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PINNACLE WEST CAPITAL CORP

FORM 8-K
(Current report filing)

Filed 08/10/11 for the Period Ending 08/10/11

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

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

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

Date of report (Date of earliest event reported): **August 10, 2011**

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

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

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

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

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

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

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

Item 7.01 Regulation FD Disclosure.

Investor and Analyst Meetings

Pinnacle West Capital Corporation ("Pinnacle West") will be participating in various investor meetings from August 10, 2011 through August 12, 2011 and will be utilizing handouts during those meetings. Copies of the handouts are attached hereto as Exhibit 99.1.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Registrant(s)	Description
99.1	Pinnacle West Arizona Public Service Company	Pinnacle West handouts for use at various investor meetings from August 10, 2011 through August 12, 2011.

SIGNATURES

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

PINNACLE WEST CAPITAL CORPORATION
(Registrant)

Dated: August 10, 2011

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

ARIZONA PUBLIC SERVICE COMPANY
(Registrant)

Dated: August 10, 2011

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

Exhibit 99.1

DELIVERING SUPERIOR SHAREHOLDER VALUE

Investor Meetings
August 10 – 12, 2011

PINNACLE WEST
CAPITAL CORPORATION

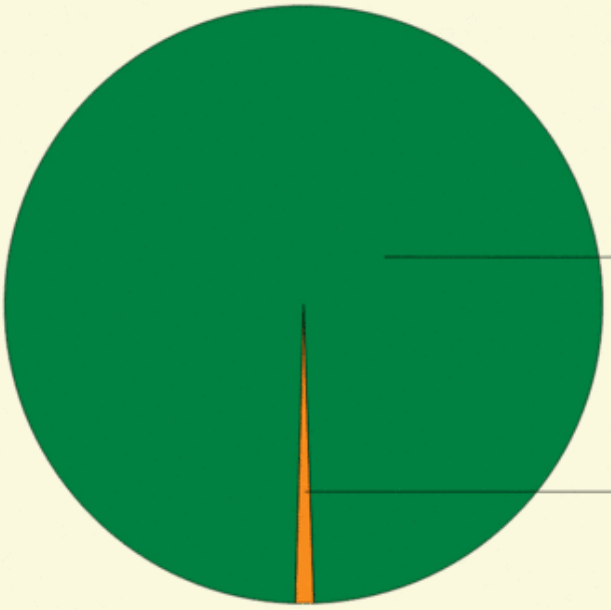
FORWARD-LOOKING STATEMENTS

This presentation contains forward-looking statements based on current expectations, including statements regarding our 2011 earnings outlook. These forward-looking statements are often identified by words such as "estimate," "predict," "may," "believe," "plan," "expect," "require," "intend," "assume" and similar words. Because actual results may differ materially from expectations, we caution you not to place undue reliance on these statements. A number of factors could cause future results to differ materially from historical results, or from outcomes currently expected or sought by Pinnacle West or APS. These factors include, but are not limited to: our ability to achieve timely and adequate rate recovery of our costs, including returns on debt and equity capital; our ability to manage capital expenditures and other costs while maintaining reliability and customer service levels; variations in demand for electricity, including those due to weather, the general economy, customer and sales growth (or decline), and the effects of energy conservation measures and distributed generation; power plant performance and outages; volatile fuel and purchased power costs; fuel and water supply availability; regulatory and judicial decisions, developments and proceedings; new legislation or regulation including those relating to greenhouse gas emissions, renewable energy mandates, nuclear plant operations and energy efficiency standards; our ability to meet renewable energy requirements and recover related costs; risks inherent in the operation of nuclear facilities, including spent fuel disposal uncertainty; competition in retail and wholesale power markets; the duration and severity of the economic decline in Arizona and current real estate market conditions; the cost of debt and equity capital and the ability to access capital markets when required; changes to our credit ratings; the investment performance of the assets of our nuclear decommissioning trust, pension, and other postretirement benefit plans and the resulting impact on future funding requirements; the liquidity of wholesale power markets and the use of derivative contracts in our business; potential shortfalls in insurance coverage; new accounting requirements or new interpretations of existing requirements; generation, transmission and distribution facility and system conditions and operating costs; the ability to meet the anticipated future need for additional baseload generation and associated transmission facilities in our region; the willingness or ability of our counterparties, power plant participants and power plant land owners to meet contractual or other obligations or extend the rights for continued power plant operations; technological developments affecting the electric industry; and restrictions on dividends or other provisions in our credit agreements and Arizona Corporation Commission orders. These and other factors are discussed in Risk Factors described in Item 1A of the Pinnacle West/APS Annual Report on Form 10-K for the fiscal year ended December 31, 2010, and in Part II, Item 1A of the Pinnacle West/APS Quarterly Report on Form 10-Q for the quarter ended June 30, 2011, which you should review carefully before placing any reliance on our financial statements, disclosures or earnings outlook. Neither Pinnacle West nor APS assumes any obligation to update these statements, even if our internal estimates change, except as required by law.

PINNACLE WEST
CAPITAL CORPORATION

PINNACLE WEST: WHO WE ARE

We are a vertically integrated, regulated electric utility.



NYSE Ticker	PNW
Market Cap	$5 Billion
Enterprise Value	$8 Billion

Vertically Integrated
Regulated Electric Utility
$12 Billion Assets

aps

Non-Utility Subsidiaries
$61 Million Assets

As of June 30, 2011

PINNACLE WEST
CAPITAL CORPORATION

FOCUSING ON CORE REGULATED ELECTRIC UTILITY BUSINESS

APS is Arizona's largest and longest-serving electric utility.

Service Territory
- 1.1 million customer accounts
- 34,646 square miles

Customer Growth
- 1.3% average annual growth expected 2011-2013
- 3-4% historical average — well above industry average

Resources
- 6,293 MW owned/leased capacity
- 2,454 MW contracted conventional resources
- 605 MW contracted renewables

2010 Peak Demand – 6,936 MW

PINNACLE WEST
CAPITAL CORPORATION

A RESPECTED, VETERAN LEADERSHIP TEAM

Our top executives have more than 130 combined years of creating shareholder value in the energy industry.

