1,458		1,529	--
115	Heating degree-days	556	35		591	--
116	Average humidity	45%	25%		35%	0%
ECONOMIC INDICATORS						
Building Permits -- Metro Phoenix (b) (d)						
117	Single-family	7,514	6,456		13,970	(599)
118	Multi-family	985	662		1,647	(3,199)
119	Total	8,499	7,118		15,617	(3,798)
Arizona Job Growth (c) (d)						
120	Payroll job growth (% over prior year)	(1.7)%	(1.1)%		(1.1)%	(3.5)%
121	Unemployment rate (% , seasonally adjusted)	5.9%	5.7%		5.8%	1.6%

**Sources:**

- (a) This price is an average of daily prices obtained and used with permission from Dow Jones & Company, Inc.
- (b) Arizona Real Estate Center, Arizona State University College of Business
- (c) Arizona Department of Economic Security
- (d) The economic indicators reflect latest available data through periods ending May 2002 and May 2001.

**See Glossary of Terms.**

Last Updated 7/23/2002

**PINNACLE WEST CAPITAL CORPORATION**  
**CONSOLIDATED STATISTICS BY QUARTER**  
**2001**

Line		1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL YEAR	INCREASE (DECREASE) VS PRIOR YEAR
		-----	-----	-----	-----	-----	-----
	EARNINGS CONTRIBUTION BY SUBSIDIARY (\$ MILLIONS)						
1	Arizona Public Service	\$ 65	\$ 70	\$ 107	\$ 39	\$ 281	\$ (26)
2	Pinnacle West Energy	--	1	14	3	18	20
3	APS Energy Services	(8)	--	(2)	--	(10)	3
4	SunCor	--	--	2	1	3	(8)
5	El Dorado	1	--	--	--	1	(1)
6	Parent Company	4	(4)	41	(7)	34	37
		-----	-----	-----	-----	-----	-----
7	Income Before Accounting Change	62	67	162	36	327	25
8	Cumulative Effect of Change in Accounting - Net of Tax	(3)	--	(12)	--	(15)	(15)
		-----	-----	-----	-----	-----	-----
9	Net Income	\$ 59	\$ 67	\$ 150	\$ 36	\$ 312	\$ 10
		-----	-----	-----	-----	-----	-----
	EARNINGS PER SHARE BY SUBSIDIARY - DILUTED						
10	Arizona Public Service	\$ 0.76	\$ 0.82	\$ 1.27	\$ 0.46	\$ 3.30	\$ (0.31)
11	Pinnacle West Energy	--	0.02	0.16	0.04	0.21	0.24
12	APS Energy Services	(0.10)	--	(0.03)	--	(0.12)	0.04
13	SunCor	0.01	--	0.03	0.01	0.04	(0.10)
14	El Dorado	0.01	--	--	--	--	(0.02)
15	Parent Company	0.05	(0.05)	0.49	(0.09)	0.42	0.44
		-----	-----	-----	-----	-----	-----
16	Income Before Accounting Change	0.73	0.79	1.92	0.42	3.85	0.29
17	Cumulative Effect of Change in Accounting - Net of Tax	(0.03)	--	(0.15)	--	(0.17)	(0.17)
		-----	-----	-----	-----	-----	-----
18	Net Income	\$ 0.70	\$ 0.79	\$ 1.77	\$ 0.42	\$ 3.68	\$ 0.12
		-----	-----	-----	-----	-----	-----
19	BOOK VALUE PER SHARE	\$ 28.83	\$ 28.17	\$ 29.37	\$ 29.46	\$ 29.46	\$ 1.37
	COMMON SHARES OUTSTANDING - DILUTED (THOUSANDS)						
20	Average	84,966	85,042	84,909	84,824	84,930	(5)
21	End of Period	84,718	84,713	84,663	84,724	84,724	9

See Glossary of Terms.

## PINNACLE WEST CAPITAL CORPORATION

CONSOLIDATED STATISTICS BY QUARTER  
2001

Line	1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL YEAR	INCREASE (DECREASE) VS PRIOR YEAR
ELECTRIC OPERATING REVENUES (DOLLARS IN MILLIONS)						
Retail						
22	\$ 173	\$ 234	\$ 328	\$ 180	\$ 915	\$ 34
23	199	258	276	219	952	17
24	372	492	604	399	1,867	51
Wholesale revenue on delivered electricity						
25	26	55	(10)	2	73	(48)
26	5	182	364	27	578	18
Marketing and trading -- delivered						
27	87	51	4	6	148	32
28	359	443	461	297	1,560	686
29	446	494	465	303	1,708	718
30	477	731	819	332	2,359	688
Other marketing and trading						
31	(5)	(12)	(1)	4	(14)	(5)
32	6	5	(37)	(51)	(1)	1
33	47	35	130	(9)	127	113
34	48	28	92	(56)	112	109
35	4	5	9	8	26	11
36	6	5	6	1	18	(9)
37	\$ 907	\$ 1,261	\$ 1,530	\$ 684	\$ 4,382	\$ 850
ELECTRIC SALES (GWH)						
Retail sales						
38	2,122	2,467	3,597	2,149	10,335	554
39	2,824	3,445	3,724	3,071	13,064	310
40	4,946	5,912	7,321	5,220	23,399	864
Wholesale electricity delivered						
41	569	598	(37)	83	1,214	(396)
42	75	736	1,847	382	3,040	(3,634)
Marketing and trading -- delivered						
43	623	436	73	256	1,388	(106)
44	3,050	3,169	3,820	4,574	14,613	2,394
45	3,673	3,605	3,893	4,830	16,001	2,288
46	4,317	4,939	5,703	5,295	20,255	(1,742)
47	9,263	10,851	13,024	10,515	43,654	(878)

(a) The net effect on net electric operating revenues from realization of prior-period mark-to-market included in line 37 is zero. Realization of prior-period mark-to-market relates to cash flow recognition, not revenue recognition. The arithmetic opposites of amounts included in line 32 are included in lines 28 and 31. For example, line 32 shows that a prior-period mark-to-market gain of \$1 million was transferred to "realized" for the total year 2001. Lines 28 and 31 include amounts totaling \$1 million of realized revenues for the year 2001.

See Glossary of Terms.

## PINNACLE WEST CAPITAL CORPORATION

CONSOLIDATED STATISTICS BY QUARTER  
2001

Line	1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL YEAR	INCREASE (DECREASE) VS PRIOR YEAR	
MARKETING AND TRADING							
PRETAX GROSS MARGIN ANALYSIS (DOLLARS IN MILLIONS)							
REALIZED AND MARK-TO-MARKET COMPONENTS							
Current Period Effects							
Realized margin on delivered commodities							
Electricity							
48	Generation sales other than native load	\$ 48	\$ 26	\$ 3	\$ 3	\$ 80	\$ 26
49	Other electricity marketing and trading (a)	4	43	14	56	117	48
50	Total electricity	52	69	17	59	197	74
51	Other commodities (a)	(5)	(12)	(1)	4	(14)	(5)
52	Total realized margin	47	57	16	63	183	69
Prior-period mark-to-market (gains) losses on contracts delivered during current period							
53	Electricity (a)	1	--	(38)	(38)	(11)	(9)
54	Other commodities (a)	12	5	1	(4)	25	25
55	Charge related to trading activities with Enron and its affiliates	--	--	--	(8)	(8)	(8)
56	Subtotal	13	5	(37)	(50)	6	8
57	Total current period effects (b)	60	62	(21)	13	189	77
Change in mark-to-market gains (losses) for future period deliveries (b)							
58	Electricity	45	42	126	(2)	146	139
59	Other commodities	2	(6)	3	(7)	(18)	(25)
60	Total future period effects	47	36	129	(9)	128	114
61	Total gross margin	\$ 107	\$ 98	\$ 108	\$ 4	\$ 317	\$ 191

## FUTURE MARKETING AND TRADING MARK-TO-MARKET REALIZATION

As of December 31, 2001, Pinnacle West had accumulated mark-to-market net gains of \$138.0 million related to our power marketing and trading activities. We estimate that these gains will be reclassified to realized gains as the underlying commodities are delivered, as follows: 2002, \$43.0 million; 2003, \$22.6 million; 2004, \$23.6 million; 2005 and thereafter, \$48.8 million.

(a) The net effect on pretax gross margin from realization of prior-period mark-to-market included in line 57 and in line 61 is zero. Realization of prior-period mark-to-market relates to cash flow recognition, not earnings recognition. The arithmetic opposites of amounts included in line 53 are included in line 49. The opposites of amounts included in line 54 are included in line 51. For example, line 53 shows that a prior-period mark-to-market gain of \$11 million was transferred to "realized" for the total year 2001. A \$11 million realized gain is included in the \$117 million on line 49 for the total year 2001.

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

See Glossary of Terms.

Last Updated 7/23/2002

**PINNACLE WEST CAPITAL CORPORATION**

**CONSOLIDATED STATISTICS BY QUARTER  
2001**

Line		1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL YEAR	INCREASE (DECREASE) VS PRIOR YEAR
		-----	-----	-----	-----	-----	-----
	MARKETING AND TRADING						
	PRETAX GROSS MARGIN ANALYSIS (CONTINUED)						
	(DOLLARS IN MILLIONS)						
	BY COMMODITY SOLD OR TRADED						
62	Electricity	\$ 98	\$ 111	\$ 105	\$ 15	\$ 328	\$ 201
63	Natural gas	(3)	(12)	9	(3)	(8)	(15)
64	Coal	14	2	(2)	(6)	7	10
65	Emission allowances	(2)	(3)	(4)	(2)	(10)	(5)
66	Other	--	--	--	--	--	--
		-----	-----	-----	-----	-----	-----
67	Total gross margin	\$ 107	\$ 98	\$ 108	\$ 4	\$ 317	\$ 191
		-----	-----	-----	-----	-----	-----
	BY PINNACLE WEST ENTITY						
	Parent company marketing and trading division						
68	Generation sales other than native load	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
69	Other marketing and trading	7	3	74	(6)	78	80
	APS						
70	Generation sales other than native load	48	26	2	3	79	25
71	Other marketing and trading	53	68	32	3	156	82
	Pinnacle West Energy						
72	Generation sales other than native load	--	--	--	--	--	--
73	Other marketing and trading	--	--	--	--	--	--
	APS ES						
74	Other marketing and trading	(1)	1	--	4	4	4
		-----	-----	-----	-----	-----	-----
75	Total gross margin before income taxes	\$ 107	\$ 98	\$ 108	\$ 4	\$ 317	\$ 191
		-----	-----	-----	-----	-----	-----

See Glossary of Terms.