Don Brandt
Chairman & CEO

- **Jim Hatfield** — SVP & CFO
- **Don Robinson** — APS President & COO
- **Mark Schiavoni** — SVP Fossil Generation
- **Randy Edington** — EVP & Chief Nuclear Officer
- **Dave Falck** — EVP, General Counsel & Secretary

PINNACLE WEST
CAPITAL CORPORATION

PINNACLE WEST: OUR VALUE PROPOSITION

Our commitment to investors:
Deliver superior shareholder returns through...

PINNACLE WEST
CAPITAL CORPORATION

PINNACLE WEST: OUR VALUE PROPOSITION

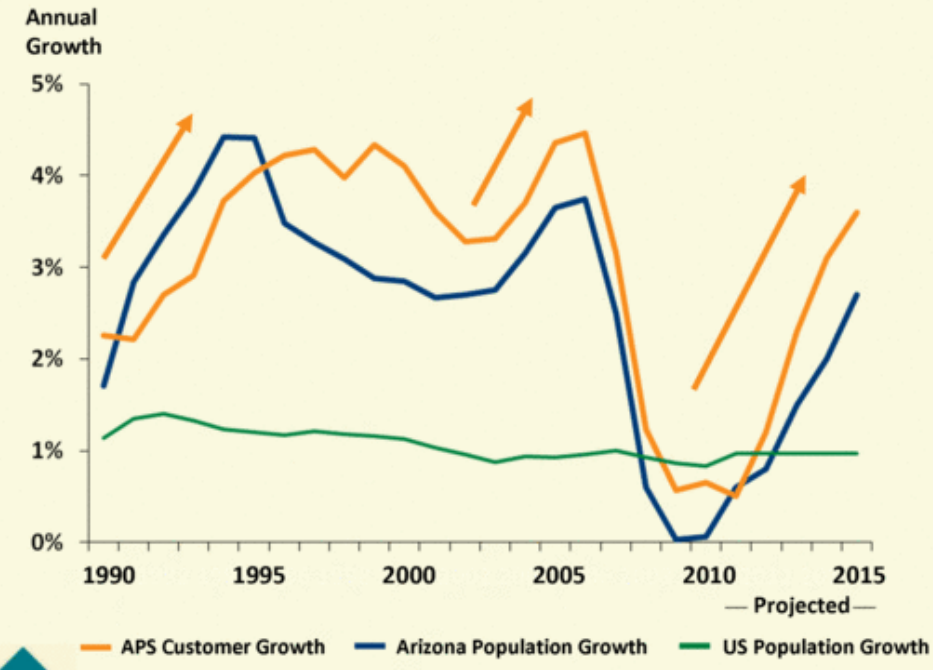
Capitalizing on intrinsic growth

PINNACLE WEST
CAPITAL CORPORATION

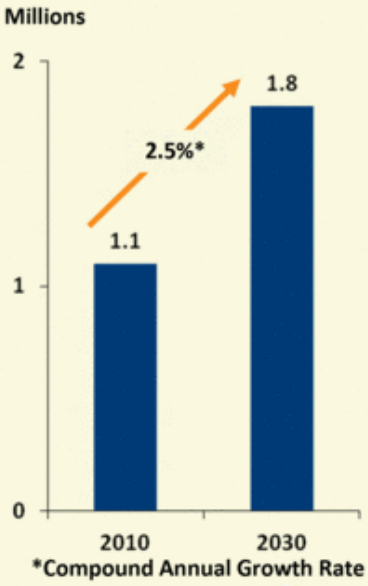
POSITIVE LONG-TERM DEMOGRAPHICS

APS's customer growth generally outpaces U.S. and Arizona population growth.

Superior Growth



APS Customer Growth



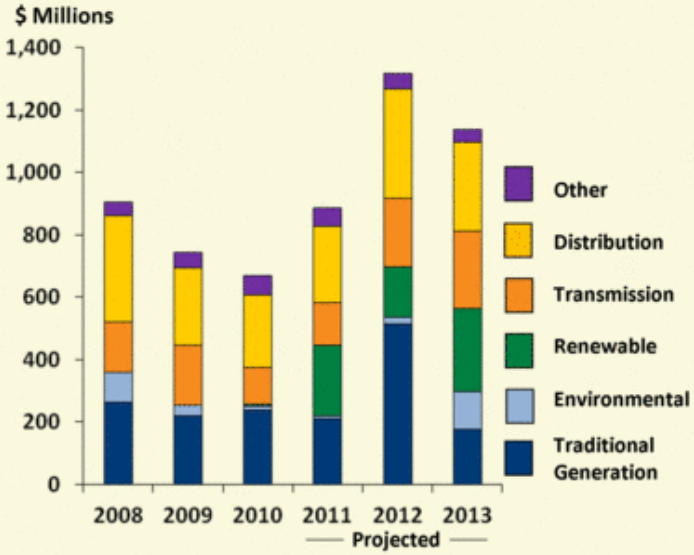
CAPITALIZING ON INTRINSIC GROWTH

PINNACLE WEST CAPITAL CORPORATION

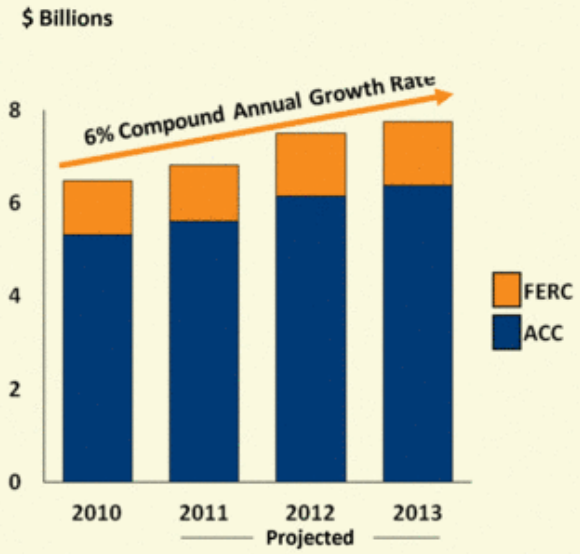
APS CAP EX DRIVES STRONG RATE BASE GROWTH

We reduced capital expenditures based on current economic conditions, yet still expect strong rate base growth.

APS Capital Expenditures



APS Rate Base



CAPITALIZING ON INTRINSIC GROWTH

PINNACLE WEST CAPITAL CORPORATION

PINNACLE WEST: OUR VALUE PROPOSITION

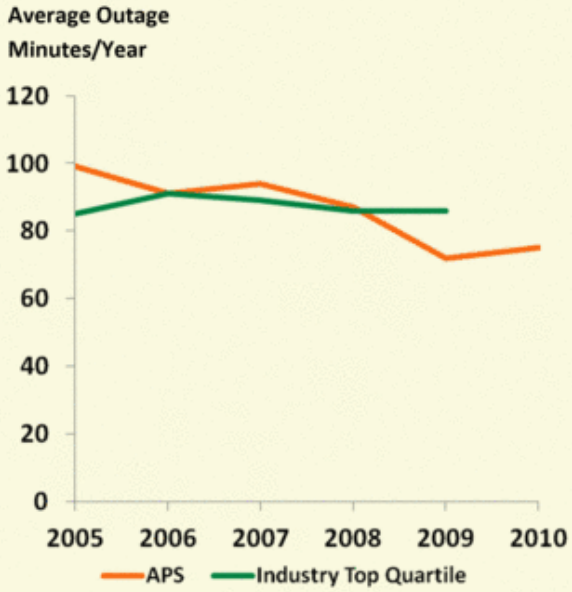
Maintaining operational excellence

PINNACLE WEST
CAPITAL CORPORATION

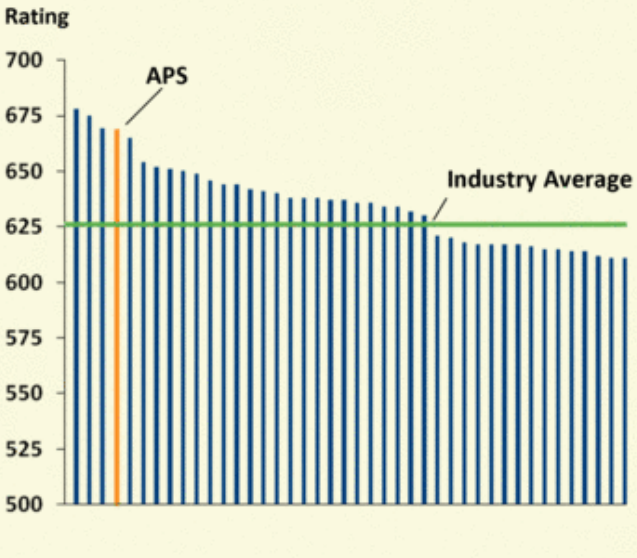
CUSTOMER SATISFACTION ... A KEY PRIORITY

Our employees provide top-tier customer service.

Lowering Outage Time Per Customer



Outstanding Residential Customer Satisfaction Rating



2011 J.D. Power Residential Customer Survey

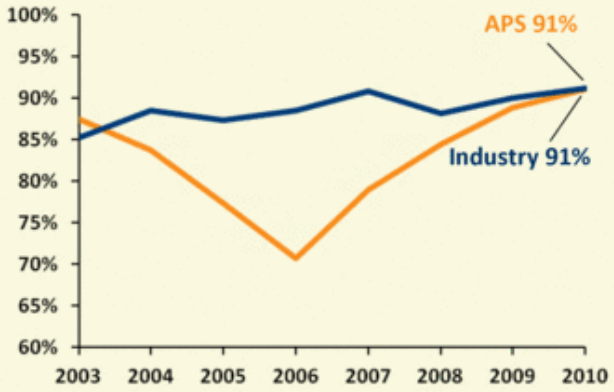
MAINTAINING OPERATIONAL EXCELLENCE

PINNACLE WEST CAPITAL CORPORATION

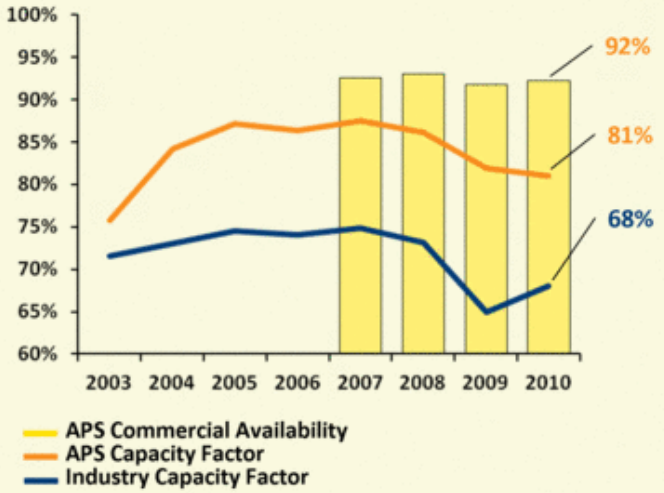
SUPERIOR POWER PLANT PERFORMANCE

Our nuclear and coal plants are strong baseload resources.

Nuclear Capacity Factors



Coal Performance Metrics



ENVIRONMENTAL, SUSTAINABILITY AND GOVERNANCE LEADERSHIP

We are recognized worldwide for our achievements.