Last Updated 7/23/2002

**PINNACLE WEST CAPITAL CORPORATION**

**CONSOLIDATED STATISTICS BY QUARTER  
2001**

Line		1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL YEAR	INCREASE (DECREASE) VS PRIOR YEAR
		-----	-----	-----	-----	-----	-----
	AVERAGE ELECTRIC CUSTOMERS						
	Retail customers						
76	Residential	775,317	770,335	773,321	786,382	776,339	27,054
77	Business	97,222	98,065	98,874	98,631	98,198	4,070
		-----	-----	-----	-----	-----	-----
78	Total	872,539	868,400	872,195	885,013	874,537	31,124
89	Wholesale customers	68	66	66	66	66	(1)
		-----	-----	-----	-----	-----	-----
80	Total customers	872,607	868,466	872,261	885,079	874,603	31,123
		-----	-----	-----	-----	-----	-----
81	Customer Growth (% over prior year)	4.0%	3.9%	3.7%	3.2%	3.7%	(0.4)%
	RETAIL ELECTRIC SALES (GWH) - WEATHER NORMALIZED						
82	Residential	2,037	2,204	3,307	2,129	9,677	207
83	Business	2,825	3,321	3,618	3,013	12,777	134
		-----	-----	-----	-----	-----	-----
84	Total	4,862	5,525	6,925	5,142	22,454	341
		-----	-----	-----	-----	-----	-----
	RETAIL ELECTRICITY USAGE (KWH/AVERAGE CUSTOMER)						
85	Residential	2,737	3,203	4,651	2,733	13,312	259
86	Business	29,047	35,130	37,664	31,136	133,037	(2,459)
	RETAIL ELECTRICITY USAGE - WEATHER NORMALIZED (KWH/AVERAGE CUSTOMER)						
87	Residential	2,627	2,861	4,276	2,707	12,465	(174)
88	Business	29,057	33,865	36,592	30,548	130,115	(4,202)
	ELECTRICITY DEMAND (MW)						
89	System peak demand	3,661	5,358	5,687	3,898	5,687	209

See Glossary of Terms.

Last Updated 7/23/2002

**PINNACLE WEST CAPITAL CORPORATION**

**CONSOLIDATED STATISTICS BY QUARTER  
2001**

Line	1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL YEAR	INCREASE (DECREASE) VS PRIOR YEAR
	-----	-----	-----	-----	-----	-----
ENERGY SOURCES (GWH)						
Generation production						
90	Nuclear	2,261	1,985	2,320	1,818	8,384 (457)
91	Coal	2,901	3,245	3,223	3,203	12,572 63
92	Gas, oil and other	1,007	1,256	1,157	583	4,003 1,219
93	Total	6,169	6,486	6,700	5,604	24,959 825
Purchased power						
94	Firm load	170	845	1,734	212	2,961 446
95	Marketing and trading	3,126	3,905	5,667	4,955	17,653 (1,240)
96	Total	3,296	4,750	7,401	5,167	20,614 (794)
97	Total energy sources	9,465	11,236	14,101	10,771	45,573 31
POWER PLANT PERFORMANCE						
Capacity Factors						
98	Nuclear	96%	84%	97%	76%	88% (5)%
99	Coal	78%	87%	85%	85%	84% 1%
100	Gas, oil and other	39%	46%	38%	20%	37% 10%
101	System average	71%	73%	73%	62%	70% 1%
Generation Capacity Out of Service and Replaced for Native Load (average MW/day)						
102	Nuclear	57	180	26	246	127 47
103	Coal	284	166	129	90	167 13
104	Gas	36	52	24	16	32 10
105	Total	376	398	179	352	326 70
106	Generation Fuel Cost (\$/MWh)	\$19.64	\$19.28	\$13.21	\$12.51	\$16.22 \$ 2.50

See Glossary of Terms.

Last Updated 7/23/2002

**PINNACLE WEST CAPITAL CORPORATION**

**CONSOLIDATED STATISTICS BY QUARTER  
2001**

Line	1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL YEAR	INCREASE (DECREASE) VS PRIOR YEAR
	-----	-----	-----	-----	-----	-----
<b>ENERGY MARKET INDICATORS (A)</b>						
Electricity Average Daily Spot Prices (\$/MWh)						
On-Peak						
Palo Verde	\$214.21	\$182.71	\$49.80	\$26.89	\$118.41	\$ 6.98
SP15	\$219.66	\$186.30	\$45.61	\$28.38	\$119.99	\$12.64
Off-Peak						
Palo Verde	\$130.40	\$ 70.32	\$27.22	\$18.33	\$ 61.57	\$ 8.55
SP15	\$159.80	\$ 84.78	\$28.92	\$20.41	\$ 73.48	\$12.74
<b>WEATHER INDICATORS</b>						
Actual						
Cooling degree-days	106	1,733	2,663	620	5,122	539
Heating degree-days	657	43	--	460	1,160	192
Average humidity	50%	25%	31%	39%	36%	2%
10-Year Averages						
Cooling degree-days	71	1,458	2,454	398	4,381	--
Heating degree-days	556	35	--	435	1,026	--
Average humidity	45%	25%	34%	40%	36%	0%
<b>ECONOMIC INDICATORS</b>						
Building Permits -- Metro Phoenix (b)						
Single-family	8,681	9,270	8,264	6,240	32,455	(54)
Multi-family	3,918	1,820	2,514	717	8,969	(1,259)
Total	12,599	11,090	10,778	6,957	41,424	(1,313)
Arizona Job Growth (c)						
Payroll job growth (% over prior year)	2.9%	1.4%	0.2%	(0.9)%	0.9%	(3.0)%
Unemployment rate (% , seasonally adjusted)	4.1%	4.3%	4.2%	5.4%	4.5%	0.6%

**Sources:**

- (a) This price is an average of daily prices obtained and used with permission from Dow Jones & Company, Inc.
- (b) Arizona Real Estate Center, Arizona State University College of Business
- (c) Arizona Department of Economic Security

**See Glossary of Terms.**



Last Updated 7/23/2002

**PINNACLE WEST CAPITAL CORPORATION**  
**CONSOLIDATED STATISTICS BY QUARTER**  
**2000**

Line		1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL YEAR
		-----	-----	-----	-----	-----
	<b>EARNINGS CONTRIBUTION</b>					
	<b>BY SUBSIDIARY (\$ MILLIONS)</b>					
1	Arizona Public Service	\$ 33	\$ 96	\$ 124	\$ 54	\$ 307
2	Pinnacle West Energy	--	(1)	--	(1)	(2)
3	APS Energy Services	(2)	(2)	--	(9)	(13)
4	SunCor	5	1	2	3	11
5	El Dorado	19	(3)	(9)	(5)	2
6	Parent Company	(1)	(1)	(1)	--	(3)
		-----	-----	-----	-----	-----
7	Income Before Accounting Change	54	90	116	42	302
8	Cumulative Effect of Change in Accounting - Net of Tax	--	--	--	--	--
		-----	-----	-----	-----	-----
9	Net Income	\$ 54	\$ 90	\$ 116	\$ 42	\$ 302
		-----	-----	-----	-----	-----
	<b>EARNINGS PER SHARE</b>					
	<b>BY SUBSIDIARY - DILUTED</b>					
10	Arizona Public Service	\$ 0.39	\$ 1.13	\$ 1.46	\$ 0.63	\$ 3.61
11	Pinnacle West Energy	--	(0.01)	(0.01)	(0.01)	(0.03)
12	APS Energy Services	(0.02)	(0.03)	--	(0.11)	(0.16)
13	SunCor	0.06	0.01	0.03	0.04	0.14
14	El Dorado	0.22	(0.04)	(0.10)	(0.06)	0.02
15	Parent Company	(0.01)	--	(0.01)	--	(0.02)
		-----	-----	-----	-----	-----
16	Income Before Accounting Change	0.64	1.06	1.37	0.49	3.56
17	Cumulative Effect of Change in Accounting - Net of Tax	--	--	--	--	--
		-----	-----	-----	-----	-----
18	Net Income	\$ 0.64	\$ 1.06	\$ 1.37	\$ 0.49	\$ 3.56
		-----	-----	-----	-----	-----
19	BOOK VALUE PER SHARE	\$ 26.29	\$ 27.00	\$ 28.01	\$ 28.09	\$ 28.09
	<b>COMMON SHARES OUTSTANDING -</b>					
	<b>DILUTED (THOUSANDS)</b>					
20	Average	84,834	84,891	85,012	85,015	84,935
21	End of Period	84,723	84,727	84,779	84,715	84,715

See Glossary of Terms.