Dow Jones Sustainability Indexes
Member 2006/07

Dow Jones
Sustainability Index

CR's 100 Best 2011

Ranked 15th Overall
Highest for Any Utility

GLOBAL 1000
SUSTAINABLE PERFORMANCE LEADERS

Ranked 294 of 1,000
Companies Worldwide

BEST IN CLASS
environmental and social performance
STOREBRAND SRI

Social Responsibility Index
"Best in Class" Distinction

U.S. DOE/EPA Sustained
Excellence Award

CORPORATE KNIGHTS

Global 100 Most Sustainable
Corporations in World

Innovest
STRATEGIC VALUE ADVISORS

Highest Rating (AAA) and
Ranked #2 Electric Utility

SEPA

Top 10 Utility
Solar Ranking

CLAREMONT MCKENNA COLLEGE

Social Responsibility Reporting
Highest Overall Score
of U.S. Utilities

MAINTAINING OPERATIONAL EXCELLENCE

PINNACLE WEST
CAPITAL CORPORATION

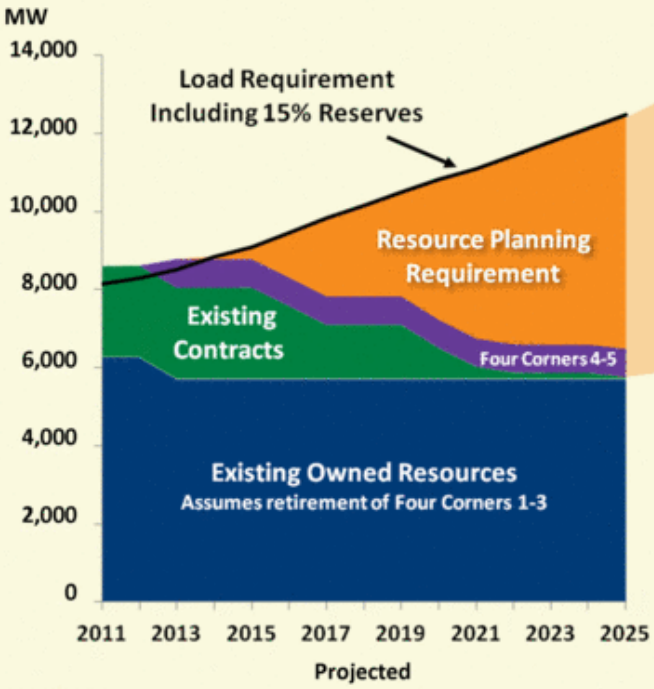
PINNACLE WEST: OUR VALUE PROPOSITION

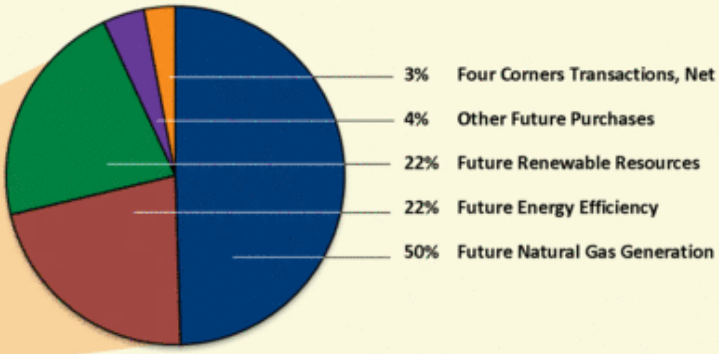
Making compelling capital investments

PINNACLE WEST
CAPITAL CORPORATION

RESOURCE PLANNING FOR RELIABILITY AND SUSTAINABILITY

Through a balanced resource mix including renewable resources and energy efficiency programs, we will meet future load growth.





Additional Resources by 2025

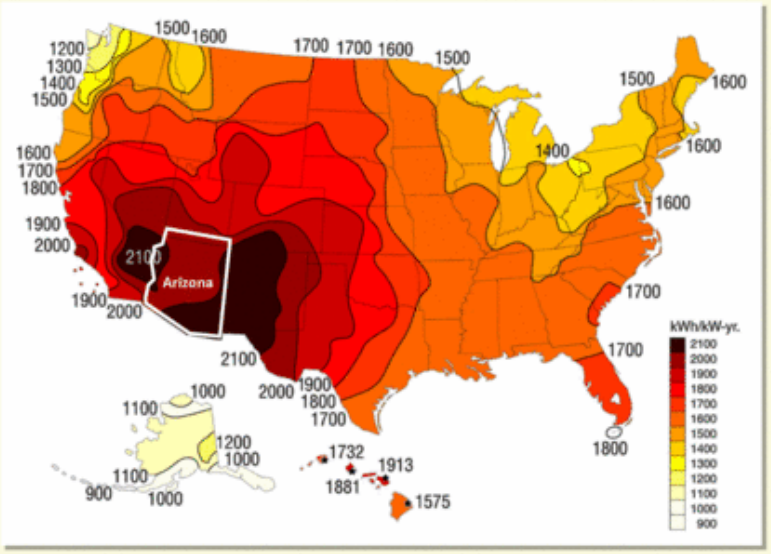
- 2012 Four Corners transactions
- Renewables (primarily solar and wind)
- Energy efficiency
- Natural gas

MAKING COMPELLING CAPITAL INVESTMENTS

PINNACLE WEST CAPITAL CORPORATION

RENEWABLE ENERGY RISES WITH THE SUN

We are helping Arizona become the "Solar Capital of the World."



Germany and Japan are among countries with highest installed solar capacity, yet have solar conditions far inferior to Arizona

APS AZ Sun Program

Owning solar resources makes sense for our customers, communities, environment, and provides returns to our shareholders.

Utility-scale solar photovoltaic plants to be owned by APS

Phase I – Underway

- 100 MW
- Up to $500 million capital investment
- In service 2011 through 2014
- Constructive rate recovery
- Commitments to date:
  - 83 MW
  - $384 million capital investment
- Additional procurement initiatives underway

Phase II - Proposed

- Additional 100 MW
- Up to $475 million capital investment
- In service 2013 through 2015
- Rate recovery through RES until included in base rates
- Requested in 2012 RES Implementation Plan filed with ACC July 1, 2011
- Decision expected by end of 2011

FOUR CORNERS POWER PLANT TRANSACTIONS

Our proposal represents a balanced solution to new environmental regulations.