## PINNACLE WEST CAPITAL CORPORATION

CONSOLIDATED STATISTICS BY QUARTER  
2000

Line	1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL YEAR
ELECTRIC OPERATING REVENUES (DOLLARS IN MILLIONS)					
Retail					
22	\$ 157	\$ 228	\$ 324	\$ 172	\$ 881
23	196	253	275	211	935
24	353	481	599	383	1,816
Wholesale revenue on delivered electricity					
25	12	18	75	16	121
26	7	36	471	46	560
Marketing and trading -- delivered					
27	9	13	14	80	116
28	56	134	408	276	874
29	65	147	422	356	990
30	84	201	968	418	1,671
Other marketing and trading					
Realized margins on delivered commodities other than electricity (a)					
31	(5)	1	(4)	(1)	(9)
Prior period mark-to-market (gains) losses on contracts delivered during current period (a)					
32	--	--	(17)	(2)	(2)
33	7	25	10	(11)	14
34	2	26	(11)	(14)	3
35	3	4	4	4	15
36	4	8	8	7	27
37	\$ 446	\$ 720	\$ 1,568	\$ 798	\$ 3,532
ELECTRIC SALES (GWH)					
Retail sales					
38	1,877	2,370	3,506	2,028	9,781
39	2,736	3,379	3,674	2,965	12,754
40	4,613	5,749	7,180	4,993	22,535
Wholesale electricity delivered					
41	331	391	538	350	1,610
42	232	585	5,155	702	6,674
Marketing and trading -- delivered					
43	396	215	163	720	1,494
44	2,029	2,404	4,737	3,049	12,219
45	2,425	2,619	4,900	3,769	13,713
46	2,988	3,595	10,593	4,821	21,997
47	7,601	9,344	17,773	9,814	44,532

(a) The net effect on net electric operating revenues from realization of prior-period mark-to-market included in line 37 is zero. Realization of prior-period mark-to-market relates to cash flow recognition, not revenue recognition. The arithmetic opposites of amounts included in line 32 are included in lines 28 and 31. For example, line 32 shows that a prior-period mark-to-market gain of \$2 million was transferred to "realized" for the total year 2000. Lines 28 and 31 include amounts totaling \$2 million of realized revenues for the year 2000.

See Glossary of Terms.

## PINNACLE WEST CAPITAL CORPORATION

CONSOLIDATED STATISTICS BY QUARTER  
2000

Line	1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL YEAR	
	-----	-----	-----	-----	-----	
MARKETING AND TRADING						
PRETAX GROSS MARGIN ANALYSIS						
(DOLLARS IN MILLIONS)						
REALIZED AND MARK-TO-MARKET COMPONENTS						
Current Period Effects						
Realized margin on delivered commodities						
Electricity						
48	Generation sales other than native load	\$ 2	\$ 6	\$ 7	\$ 39	\$ 54
49	Other electricity marketing and trading (a)	3	28	33	5	69
		-----	-----	-----	-----	-----
50	Total electricity	5	34	40	44	123
51	Other commodities (a)	(5)	1	(4)	(1)	(9)
		-----	-----	-----	-----	-----
52	Total realized margin	--	35	36	43	114
		-----	-----	-----	-----	-----
Prior-period mark-to-market (gains) losses on contracts delivered during current period (b)						
53	Electricity (a)	--	--	(18)	(2)	(2)
54	Other commodities (a)	--	--	1	--	--
55	Charge related to trading activities with Enron and its affiliates	--	--	--	--	--
		-----	-----	-----	-----	-----
56	Subtotal	--	--	(17)	(2)	(2)
		-----	-----	-----	-----	-----
57	Total current period effects (b)	--	35	19	41	112
		-----	-----	-----	-----	-----
Change in mark-to-market gains (losses) for future period deliveries (b)						
58	Electricity	2	27	6	(10)	7
59	Other commodities	5	(2)	4	(1)	7
		-----	-----	-----	-----	-----
60	Total future period effects	7	25	10	(11)	14
		-----	-----	-----	-----	-----
61	Total gross margin	\$ 7	\$ 60	\$ 29	\$ 30	\$ 126
		-----	-----	-----	-----	-----

(a) The net effect on pretax gross margin from realization of prior-period mark-to-market included in line 57 and in line 61 is zero. Realization of prior-period mark-to-market relates to cash flow recognition, not earnings recognition. The arithmetic opposites of amounts included in line 53 are included in line 49. The opposites of amounts included in line 54 are included in line 51. For example, line 53 shows that a prior-period mark-to-market gain of \$2 million was transferred to "realized" for the total year 2000. A \$2 million realized gain is included in the \$69 million on line 49 for the total year 2000.

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

See Glossary of Terms.

Last Updated 7/23/2002

PINNACLE WEST CAPITAL CORPORATION

CONSOLIDATED STATISTICS BY QUARTER  
2000

Line		1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL YEAR
		-----	-----	-----	-----	-----
	MARKETING AND TRADING					
	PRETAX GROSS MARGIN ANALYSIS (CONTINUED)					
	(DOLLARS IN MILLIONS)					
	BY COMMODITY SOLD OR TRADED					
62	Electricity	7	61	28	32	128
63	Natural gas	--	(1)	3	3	5
64	Coal	--	--	(2)	--	(2)
65	Emission allowances	--	--	--	(5)	(5)
66	Other	--	--	--	--	--
		-----	-----	-----	-----	-----
67	Total gross margin	\$ 7	\$ 60	\$ 29	\$ 30	\$ 126
		-----	-----	-----	-----	-----
	BY PINNACLE WEST ENTITY					
	Parent company marketing and trading division					
68	Generation sales other than native load	\$ --	\$ --	\$ --	\$ --	\$ --
69	Other marketing and trading	--	--	--	(2)	(2)
	APS					
70	Generation sales other than native load	2	6	7	39	54
71	Other marketing and trading	5	54	22	(7)	74
	Pinnacle West Energy					
72	Generation sales other than native load	--	--	--	--	--
73	Other marketing and trading	--	--	--	--	--
	APS ES					
74	Other marketing and trading	--	--	--	--	--
		-----	-----	-----	-----	-----
75	Total gross margin before income taxes	\$ 7	\$ 60	\$ 29	\$ 30	\$ 126
		-----	-----	-----	-----	-----

See Glossary of Terms.

## PINNACLE WEST CAPITAL CORPORATION

CONSOLIDATED STATISTICS BY QUARTER  
2000

Line		1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL YEAR
		-----	-----	-----	-----	-----
	AVERAGE ELECTRIC CUSTOMERS					
	Retail customers					
76	Residential	746,528	742,485	746,742	761,386	749,285
77	Business	92,667	93,343	94,479	96,024	94,128
78	Total	839,195	835,828	841,221	857,410	843,413
89	Wholesale customers	67	67	67	67	67
80	Total customers	839,262	835,895	841,288	857,477	843,480
81	Customer Growth (% over prior year)	4.0%	4.1%	4.1%	4.2%	4.1%
	RETAIL ELECTRIC SALES (GWH) - WEATHER NORMALIZED					
82	Residential	1,933	2,218	3,393	1,926	9,470
83	Business	2,736	3,276	3,626	3,005	12,643
84	Total	4,669	5,494	7,019	4,931	22,113
	RETAIL ELECTRICITY USAGE (KWH/AVERAGE CUSTOMER)					
85	Residential	2,514	3,192	4,695	2,664	13,054
86	Business	29,525	36,200	38,887	30,878	135,496
	RETAIL ELECTRICITY USAGE - WEATHER NORMALIZED (KWH/AVERAGE CUSTOMER)					
87	Residential	2,589	2,987	4,544	2,530	12,639
88	Business	29,525	35,096	38,379	31,294	134,317
	ELECTRICITY DEMAND (MW)					
89	System peak demand	3,315	5,095	5,478	4,331	5,478

See Glossary of Terms.

Last Updated 7/23/2002

**PINNACLE WEST CAPITAL CORPORATION**

**CONSOLIDATED STATISTICS BY QUARTER  
2000**

Line		1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL YEAR
		-----	-----	-----	-----	-----
	ENERGY SOURCES (GWH)					
	Generation production					
90	Nuclear	2,325	2,090	2,348	2,078	8,841
91	Coal	2,828	3,163	3,343	3,175	12,509
92	Gas, oil and other	323	526	1,046	889	2,784
93	Total	5,476	5,779	6,737	6,142	24,134
	Purchased power					
94	Firm load	51	819	1,550	95	2,515
95	Marketing and trading	2,261	2,989	9,893	3,750	18,893
96	Total	2,312	3,808	11,443	3,845	21,408
97	Total energy sources	7,788	9,587	18,180	9,987	45,542
	POWER PLANT PERFORMANCE					
	Capacity Factors					
98	Nuclear	98%	88%	98%	87%	93%
99	Coal	76%	85%	88%	84%	83%
100	Gas, oil and other	13%	21%	40%	34%	27%
101	System average	63%	67%	77%	70%	69%
	Generation Capacity Out of Service and Replaced for Native Load (average MW/day)					
102	Nuclear	27	129	21	143	80
103	Coal	223	124	85	187	155
104	Gas	8	43	16	20	22
105	Total	258	296	122	350	257
106	Generation Fuel Cost (\$/MWh)	\$10.65	\$12.69	\$14.77	\$16.28	\$13.72

See Glossary of Terms.

Last Updated 7/23/2002

**PINNACLE WEST CAPITAL CORPORATION**

**CONSOLIDATED STATISTICS BY QUARTER  
2000**

Line		1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL YEAR
		-----	-----	-----	-----	-----
ENERGY MARKET INDICATORS (A)						
Electricity Average Daily Spot Prices (\$/MWh)						
On-Peak						
107	Palo Verde	\$30.52	\$90.49	\$170.40	\$154.33	\$111.44
108	SP15	\$31.40	\$82.67	\$152.74	\$162.59	\$107.35
Off-Peak						
109	Palo Verde	\$22.97	\$31.91	\$ 61.48	\$ 95.72	\$ 53.02
110	SP15	\$24.52	\$32.45	\$ 66.28	\$119.72	\$ 60.74
WEATHER INDICATORS						
Actual						
111	Cooling degree-days	71	1,712	2,547	253	4,583
112	Heating degree-days	459	9	--	500	968
113	Average humidity	37%	23%	29%	46%	34%
10-Year Averages						
114	Cooling degree-days	71	1,458	2,454	398	4,381
115	Heating degree-days	556	35	--	435	1,026
116	Average humidity	45%	25%	34%	40%	36%
ECONOMIC INDICATORS						
Building Permits -- Metro Phoenix (b)						
117	Single-family	8,163	9,605	8,331	6,410	32,509
118	Multi-family	3,208	2,651	2,417	1,952	10,228
119	Total	11,371	12,256	10,748	8,362	42,737
Arizona Job Growth (c)						
120	Payroll job growth (% over prior year)	4.4%	4.0%	3.9%	3.4%	3.9%
121	Unemployment rate (% , seasonally adjusted)	4.1%	3.9%	3.8%	3.7%	3.9%

**Sources:**

- (a) This price is an average of daily prices obtained and used with permission from Dow Jones & Company, Inc.  
 (b) Arizona Real Estate Center, Arizona State University College of Business  
 (c) Arizona Department of Economic Security

**See Glossary of Terms.**

Last Updated 7/23/2002

**PINNACLE WEST CAPITAL CORPORATION**  
**CONSOLIDATED STATISTICS BY QUARTER**  
1999

Line		1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL YEAR
		-----	-----	-----	-----	-----
	EARNINGS CONTRIBUTION					
	BY SUBSIDIARY (\$ MILLIONS)					
1	Arizona Public Service	\$ 33	\$ 70	\$ 130	\$ 34	\$ 267
2	Pinnacle West Energy	--	--	--	--	--
3	APS Energy Services	(2)	(2)	(2)	(3)	(9)
4	SunCor	1	3	--	2	6
5	El Dorado	--	--	--	11	11
6	Parent Company	(1)	(2)	(2)	--	(5)
		-----	-----	-----	-----	-----
7	Income From Continuing Operations	31	69	126	44	270
8a	Income Tax Benefit From Discontinued Operations	--	--	38	--	38
8b	Extraordinary Charge - Net of Income Tax	--	--	(140)	--	(140)
		-----	-----	-----	-----	-----
9	Net Income	\$ 31	\$ 69	\$ 24	\$ 44	\$ 168
		-----	-----	-----	-----	-----
	EARNINGS PER SHARE					
	BY SUBSIDIARY - DILUTED					
10	Arizona Public Service	\$ 0.38	\$ 0.82	\$ 1.52	\$ 0.42	\$ 3.14
11	Pinnacle West Energy	--	--	--	--	--
12	APS Energy Services	(0.02)	(0.02)	(0.02)	(0.05)	(0.11)
13	SunCor	0.01	0.03	(0.01)	0.03	0.07
14	El Dorado	--	--	--	0.13	0.14
15	Parent Company	(0.01)	(0.02)	(0.01)	--	(0.07)
		-----	-----	-----	-----	-----
16	Income From Continuing Operations	0.36	0.81	1.48	0.53	3.17
17a	Income Tax Benefit From Discontinued Operations	--	--	0.45	--	0.45
17b	Extraordinary Charge - Net of Income Tax	--	--	(1.65)	--	(1.65)
		-----	-----	-----	-----	-----
18	Net Income	\$ 0.36	\$ 0.81	\$ 0.28	\$ 0.53	\$ 1.97
		-----	-----	-----	-----	-----
19	BOOK VALUE PER SHARE	\$ 25.49	\$ 25.58	\$ 25.84	\$ 26.00	\$ 26.00
		-----	-----	-----	-----	-----
	COMMON SHARES OUTSTANDING -					
	DILUTED (THOUSANDS)					
20	Average	85,176	85,093	84,989	84,894	85,009
21	End of Period	84,645	84,771	84,735	84,750	84,750

See Glossary of Terms.



## PINNACLE WEST CAPITAL CORPORATION

## CONSOLIDATED STATISTICS BY QUARTER

1999

Line	1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL YEAR
ELECTRIC OPERATING REVENUES (DOLLARS IN MILLIONS)					
Retail					
22	\$ 157	\$ 189	\$ 295	\$ 164	\$ 805
23	190	237	269	216	912
24	347	426	564	380	1,717
Wholesale revenue on delivered electricity					
25	11	16	21	13	61
26	--	--	108	--	108
Marketing and trading -- delivered					
27	7	6	6	11	30
28	44	51	163	87	345
29	51	57	169	98	375
30	62	73	298	111	544
Other marketing and trading					
31	(1)	--	(2)	5	2
32	--	--	--	--	--
33	--	6	(1)	(4)	1
34	(1)	6	(3)	1	3
35	3	3	3	3	11
36	3	4	6	5	18
37	\$ 414	\$ 512	\$ 868	\$ 500	\$ 2,293
ELECTRIC SALES (GWH)					
Retail sales					
38	1,796	1,939	3,160	1,880	8,775
39	2,665	3,239	3,464	2,932	12,300
40	4,461	5,178	6,624	4,812	21,075
Wholesale electricity delivered					
41	309	351	441	321	1,422
42	--	--	631	--	631
Marketing and trading -- delivered					
43	348	254	171	494	1,267
44	2,188	2,390	5,102	2,693	12,373
45	2,536	2,644	5,273	3,187	13,640
46	2,845	2,995	6,345	3,508	15,693
47	7,306	8,173	12,969	8,320	36,768

(a) The net effect on net electric operating revenues from realization of prior-period mark-to-market included in line 37 is zero. Realization of prior-period mark-to-market relates to cash flow recognition, not revenue recognition. The arithmetic opposites of amounts included in line 32 are included in lines 28 and 31. For example, line 32 shows that a prior-period mark-to-market gain of \$0 million was transferred to "realized" for the total year 1999. Lines 28 and 31 include amounts totaling \$0 million of realized revenues for the year 1999.

See Glossary of Terms.

Last Updated 7/23/2002

PINNACLE WEST CAPITAL CORPORATION

CONSOLIDATED STATISTICS BY QUARTER

1999

Line		1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL YEAR
		-----	-----	-----	-----	-----
	MARKETING AND TRADING					
	PRETAX GROSS MARGIN ANALYSIS					
	(DOLLARS IN MILLIONS)					
	REALIZED AND MARK-TO-MARKET COMPONENTS					
	Current Period Effects					
	Realized margin on delivered commodities					
	Electricity					
48	Generation sales other than native load	\$ 2	\$ 1	\$ 2	\$ 2	\$ 7
49	Other electricity marketing and trading (a)	6	(2)	3	--	7
		----	----	----	----	----
50	Total electricity	8	(1)	5	2	14
51	Other commodities (a)	(1)	--	(2)	6	3
		----	----	----	----	----
52	Total realized margin	7	(1)	3	8	17
		----	----	----	----	----
	Prior-period mark-to-market (gains) losses on contracts delivered during current period (a)					
	Electricity	--	--	--	--	--
53	Other commodities	--	--	--	--	--
	Charge related to trading activities with Enron and its affiliates	--	--	--	--	--
		----	----	----	----	----
56	Subtotal	--	--	--	--	--
		----	----	----	----	----
57	Total current period effects	7	(1)	3	8	17
		----	----	----	----	----
	Change in mark-to-market gains (losses) for future period deliveries					
	Electricity	(1)	4	(1)	--	2
58	Other commodities	1	2	--	(4)	(1)
		----	----	----	----	----
60	Total future period effects	--	6	(1)	(4)	1
		----	----	----	----	----
61	Total gross margin	\$ 7	\$ 5	\$ 2	\$ 4	\$ 18
		----	----	----	----	----

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

See Glossary of Terms.

Last Updated 7/23/2002

PINNACLE WEST CAPITAL CORPORATION

CONSOLIDATED STATISTICS BY QUARTER

1999

Line		1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL YEAR
		-----	-----	-----	-----	-----
	MARKETING AND TRADING					
	PRETAX GROSS MARGIN ANALYSIS (CONTINUED)					
	(DOLLARS IN MILLIONS)					
	BY COMMODITY SOLD OR TRADED					
62	Electricity	\$ 7	\$ 3	\$ 4	\$ 2	\$16
63	Natural gas	(1)	--	--	1	--
64	Coal	--	--	--	--	--
65	Emission allowances	1	2	(2)	1	2
66	Other	--	--	--	--	--
		---	---	---	---	---
67	Total gross margin	\$ 7	\$ 5	\$ 2	\$ 4	\$18
		---	---	---	---	---
	BY PINNACLE WEST ENTITY					
	Parent company marketing and trading division					
68	Generation sales other than native load	\$--	\$--	\$--	\$--	\$--
69	Other marketing and trading	--	--	--	--	--
	APS					
70	Generation sales other than native load	2	1	2	2	7
71	Other marketing and trading	5	4	--	2	11
	Pinnacle West Energy					
72	Generation sales other than native load	--	--	--	--	--
73	Other marketing and trading	--	--	--	--	--
	APS ES					
74	Other marketing and trading	--	--	--	--	--
		---	---	---	---	---
75	Total gross margin before income taxes	\$ 7	\$ 5	\$ 2	\$ 4	\$18
		---	---	---	---	---

See Glossary of Terms.