Acquire Southern California Edison's 739 MW interest in Units 4 & 5 and shut down 560 MW Units 1 – 3

- Purchase price: $294 million
- Acquisition target date: late 2012
- Estimated environmental compliance investment: $300 million
- Finance with mix of debt and equity
- Arizona, California and other regulatory approvals required

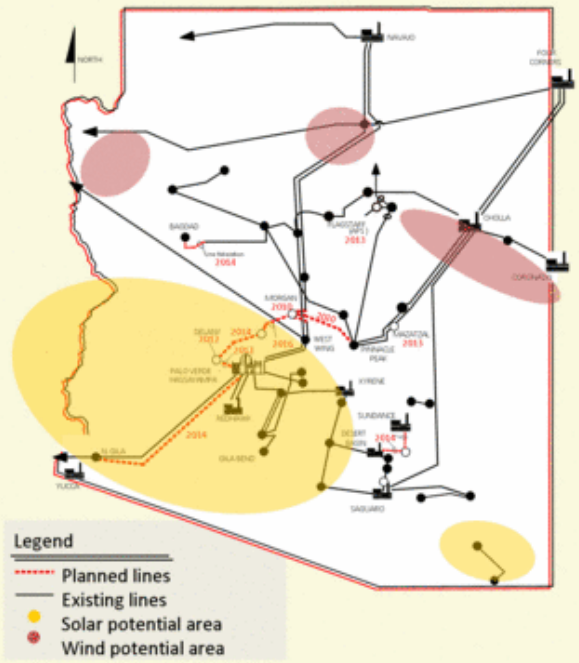
Economic, environmental and social benefits

ACC Procedural Schedule

- May 31, 2011 Staff/Intervenor direct testimony
- June 22, 2011 APS rebuttal testimony
- July 14, 2011 Hearing commenced

TRANSMISSION INVESTMENT ESSENTIAL

Strategic transmission is necessary to maintain reliability and deliver diversified resources to our customers.



- 10-Year Transmission Plan (115-kV and above)
  - $450 million of new transmission investment
  - 258 miles of new lines
  - Increases import capability by 6% to metro Phoenix and 39% to Yuma
- Projects to deliver renewable energy approved by ACC
- Transmission investment diversifies regulatory risk
  - Constructive regulatory treatment
  - FERC formula rates and retail adjustor

PINNACLE WEST: OUR VALUE PROPOSITION

Improving our regulatory environment

PINNACLE WEST
CAPITAL CORPORATION

ARIZONA CORPORATION COMMISSIONERS

The new composition provides opportunities for additional relationships and process efficiencies.

Terms Through January 2013			Terms Through January 2015	
Sandra Kennedy (Dem)	Paul Newman (Dem)	Bob Stump (Rep)	Brenda Burns (Rep)	Gary Pierce (Rep)* Chairman

* Term limited

2011 RETAIL RATE CASE FILING BENEFITS

The rate case provisions contain a number of benefits for customers and shareholders.

- Provides financial support APS needs to achieve Arizona's energy goals
- Encourages progress toward sustainable energy future
- Supports renewable energy and energy efficiency
- Continues constructive regulatory framework established in 2009 regulatory settlement
- Promotes rate gradualism for customers

2011 RETAIL RATE CASE FILING KEY FINANCIAL COMPONENTS

APS has requested a base rate increase to become effective July 1, 2012.

	Annual Revenue Change	
Non-fuel base rate increase	$ 194.1	6.6%
Amounts transferring from adjustment mechanism revenues		
Renewable Energy Surcharge revenues related to AZ Sun and other solar projects	44.9	
Power Supply Adjustor revenues (refunds)	(143.5)	
Net base rate increase	$ 95.5	3.3%

2011 RETAIL RATE CASE FILING
KEY FINANCIAL ASSUMPTIONS

Updated rate base, cost of capital and fuel prices underpin the rate request amounts.

Rate base	$5.7 billion
Return on equity	11%
Capital structure	
Long-term debt	46.1%
Common equity	53.9%
Base fuel rate (¢/kWh)	3.24
Projected fuel-price year for base fuel rate	2012

Test year ended December 31, 2010

2011 RETAIL RATE CASE FILING DETAILS OF REQUEST

Other key provisions continue constructive regulatory treatment and limit regulatory lag.

- Post test-year plant additions through rate effective date
  - $259 million AZ Sun projects
  - $161 million other projects
- Revenue-per-customer decoupling mechanism
- Infrastructure tracker
  - New generation additions and generation efficiency projects
  - Environmental compliance investments
- 100% Power Supply Adjustor
- Remaining portions of AZ Sun project to be recovered through RES until included in base rates (consistent with treatment for first 50 MW)

2011 RETAIL RATE CASE FILING
ACC Procedural Schedule

The procedural schedule provides a process which could allow a final decision by July 1, 2012, consistent with APS's 2009 regulatory settlement.

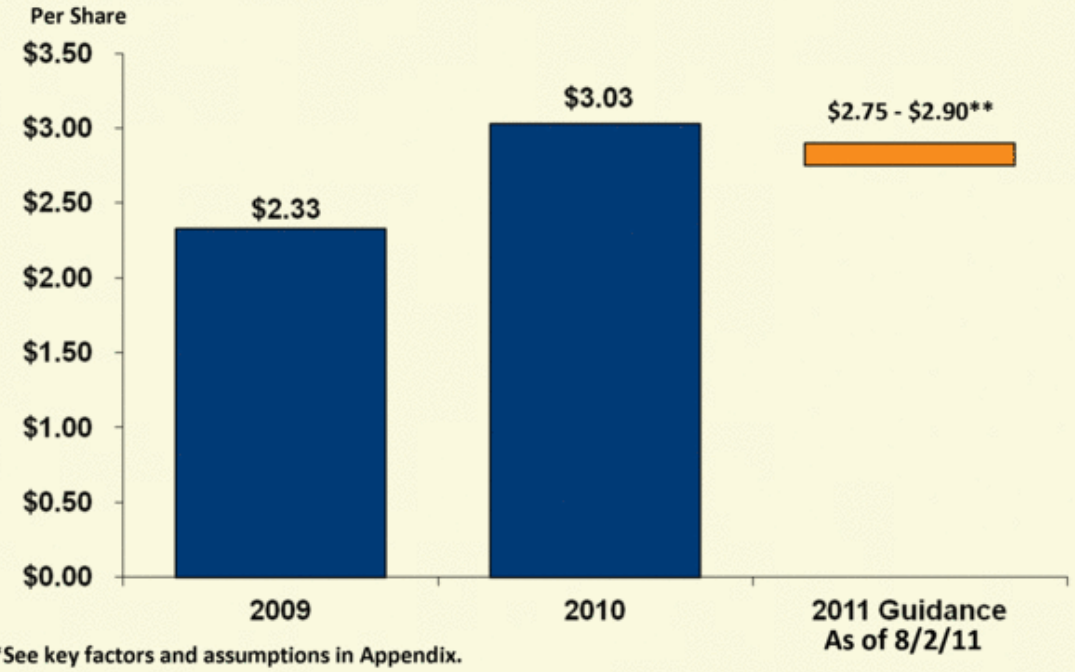
Nov. 18, 2011	ACC Staff and intervenors' direct testimony due, except cost of service and rate design
Nov. 30, 2011	Settlement discussions may begin
Dec. 2, 2011	ACC Staff and intervenors' direct testimony due on cost of service and rate design
Dec. 23, 2011	Settlement agreement to be filed, if reached
Dec. 23, 2011	APS rebuttal testimony due, if no settlement reached
Jan. 11, 2012	ACC Staff and intervenors' surrebuttal testimony due, if no settlement reached
Jan. 11, 2012	Testimony supporting or opposing settlement due, if settlement reached
Jan. 17, 2012	APS rejoinder testimony due, if no settlement reached
Jan. 19, 2012	Hearing to begin

PINNACLE WEST: OUR VALUE PROPOSITION

PINNACLE WEST
CAPITAL CORPORATION

CONSOLIDATED ON-GOING EPS OUTLOOK

Our on-going earnings improved since 2009.



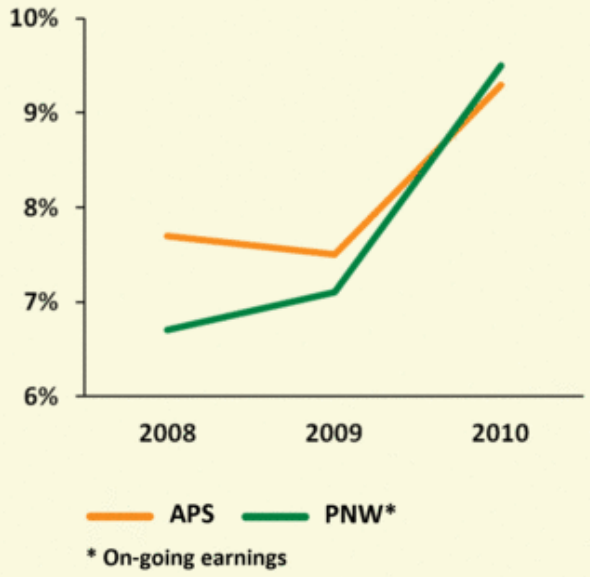
**See key factors and assumptions in Appendix.

PINNACLE WEST
CAPITAL CORPORATION

ROE IMPROVEMENT: A MULTI-PRONGED APPROACH

Improving our earned return on equity is one of our top priorities.

Earned ROEs



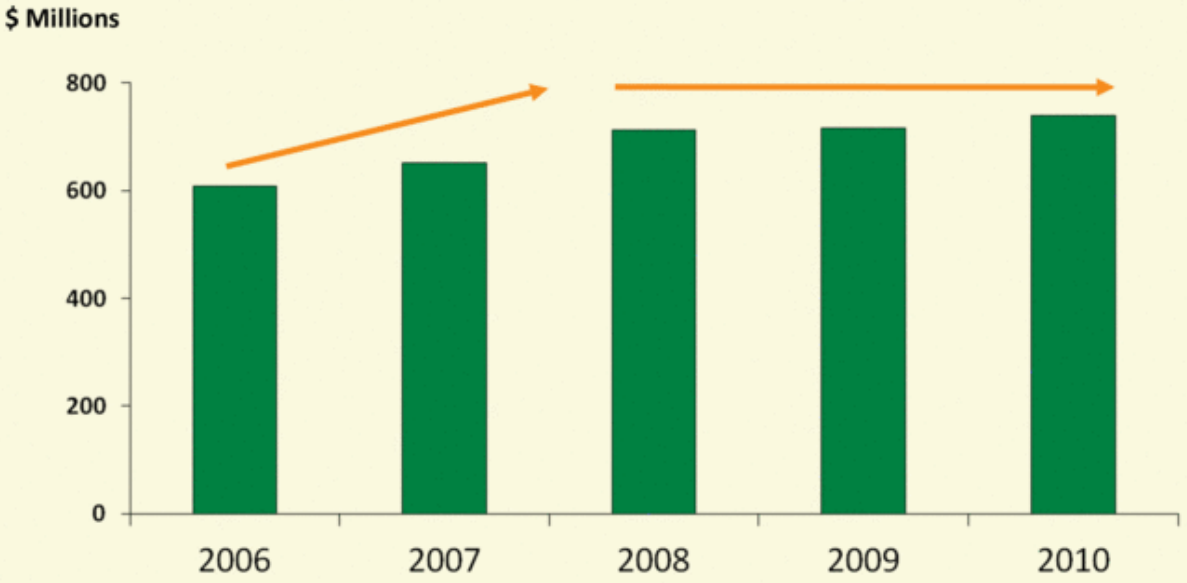
* On-going earnings

Key Initiatives

- Supportive electric utility rates
- Regulatory framework improvements
- Cost management initiatives
- Efficiency and effectiveness throughout organization

APS OPERATIONS & MAINTENANCE EXPENSE TRENDS

Our goal is to keep O&M growth in line with retail sales growth.