## PINNACLE WEST CAPITAL CORPORATION

## CONSOLIDATED STATISTICS BY QUARTER

1999

Line		1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL YEAR
		-----	-----	-----	-----	-----
	AVERAGE ELECTRIC CUSTOMERS					
	Retail customers					
76	Residential	717,540	713,259	717,204	731,092	719,774
77	Business	89,046	89,949	91,076	91,914	90,496
		-----	-----	-----	-----	-----
78	Total	806,586	803,208	808,280	823,006	810,270
89	Wholesale customers	67	67	71	73	70
		-----	-----	-----	-----	-----
80	Total customers	806,653	803,275	808,351	823,079	810,340
		-----	-----	-----	-----	-----
81	Customer Growth (% over prior year)	4.2%	4.3%	4.2%	4.0%	4.2%
	RETAIL ELECTRIC SALES (GWH) - WEATHER NORMALIZED					
82	Residential	1,859	1,952	3,124	1,916	8,851
83	Business	2,669	3,264	3,448	2,886	12,267
		-----	-----	-----	-----	-----
84	Total	4,528	5,216	6,572	4,802	21,118
		-----	-----	-----	-----	-----
	RETAIL ELECTRICITY USAGE (KWH/AVERAGE CUSTOMER)					
85	Residential	2,503	2,719	4,406	2,571	12,191
86	Business	29,928	36,009	38,034	31,899	135,918
	RETAIL ELECTRICITY USAGE - WEATHER NORMALIZED (KWH/AVERAGE CUSTOMER)					
87	Residential	2,591	2,737	4,356	2,621	12,297
88	Business	29,973	36,287	37,858	31,399	135,553
	ELECTRICITY DEMAND (MW)					
89	System peak demand	3,343	4,885	4,935	3,881	4,935

See Glossary of Terms.

Last Updated 7/23/2002

PINNACLE WEST CAPITAL CORPORATION

CONSOLIDATED STATISTICS BY QUARTER

1999

Line		1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL YEAR
		-----	-----	-----	-----	-----
	ENERGY SOURCES (GWH)					
	Generation production					
90	Nuclear	2,295	2,080	2,397	2,077	8,849
91	Coal	2,677	2,764	3,230	3,204	11,875
92	Gas, oil and other	241	477	557	484	1,759
93	Total	5,213	5,321	6,184	5,765	22,483
	Purchased power					
94	Firm load	170	753	1,470	87	2,480
95	Marketing and trading	2,189	2,390	5,734	2,693	13,006
96	Total	2,359	3,143	7,204	2,780	15,486
97	Total energy sources	7,572	8,464	13,388	8,545	37,969
	POWER PLANT PERFORMANCE					
	Capacity Factors					
98	Nuclear	98%	88%	100%	87%	93%
99	Coal	72%	74%	85%	85%	79%
100	Gas, oil and other	9%	18%	21%	18%	17%
101	System average	61%	61%	71%	66%	65%
	Generation Capacity Out of Service and Replaced for Native Load (average MW/day)					
102	Nuclear	36	135	3	152	82
103	Coal	337	368	177	172	264
104	Gas	--	--	--	--	--
105	Total	373	503	180	324	345
106	Generation Fuel Cost (\$/MWh)	\$10.00	\$10.96	\$11.02	\$11.33	\$10.85

See Glossary of Terms.

## PINNACLE WEST CAPITAL CORPORATION

## CONSOLIDATED STATISTICS BY QUARTER

1999

Line		1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL YEAR
		-----	-----	-----	-----	-----
ENERGY MARKET INDICATORS (A)						
Electricity Average Daily Spot Prices (\$/MWh)						
On-Peak						
107	Palo Verde	\$21.57	\$29.02	\$38.46	\$33.31	\$30.59
108	SP15	\$21.26	\$27.17	\$35.01	\$33.84	\$29.32
Off-Peak						
109	Palo Verde	\$13.94	\$15.33	\$20.73	\$22.26	\$18.07
110	SP15	\$13.68	\$14.47	\$20.60	\$25.06	\$18.45
WEATHER INDICATORS						
Actual						
111	Cooling degree-days	71	1,312	2,353	589	4,325
112	Heating degree-days	459	112	--	359	930
113	Average humidity	34%	27%	40%	28%	32%
10-Year Averages						
114	Cooling degree-days	71	1,458	2,454	398	4,381
115	Heating degree-days	556	35	--	435	1,026
116	Average humidity	45%	25%	34%	40%	36%
ECONOMIC INDICATORS						
Building Permits -- Metro Phoenix (b)						
117	Single-family	8,873	9,299	8,223	6,855	33,250
118	Multi-family	2,337	2,396	1,861	3,011	9,605
119	Total	11,210	11,695	10,084	9,866	42,855
Arizona Job Growth (c)						
120	Payroll job growth (% over prior year)	3.9%	4.4%	4.6%	4.2%	4.3%
121	Unemployment rate (% , seasonally adjusted)	4.4%	4.4%	4.3%	4.3%	4.4%

**Sources:**

(a) This price is an average of daily prices obtained and used with permission from Dow Jones &amp; Company, Inc.

(b) Arizona Real Estate Center, Arizona State University College of Business

(c) Arizona Department of Economic Security

**See Glossary of Terms.**

Last Updated 7/23/2002

Pinnacle West Capital Corporation  
Earnings Variance Explanations  
For Periods Ended June 30, 2002 and 2001

This discussion explains the changes in our earnings for the three, six and twelve months ended June 30, 2002 and 2001. Consolidated income statements for the three, six and twelve months ended June 30, 2002 and 2001 follow this discussion. We will file our Quarterly Report on Form 10-Q on or before August 14, 2002. We suggest this section be read in connection with the Pinnacle West Capital Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 2001. Additional operating and financial statistics and a glossary of terms are available on our website ([www.pinnaclewest.com](http://www.pinnaclewest.com)).

**EARNINGS CONTRIBUTIONS BY SUBSIDIARY**

The following table summarizes net income for the three, six and twelve months ended June 30, 2002 and the comparable prior-year periods for Pinnacle West and each of our subsidiaries (dollars in millions):

	Three Months Ended June 30,		Six Months Ended June 30,		Twelve Months Ended June 30,	
	2002	2001	2002	2001	2002	2001
	----- (unaudited)		----- (unaudited)		----- (unaudited)	
Arizona Public Service (APS)	\$ 64	\$ 70	\$ 96	\$ 134	\$ 243	\$ 312
APS Energy Services (APSES)	11	--	13	(7)	11	(17)
SunCor	8	--	10	--	13	6
Pinnacle West Energy	1	1	2	1	19	--
El Dorado	(3)	--	(3)	--	(3)	(14)
Parent company (a)	(6)	(4)	11	1	44	1
	-----	-----	-----	-----	-----	-----
Income before accounting change	75	67	129	129	327	288
Cumulative effect of change in accounting - net of income taxes	--	--	--	(3)	(12)	(3)
	-----	-----	-----	-----	-----	-----
Net income	\$ 75	\$ 67	\$ 129	\$ 126	\$ 315	\$ 285
	=====	=====	=====	=====	=====	=====

(a) These amounts primarily include marketing and trading activities. APS amounts also included some marketing and trading activities in 2001, although APS completed the transition of such activities to the parent company in 2001.

**BUSINESS SEGMENTS**

We have two principal business segments (determined by products, services and the regulatory environment), which consist of our regulated retail electricity business, regulated traditional wholesale electricity business, and related activities (electric retail business segment) and our competitive business activities (marketing and trading business segment). Our retail business segment currently includes activities related to electricity transmission and distribution, as well as electricity generation. Our marketing and trading business

segment currently includes activities related to wholesale marketing and trading and APSES' competitive energy services. The other amounts include activities related to SunCor and El Dorado.

The following table summarizes net income by business segment for the three, six and twelve months ended June 30, 2002 and the comparable prior year periods (dollars in millions):

	Three Months Ended June 30,		Six Months Ended June 30,		Twelve Months Ended June 30,	
	2002	2001	2002	2001	2002	2001
	-----		-----		-----	
	(unaudited)		(unaudited)		(unaudited)	
	-----		-----		-----	
Retail	\$ 61	\$ 11	\$ 93	\$ 14	\$ 231	\$ 152
Marketing and trading	9	56	29	114	86	143
Other	5	--	7	1	10	(7)
	-----	-----	-----	-----	-----	-----
Income before accounting change	75	67	129	129	327	288
Cumulative effect of change in accounting - net of income taxes	--	--	--	(3)	(12)	(3)
	-----	-----	-----	-----	-----	-----
Net income	\$ 75	\$ 67	\$ 129	\$ 126	\$ 315	\$ 285
	=====	=====	=====	=====	=====	=====

We recorded the cumulative effects of a change in accounting for derivatives related to our adoption in 2001 of Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities."

## EARNINGS VARIANCE EXPLANATIONS

Throughout these explanations, we refer to "gross margin." With respect to our electric retail segment and marketing and trading segment, gross margin refers to electric operating revenues less purchased power and fuel costs. Real estate gross margin refers to real estate revenues less real estate operations costs.

### OPERATING RESULTS - THREE-MONTH PERIOD ENDED JUNE 30, 2002 COMPARED WITH THREE-MONTH PERIOD ENDED JUNE 30, 2001

Our consolidated net income for the three months ended June 30, 2002 was \$75 million compared with \$67 million for the same period in the prior year. The period-to-period increase was primarily the result of increased earnings contributions from our regulated retail electricity and real estate operations that were partially offset by lower earnings contributions from our marketing and trading activities. The retail comparison was favorably impacted by lower replacement costs for power plant outages, lower costs for purchased power and gas related to lower market prices, customer growth and higher average usage per customer, partially offset by the effects of milder weather. The real estate results benefited primarily from more sales activities. The comparison for marketing and trading activities reflects lower volumes and prices in the wholesale power markets in the western United States.