Excludes RES and demand-side management costs

PINNACLE WEST CAPITAL CORPORATION

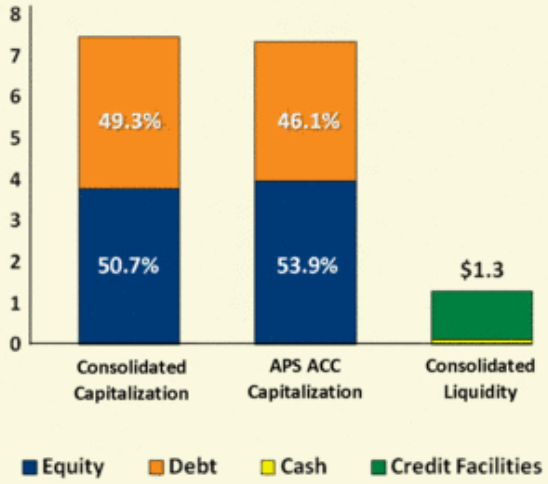
AMPLE FINANCING ACCESS

Investment-grade credit ratings, capitalization and liquidity should provide adequate access to bank and capital markets.

Capitalization & Liquidity

December 31, 2010

$ Billions



*Completed.

2011 - 2012 Major Financing Activities

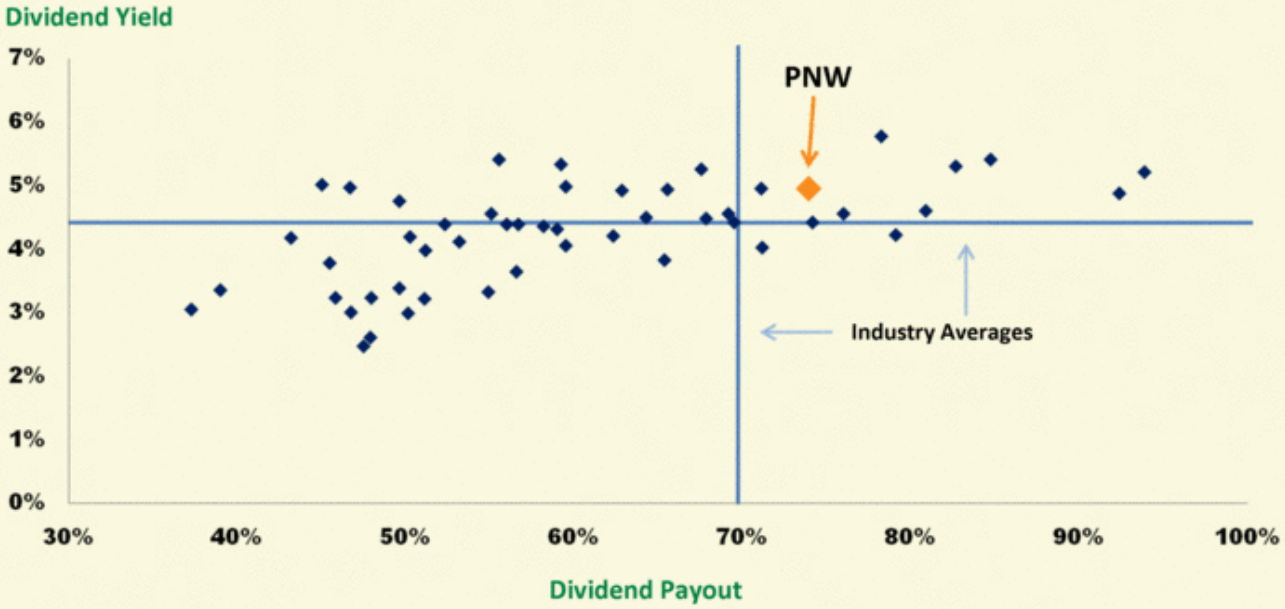
- 2011 $500M APS revolver refinancing*
- 2011 $175M PNW senior notes refinancing*
- 2011 $400M APS senior notes refinancing
- 2012 $375M APS senior notes refinancing
- 2012 APS new debt issuance
- 2012 PNW equity issuance (at earliest)

STRENGTHENING OUR FINANCIAL PROFILE

PINNACLE WEST CAPITAL CORPORATION

TOP-TIER DIVIDEND YIELD

Pinnacle West's annual dividend is $2.10 per share — providing a top-tier yield with a near-average payout.

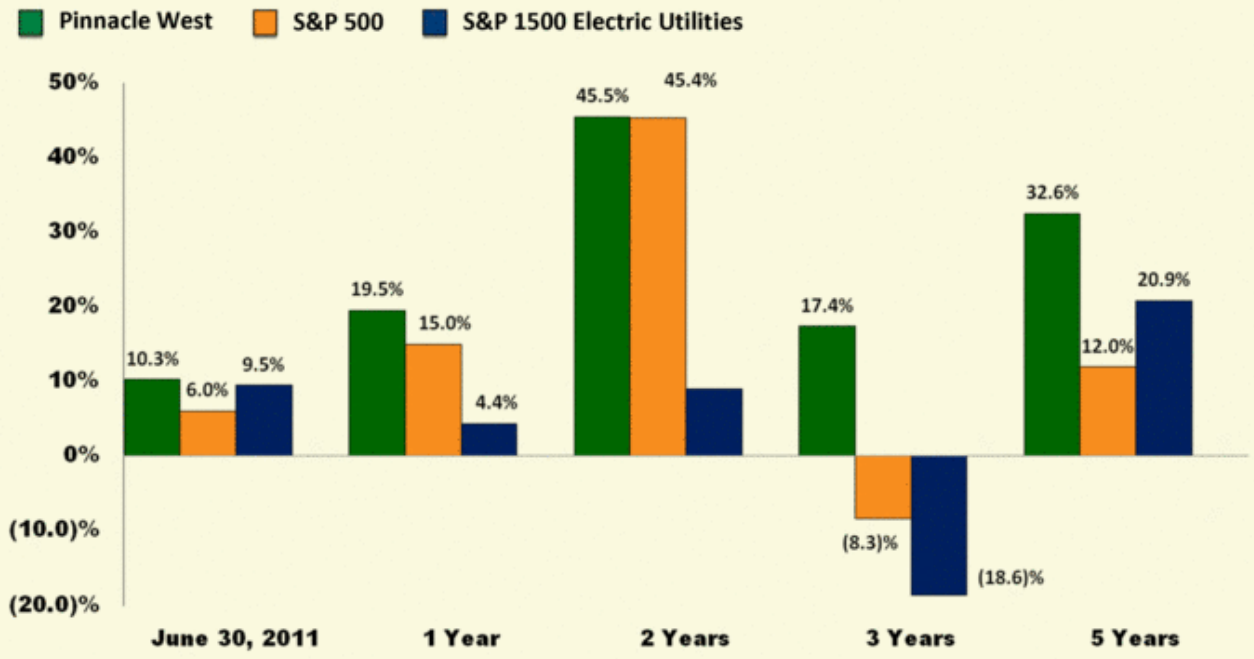


Dividend Yield as of July 31, 2011
Dividend Payout 12 Months Ended March 31, 2011