The major factors that increased (decreased) net income were as follows (dollars in millions):

	Increase (Decrease)
	-----
Electric retail segment gross margin:	
Lower replacement power costs for plant outages due to lower market prices and fewer unplanned outages	\$ 58
Lower purchased power and fuel costs related to lower prices, net of hedge management sales	46
Effects of milder weather on retail sales	(16)
Higher retail sales volumes due to customer growth and higher average usage, excluding weather effects	12
Retail price reductions effective July 1, 2001	(7)
Miscellaneous factors - net	(5)
	----
Net increase in electric retail segment gross margin	88
	----
Marketing and trading segment gross margin:	
Decrease in generation sales other than native load due to lower market prices and resulting lower sales volumes	(26)
Decrease in other realized marketing and trading in the current period primarily due to lower unit margins on increased volumes	(6)(a)
Change in prior period mark-to-market gains on contracts delivered during the current period (b)	(14)(a)
Lower mark-to-market gains for future period deliveries (b)	(33)
	----
Net decrease in marketing and trading gross margin	(79)
	----
Total increase in the electric retail and the marketing and trading segments' gross margins	9
Higher real estate gross margin primarily due to increased sales activities	13
Lower operations and maintenance expense primarily related to lower generation reliability costs partially offset by higher other costs	3
Lower depreciation and amortization expense primarily related to lower regulatory asset amortization	4
Lower net other income	(11)
Miscellaneous items, net	(4)
	----
Increase in income before income taxes	14
Higher income taxes primarily due to higher pretax income	(6)
	----
Increase in net income	\$ 8
	=====

(a) Net marketing and trading gains (excluding the effects of generation sales other than native load) recognized for the current period decreased \$20 million.

(b) Essentially all of our marketing and trading activities are structured activities. This means our portfolio of forward sales positions is economically hedged with a portfolio of forward purchases that protects the economic value of the sales transactions.

## **ELECTRIC RETAIL SEGMENT GROSS MARGIN**

Revenues related to our regulated retail and wholesale electricity businesses were \$242 million lower in the three-month period ended June 30, 2002, compared to the same period in the prior year as a result of:

- \* decreased revenues related to traditional wholesale sales as a result of lower sales volumes and lower prices (\$54 million);
- \* decreased revenues related to retail load hedge management wholesale sales, as a result of lower sales volumes and lower prices (\$171 million);
- \* decreased retail revenues related to milder weather (\$26 million);
- \* increased retail revenues related to customer growth and higher average usage, excluding weather effects (\$21 million);
- \* decreased retail revenues related to a reduction in retail electricity prices (\$7 million); and
- \* other miscellaneous factors (\$5 million net decrease).

Electric retail segment purchased power and fuel costs were \$330 million lower in the three-month period ended June 30, 2002, compared to the same period in the prior year as a result of:

- \* decreased costs related to traditional wholesale sales as a result of lower sales volumes and lower prices (\$54 million);
- \* decreased costs related to lower prices for hedged natural gas and purchased power (\$217 million);
- \* decreased costs related to the effects of milder weather on retail sales (\$10 million);
- \* increased costs related to retail sales growth excluding weather effects (\$9 million); and
- \* decreased replacement power costs for power plant outages due to lower market prices and fewer unplanned outages (\$58 million).

## **MARKETING AND TRADING SEGMENT GROSS MARGIN**

Marketing and trading segment revenues were \$373 million lower in the three-month period ended June 30, 2002, compared to the same period in the prior year as a result of:

- \* decreased revenues from generation sales other than native load due to lower market prices and resulting lower sales volumes (\$49 million);
- \* decreased realized revenues from other realized marketing and trading in the current period primarily due to lower prices (\$277 million);
- \* change in prior period mark-to-market gains on contracts delivered during the current period due to higher volumes being delivered (\$13 million decrease); and
- \* lower mark-to-market gains for future period deliveries primarily as a result of lower market liquidity and lower price volatility, resulting in lower volumes (\$34 million).

Marketing and trading segment purchased power and fuel costs were \$294 million lower in the three-month period ended June 30, 2002, compared to the same period in the prior year as a result of:

\* decreased fuel costs related to generation sales other than native load primarily because of lower sales volumes and lower natural gas prices (\$23 million); and

\* decreased purchased power costs related to other realized marketing and trading in the current period primarily due to lower prices (\$271 million).

The increase in real estate gross margin of \$13 million was primarily due to increased sales activities.

The decrease in operations and maintenance expense of \$3 million was due to lower costs related to generation reliability, plant outages and maintenance costs. Operations and maintenance expense was also lower as a result of the reversal of \$4 million of a \$10 million reserve for the California energy situation. These factors were partially offset with increased employee and other costs.

The decrease in depreciation and amortization expense of \$4 million primarily related to lower regulatory asset amortization, in accordance with APS' 1999 regulatory settlement, partially offset by increased depreciation on higher plant balances.

Net other income (expense) decreased \$11 million primarily due to an insurance recovery recorded in the prior period related to environmental remediation costs and losses recorded on El Dorado's investments in the current period, partially offset by lower miscellaneous non-operating costs.

### **OPERATING RESULTS - SIX-MONTH PERIOD ENDED JUNE 30, 2002 COMPARED WITH SIX-MONTH PERIOD ENDED JUNE 30, 2001**

Our consolidated net income for the six months ended June 30, 2002 was \$129 million compared with \$126 million for the same period in the prior year. We recognized a \$3 million after-tax loss in the six months ended June 30, 2001 as a cumulative effect of a change in accounting for derivatives, as required by SFAS No.133.

Our income before accounting change for the six months ended June 30, 2002 and 2001 was \$129 million in both periods. The period-to-period activity was the result of increased earnings contributions from our regulated retail electricity and real estate operations that were partially offset by lower earnings contributions from our marketing and trading activities. The retail comparison was favorably impacted by lower replacement costs for power plant outages, lower costs for purchased power and gas related to lower market prices, customer growth and higher average usage per customer, partially offset by the effects of milder weather and a retail electricity price decrease. The real estate results benefited primarily from more sales activities. The comparison for marketing and trading activities reflects lower volumes and prices in the wholesale power markets in the western United States.

The major factors that increased (decreased) income before accounting change were as follows (dollars in millions):

	Increase (Decrease)
	-----
Electric retail segment gross margin:	
Lower replacement power costs for plant outages due to lower market prices and fewer unplanned outages	\$ 108
Lower purchased power and fuel costs related to lower prices, net of hedge management sales	36
Effects of milder weather on retail sales	(22)
Higher retail sales volumes due to customer growth and higher average usage, excluding weather effects	17
Retail price reductions effective July 1, 2001	(13)
Miscellaneous factors - net	(3)
	-----
Net increase in electric retail segment gross margin	123
	-----
Marketing and trading segment gross margin:	
Decrease in generation sales other than native load due to lower market prices and resulting lower sales volumes	(71)
Increase in other realized marketing and trading in the current period primarily due to higher unit margins on increased volumes	31(a)
Change in prior period mark-to-market gains on contracts delivered during the current period (b)	(45)(a)
Lower mark-to-market gains for future period deliveries (b)	(61)
	-----
Net decrease in marketing and trading gross margin	(146)
	-----
Total decrease in the electric retail and the marketing and trading segments' gross margins	(23)
Higher real estate gross margin primarily due to increased sales activities	15
Lower operations and maintenance expense primarily related to lower generation reliability costs partially offset by higher other costs	11
Lower depreciation and amortization primarily due to lower regulatory asset amortization	9
Lower net other income	(9)
Miscellaneous items, net	(3)
	-----
Change in income before income taxes	--
Change in income taxes	--
	-----
Change in income before accounting change	\$ --
	=====

(a) Net marketing and trading gains (excluding the effects of generation sales other than native load) recognized for the current period decreased \$14 million.

(b) Essentially all of our marketing and trading activities are structured activities. This means our portfolio of forward sales positions is economically hedged with a portfolio of forward purchases that protects the economic value of the sales transactions.

## **ELECTRIC RETAIL SEGMENT GROSS MARGIN**

Revenues related to our regulated retail and wholesale electricity businesses were \$275 million lower in the six-month period ended June 30, 2002, compared to the same period in the prior year as a result of:

- \* decreased revenues related to traditional wholesale sales as a result of lower sales volumes and lower prices (\$79 million);
- \* decreased revenues related to retail load hedge management wholesale sales, as a result of lower sales volumes and lower prices (\$174 million);
- \* decreased retail revenues related to milder weather (\$35 million);
- \* increased retail revenues related to customer growth and higher average usage, excluding weather effects (\$29 million);
- \* decreased retail revenues related to a reduction in retail electricity prices (\$13 million); and
- \* other miscellaneous factors (\$3 million net decrease).

Electric retail segment purchased power and fuel costs were \$398 million lower in the six-month period ended June 30, 2002, compared to the same period in the prior year as a result of:

- \* decreased costs related to traditional wholesale sales as a result of lower sales volumes and lower prices (\$79 million);
- \* decreased costs related to lower prices for hedged natural gas and purchased power (\$210 million);
- \* decreased costs related to the effects of milder weather on retail sales (\$13 million);
- \* increased costs related to retail sales growth, excluding weather effects (\$12 million); and
- \* decreased replacement power costs for power plant outages due to lower market prices and fewer unplanned outages (\$108 million).

## **MARKETING AND TRADING SEGMENT GROSS MARGIN**

Marketing and trading segment revenues were \$667 million lower in the six-month period ended June 30, 2002, compared to the same period in the prior year as a result of:

- \* decreased revenues from generation sales other than native load due to lower market prices and resulting lower sales volumes (\$128 million);
- \* decreased revenues from other realized marketing and trading in the current period primarily due to lower prices (\$441 million);
- \* change in prior period mark-to-market gains on contracts delivered during the current period due to higher volumes being delivered (\$37 million decrease); and
- \* lower mark-to-market gains for future period deliveries primarily as a result of lower market liquidity and lower price volatility, resulting in lower volumes (\$61 million).

Marketing and trading segment purchased power and fuel costs were \$521 million lower in the six-month period ended June 30, 2002, compared to the same period in the prior year as a result of:

- \* decreased fuel costs related to generation sales other than native load primarily because of lower sales volumes and lower natural gas prices (\$57 million);
- \* decreased purchased power costs related to other realized marketing and trading in the current period primarily due to lower prices (\$472 million); and
- \* change in prior period mark-to-market fuel costs for current period deliveries (\$8 million net increase).

The increase in real estate gross margin of \$15 million was primarily due to increased sales activities.

The decrease in operations and maintenance expense of \$11 million was primarily due to lower costs related to generation reliability, plant outages and maintenance costs. Operation and maintenance expense was also lower as a result of the reversal of \$4 million of a \$10 million reserve recorded in the prior period for the California energy situation. These decreases were partially offset by increased employee benefit and other costs.

The decrease in depreciation and amortization expense of \$9 million primarily related to lower regulatory asset amortization, in accordance with APS' 1999 regulatory settlement, partially offset by increased depreciation on higher plant balances.

Net other income (expense) decreased \$9 million primarily due to an insurance recovery recorded in the prior period related to environmental remediation costs and losses recorded on El Dorado's investments in the current period, partially offset by lower miscellaneous non-operating costs.

### **OPERATING RESULTS - TWELVE-MONTH PERIOD ENDED JUNE 30, 2002 COMPARED WITH TWELVE-MONTH PERIOD ENDED JUNE 30, 2001**

Our consolidated net income for the twelve months ended June 30, 2002 was \$315 million compared with \$285 million for the same period in the prior year. We recognized a \$12 million after-tax loss in the twelve months ended June 30, 2002 and a \$3 million after-tax loss in the twelve months ended June 30, 2001 as cumulative effects of a change in accounting for derivatives, as required by SFAS No.133.

Our income before accounting change for the twelve months ended June 30, 2002 was \$327 million compared with \$288 million for the same period a year earlier. The period-to-period comparison benefited from increased earnings contributions from our regulated retail electricity and real estate operations that were partially offset by lower earnings contributions from our marketing and trading activities and higher operations and maintenance expenses. The retail comparison was favorably impacted by lower replacement costs for power plant outages, lower costs for purchased power and gas related to lower market prices, customer growth and higher average usage per customer, partially offset by the effects of milder weather and a retail electricity price decrease. The real estate results benefited primarily from more sales activities. The comparison for marketing and trading activities reflects lower volumes and prices in the wholesale power markets in the western United States.

The major factors that increased (decreased) income before accounting change were as follows (dollars in millions):

	Increase (Decrease)
	-----
Electric retail segment gross margin:	
Lower replacement power costs for plant outages due to lower market prices and fewer unplanned outages	\$ 126
Lower purchased power and fuel costs related to lower prices, net of hedge management sales	33
Effects of milder weather on retail sales	(9)
Higher retail sales volumes due to customer growth and higher average usage, excluding weather effects	27
Retail price reductions effective July 1, 2001	(28)
Miscellaneous factors - net	(1)
	-----
Net increase in electric retail segment gross margin	148
	-----
Marketing and trading segment gross margin:	
Decrease in generation sales other than native load due to lower market prices and resulting lower sales volumes	(112)
Increase in other realized marketing and trading in the current period primarily due to higher unit margins on increased volumes	72(a)
Change in prior period mark-to-market gains on contracts delivered during the current period (b)	(88)(a)
Higher mark-to-market gains for future period deliveries (b)	36
	-----
Net decrease in marketing and trading gross margin	(92)
	-----
Total increase in the electric retail and the marketing and trading segments' gross margins	56
Higher real estate gross margin primarily due to increased sales activities	16
Higher operations and maintenance expense primarily related to higher generation reliability costs partially offset by lower other costs	(29)
Lower depreciation and amortization primarily due to lower regulatory asset amortization	12
Lower losses in net other income primarily related to El Dorado	11
Lower net interest expense primarily due to higher capitalized interest	7
Miscellaneous items, net	(5)
	-----
Increase in income before income taxes	68
Lower income taxes primarily due to lower income	(29)
	-----
Increase in income before accounting change	\$ 39
	=====

(a) Net marketing and trading gains (excluding the effects of generation sales other than native load) recognized for the current period decreased \$16 million.

(b) Essentially all of our marketing and trading activities are structured activities. This means our portfolio of forward sales positions is economically hedged with a portfolio of forward purchases that protects the economic value of the sales transactions.

## **ELECTRIC RETAIL SEGMENT GROSS MARGIN**

Revenues related to our regulated retail and wholesale electricity businesses were \$477 million lower in the twelve-month period ended June 30, 2002, compared to the same period in the prior year as a result of:

- \* decreased revenues related to traditional wholesale sales as a result of lower sales volumes and lower prices (\$177 million);
- \* decreased revenues related to wholesale sales, as a result of lower sales volumes and lower prices (\$301 million);
- \* decreased retail revenues related to milder weather (\$14 million);
- \* increased retail revenues related to customer growth and higher average usage, excluding weather effects (\$44 million);
- \* decreased retail revenues related to a reduction in retail electricity prices (\$28 million); and
- \* other miscellaneous factors (\$1 million net decrease).

Electric retail segment purchased power and fuel costs were \$625 million lower in the twelve-month period ended June 30, 2002, compared to the same period in the prior year as a result of:

- \* decreased costs related to traditional wholesale sales as a result of lower sales volumes and lower prices (\$177 million);
- \* decreased costs related to lower prices for hedged natural gas and purchased power prices (\$331 million);
- \* decreased costs related to the effects of milder weather on retail sales (\$5 million);
- \* increased costs related to retail sales growth, excluding weather effects (\$17 million);
- \* decreased replacement power costs for power plant outages due to lower market prices and fewer unplanned outages (\$126 million); and
- \* miscellaneous factors (\$3 million net decrease).

## **MARKETING AND TRADING SEGMENT GROSS MARGIN**

Marketing and trading segment revenues were \$616 million lower in the twelve-month period ended June 30, 2002, compared to the same period in the prior year as a result of:

- \* decreased revenues from generation sales other than native load due to lower market prices and resulting lower sales volumes (\$212 million);
- \* decreased revenues from other realized marketing and trading in the current period primarily due to lower prices (\$359 million);
- \* change in prior period mark-to-market gains on contracts delivered during the current period due to higher volumes being delivered (\$80 million decrease); and
- \* higher mark-to-market gains for future period deliveries primarily as a result of greater market liquidity and greater price volatility, resulting in higher volumes (\$35 million).



Marketing and trading segment purchased power and fuel costs were \$524 million lower in the twelve-month period ended June 30, 2002, compared to the same period in the prior year as a result of:

- \* decreased fuel costs related to generation sales other than native load primarily because of lower sales volumes and lower natural gas prices (\$100 million);
- \* decreased purchased power costs related to other realized marketing and trading in the current period primarily due to lower prices (\$431 million);
- \* change in prior period mark-to-market fuel costs for current period deliveries related to accounting for derivatives (\$8 million increase); and
- \* other miscellaneous factors (\$1 million decrease).

The increase in real estate gross margin of \$16 million was primarily due to increased sales activities.

The increase in operations and maintenance expense of \$29 million was primarily due to higher costs related to generation reliability, plant outages and maintenance costs. Operations and maintenance expense was also higher due to increased employee benefit and other costs. These factors were partially offset as a result of the reversal of \$4 million of a \$10 million reserve recorded in the prior period for the California energy situation.

The decrease in depreciation and amortization expenses of \$12 million primarily related to lower regulatory asset amortization, in accordance with APS' 1999 regulatory settlement, partially offset by increased depreciation on higher plant balances.

Net other income (expense) improved \$11 million primarily due to lower losses recorded on El Dorado's investments in the current period than in the prior period. These reductions were partially offset by the effects of an insurance recovery recorded in the prior period related to environmental remediation costs.

Net interest expense decreased \$7 million primarily because of the increase in capitalized interest on our generation expansion program and the effects of lower interest rates. These reductions in net interest expense more than offset the increase in interest expense on higher debt balances primarily related to our generation expansion program.

**PINNACLE WEST CAPITAL CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
(unaudited)

(in thousands, except per share amounts)

	Three Months Ended June 30, 2002	2001
	-----	-----
Operating Revenues		
Electric retail segment	\$ 496,840	\$ 739,317
Marketing and trading segment	148,946	522,041
Real estate	69,152	32,454
	-----	-----
Total	714,938	1,293,812
	-----	-----
Operating Expenses		
Electric retail segment purchased power and fuel	104,590	434,822
Marketing and trading segment purchased power and fuel	129,927	423,935
Operations and maintenance	128,996	132,139
Real estate operations	56,213	32,437
Depreciation and amortization	102,087	106,129
Taxes other than income taxes	27,632	25,462
	-----	-----
Total	549,445	1,154,924
	-----	-----
Operating Income	165,493	138,888
	-----	-----
Other Income (Expense)	(7,693)	3,237
	-----	-----
Interest Expense		
Interest charges	46,996	43,823
Capitalized interest	(14,005)	(12,527)
	-----	-----
Total	32,991	31,296
	-----	-----
Income Before Income Taxes	124,809	110,829
Income Taxes	49,444	43,972
	-----	-----
Net Income	\$ 75,365	\$ 66,857
	=====	=====
Weighted-Average Common Shares Outstanding - Basic	84,794	84,744
Weighted-Average Common Shares Outstanding - Diluted	84,926	85,042
Earnings Per Weighted-Average Common Share Outstanding		
Net Income - Basic	\$ 0.89	\$ 0.79
Net Income - Diluted	0.89	0.79

**PINNACLE WEST CAPITAL CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
(unaudited)

(in thousands, except per share amounts)

	Six Months Ended June 30, 2002	2001
	-----	-----
Operating Revenues		
Electric retail segment	\$ 877,079	\$ 1,152,124
Marketing and trading segment	348,479	1,015,728
Real estate	110,337	64,789
	-----	-----
Total	1,335,895	2,232,641
	-----	-----
Operating Expenses		
Electric retail segment purchased power and fuel	166,122	564,449
Marketing and trading segment purchased power and fuel	289,431	810,732
Operations and maintenance	246,426	257,389
Real estate operations	93,571	63,445
Depreciation and amortization	202,000	210,910
Taxes other than income taxes	54,390	50,765
	-----	-----
Total	1,051,940	1,957,690
	-----	-----
Operating Income	283,955	274,951
	-----	-----
Other Income (Expense)	(6,605)	2,499
	-----	-----
Interest Expense		
Interest charges	91,684	86,572
Capitalized interest	(28,128)	(22,954)
	-----	-----
Total	63,556	63,618
	-----	-----
Income Before Income Taxes	213,794	213,832
Income Taxes	84,672	84,770
	-----	-----
Income Before Accounting Change	129,122	129,062
Cumulative Effect of a Change in Accounting for Derivatives		
- Net of Income Tax Benefit of \$1,793	--	(2,755)
	-----	-----
Net Income	\$ 129,122	\$ 126,307
	=====	=====
Weighted-Average Common Shares Outstanding - Basic	84,769	84,736
Weighted-Average Common Shares Outstanding - Diluted	84,910	85,005
Earnings Per Weighted-Average Common Share Outstanding		
Income Before Accounting Change - Basic	\$ 1.52	\$ 1.52
Net Income - Basic	1.52	1.49
Income Before Accounting Change - Diluted	1.52	1.52
Net Income - Diluted	1.52	1.49

**PINNACLE WEST CAPITAL CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
(unaudited)

(in thousands, except per share amounts)

	Twelve Months Ended June 30, 2002	2001
	-----	-----
Operating Revenues		
Electric retail segment	\$ 2,287,043	\$ 2,764,355
Marketing and trading segment	1,153,128	1,768,905
Real estate	214,456	144,891
	-----	-----
Total	3,654,627	4,678,151
	-----	-----
Operating Expenses		
Electric retail segment purchased power and fuel	762,536	1,387,776
Marketing and trading segment purchased power and fuel	982,054	1,505,521
Operations and maintenance	519,132	489,810
Real estate operations	183,588	130,473
Depreciation and amortization	418,993	430,839
Taxes other than income taxes	104,693	99,543
	-----	-----
Total	2,970,996	4,043,962
	-----	-----
Operating Income	683,631	634,189
	-----	-----
Other Income (Expense)	(14,869)	(26,364)
	-----	-----
Interest Expense		
Interest charges	180,934	171,418
Capitalized interest	(53,036)	(35,957)
	-----	-----
Total	127,898	135,461
	-----	-----
Income Before Income Taxes	540,864	472,364
Income Taxes	213,437	184,941
	-----	-----
Income Before Accounting Change	327,427	287,423
Cumulative Effect of a Change in Accounting for Derivatives		
- Net of Income Tax Benefits of \$8,099 and \$1,793	(12,446)	(2,755)
	-----	-----
Net Income	\$ 314,981	\$ 284,668
	=====	=====
Weighted-Average Common Shares Outstanding - Basic	84,734	84,736
Weighted-Average Common Shares Outstanding - Diluted	84,888	85,007
Earnings Per Weighted-Average Common Share Outstanding		
Income Before Accounting Change - Basic	\$ 3.86	\$ 3.39
Net Income - Basic	3.72	3.36
Income Before Accounting Change - Diluted	3.86	3.38
Net Income - Diluted	3.71	3.35

## Pinnacle West Capital Corporation Quarterly Consolidated Statistical Summary Glossary of Terms

Arizona Job Growth	Percentage growth over the prior year in total non-farm payroll employment for the state of Arizona, non-seasonally adjusted.
Building Permits - Metro Phoenix	The number of residential dwellings permitted to be built by authorized agencies in Maricopa County, Arizona. Single-family refers to detached buildings intended to be occupied by one family each. Multi-family permits represent the number of units authorized to be built in condominium, townhouse and apartment complexes.
Capacity Factor	The ratio of the average operating load of an electric power generating unit for a period of time to the capacity rating of the unit during that period.
Change in Mark-To-Market Gains (Losses) For Future-Period Deliveries	The gross margin related to the change in mark-to-market value in the current period of transactions which have been entered into during the current period or prior periods for which the commodities are scheduled for delivery in a future period.
Current Period Effects	The net effect of the total revenue or gross margins realized on delivery of commodities in the period being measured, and the amount of prior-period mark-to-market (gains) losses on contracts delivered during period. The net effect of transferring prior-period mark-to-market to realized does not affect total revenues, gross margin or earnings.
Degree-Days -- Cooling	A measure of temperatures designed to indicate the amount of electricity demand for cooling purposes. Cooling degree-days are calculated by summing the difference between each day's actual average temperature and a base temperature of 65(degree)F for the month. Average temperatures less than the base temperature are ignored.
Degree-Days -- Heating	A measure of temperatures designed to indicate the amount of electricity demand for heating purposes. Heating degree-days are calculated by summing the difference between each day's actual average temperature and a base temperature of 65(degree)F for the month. Average temperatures greater than the base temperature are ignored.

Electricity Marketing and Trading  
- Delivered

All wholesale sales of electricity not accounted for in sales under traditional contracts or retail load hedge management. These sales are made to other electric companies, power marketers, or public entities for the purpose of resale. Measured in gigawatt-hours.

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

Electricity Spot Prices -- Palo Verde Electricity average daily spot prices at

- On-Peak

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

Electricity Spot Prices -- SP15  
- Off-Peak

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

Electricity Spot Prices -- SP15  
- On-Peak

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

Generation Capacity Out of Service and Replaced for Native Load

Total capacity required and economic, yet unavailable for retail customers and traditional wholesale contracts due to scheduled or unscheduled outages. Measured in megawatts per day.

Generation Sales Other Than Native Load

Sales of electricity from generation owned by the company that is over and above the amount required to serve retail customers and traditional wholesale contracts.

Generation Production -- Coal

Amount of net energy produced by coal-fueled generators. Measured in gigawatt-hours.

Generation Production -- Gas/Oil/Other	Amount of net energy predominately produced by natural gas and oil-fueled generators. A small amount of energy from hydroelectric and solar power plants is also included. Measured in gigawatt-hours.
Generation Production -- Nuclear	Amount of net energy produced by nuclear-fueled generators. Measured in gigawatt-hours.
Gigawatt-hour (GWH)	A unit of energy equivalent to 1,000 megawatt-hours or 1,000,000 kilowatt-hours.
Marketing and Trading Gross Margin - Pretax	Revenues from marketing and trading activities (other than retail sales, traditional wholesale sales and retail load hedge management) less the costs of the related commodities, with mark-to-market gains or losses, before income taxes.
Marketing and Trading Gross Margin by Commodity -- Pretax	Marketing and trading gross margin, before income taxes, for generation sales other than native load and for sales and purchases of electricity and other commodities by the company in the wholesale market, summarized by the underlying commodities.
Realized and Mark-to-Market Components	Marketing and trading gross margin, before income taxes, for generation sales other than native load and for sales and purchases of electricity and other commodities by the company in the wholesale market, summarized by the period of delivery and whether the margin is realized or mark-to-market. Realized margins relate to commodities that have been delivered. Mark-to-market margins relate to commodities that have delivery dates in future periods.
Mark-To-Market	Adjustments to revenues or costs to recognize value of sales and purchase contracts, for which the commodities are scheduled for delivery in a future period, at current forward wholesale prices.
Megawatt (MW)	One million watts.
Megawatt-hour (MWh)	A unit of energy equivalent to 1,000 kilowatt-hours.

Prior Period Mark-To-Market (Gains) Losses on Contracts Delivered During Current Period	The reversal of the gross margin related to mark-to-market transactions entered into in prior periods for which the commodities were delivered in the current period. Realization of prior-period mark-to-market relates to cash flow recognition, not revenue recognition or earnings recognition, because in accordance with mark-to-market accounting, the margin was already recorded in the prior period. A negative amount shown in this category represents the arithmetic opposite of a gain recognized in the period in which the commodities were delivered; an equal positive amount is reflected in the realized revenue or margin for delivered commodities. A positive amount shown in this category represents the arithmetic opposite of a loss recognized in the period in which the commodities were delivered; an equal negative amount is reflected in the realized revenue or margin for delivered commodities.
Purchased Power - Firm Load	Power purchased from wholesale market sources used to serve regulated retail demand and traditional wholesale contracts. Measured in gigawatt-hours.
Purchased Power - Marketing and Trading	Power purchased from wholesale market sources used to serve marketing and trading sales not served by company-owned generation. Measured in gigawatt-hours.
Realized Margin on Delivered Commodities	Marketing and trading gross margin related to electricity and other commodities that were delivered in the then-current period.
Retail Customer Growth	Percentage growth over the prior year in the number of retail customers.
Retail Electricity Usage	Total retail sales for a period divided by the average retail customers for the same period. Measured in kilowatt-hours per average customer.
Retail Load Hedge Management	Wholesale sales to liquidate electricity purchases originally intended to meet firm load during peak times, which purchases were not needed ultimately for firm load. These sales are made to other electric companies, power marketers, or public entities for the purpose of resale. Measured in gigawatt-hours.
Retail Sales	Sales of electricity made directly to retail customers or ultimate customers. Residential retail sales are sales to households. Business retail sales include commercial, industrial, irrigation, and streetlighting sales. Measured in gigawatt-hours.



System Peak Demand	The demand for electricity during the one hour of highest use each month. Measured in megawatts.
Traditional Contracts	Wholesale sales resulting from unique cost-based, long-term contracts held by the company with various entities for the supply of electricity at agreed-upon prices.
Weather Normalized	Adjusted to exclude the effects of abnormal weather patterns.

---

**End of Filing**

Powered By **EDGAR**  
Online

© 2005 | EDGAR Online, Inc.