PINNACLE WEST CAPITAL CORPORATION

SUPERIOR SHAREHOLDER RETURNS

Our total return to shareholders has outperformed our industry and the broad market over the past five years.



Periods ended December 31, 2010

PINNACLE WEST CAPITAL CORPORATION

PINNACLE WEST: OUR VALUE PROPOSITION

Our commitment to investors...

Deliver Superior Shareholder Returns

PINNACLE WEST
CAPITAL CORPORATION

APPENDIX

PINNACLE WEST
CAPITAL CORPORATION

2011 On-Going EPS Guidance

Key Factors and Assumptions as of August 2, 2011

- Electricity gross margin (operating revenues,* net of fuel and purchased power expenses) about $2.01 billion to $2.06 billion, which was previously expected to be $2.05 billion to $2.10 billion
  - Retail customer growth about 1%
  - Weather-normalized retail electricity sales volume growth about 1% taking into account effects of Company's energy efficiency initiatives
  - Actual weather for first 7 months of year and normal weather patterns for remainder of year
- Operating expenses (operations and maintenance,* depreciation and amortization, and taxes other than income taxes) about $1.33 billion to $1.36 billion, which was previously expected to be $1.32 billion to $1.35 billion
- Interest expense, net of allowances for borrowed and equity funds used during construction, about $195 million to $205 million, which was previously expected to be $200 million to $210 million
- Net income attributable to noncontrolling interests about $25 million to $30 million, which was previously expected to be $20 million to $25 million
- Effective tax rate about 34%
- Full-year effect of 2010 equity issuance
- APS earnings to contribute substantially all of consolidated earnings

* Excludes O&M, and offsetting operating revenues, associated with renewable energy, demand-side management and similar regulatory programs, as well as $28 million pretax related to settlement of prior-period Four Corners transmission rights-of-way.

CREDIT RATINGS

We have investment-grade credit ratings.

	APS	Parent
Corporate Credit Ratings		
Moody's	Baa2	Baa3
S&P	BBB	BBB
Fitch	BBB-	BBB-
Senior Unsecured		
Moody's	Baa2	-
S&P	BBB	-
Fitch	BBB	-
Outlook		
Moody's	Stable	Stable
S&P	Positive	Positive
Fitch	Stable	Stable

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

PINNACLE WEST CAPITAL CORPORATION

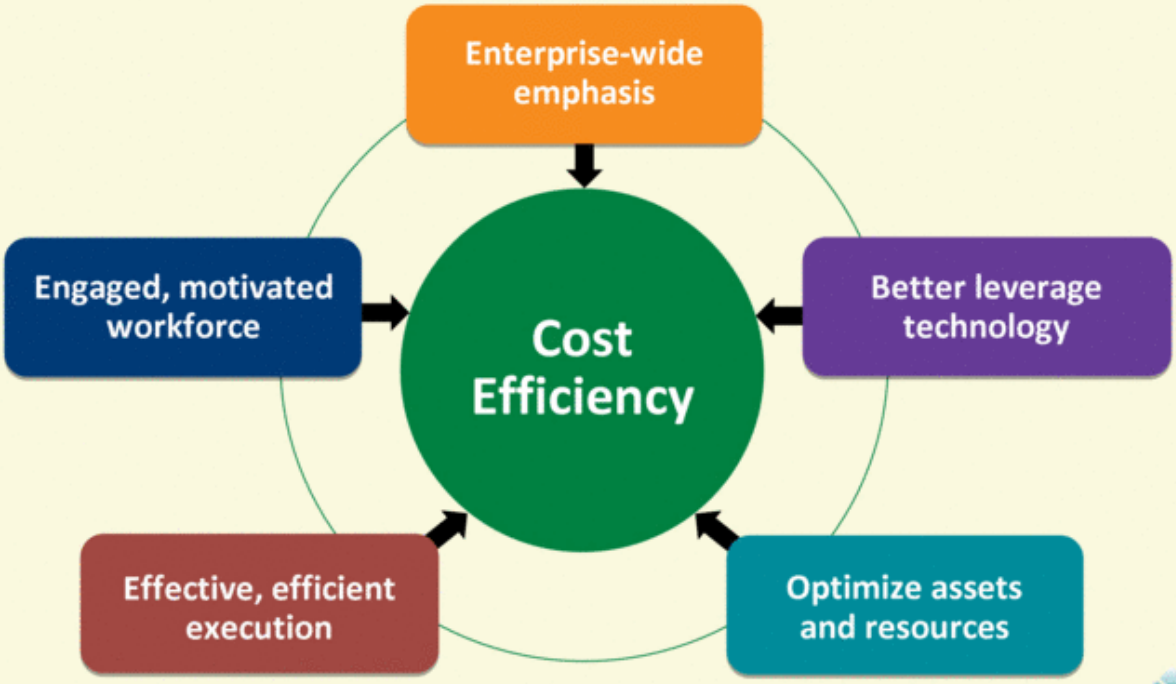
S&P CREDIT METRICS

Our key credit metrics have been improving.

	2006	2007	2008	2009	2010
APS					
FFO / Debt	17.5%	17.2%	22.1%	22.8%	22.3%
FFO / Interest	4.2x	4.1x	5.1x	4.8x	4.6x
Debt / Capitalization	56.6%	55.2%	57.4%	56.8%	53.0%
Pinnacle West					
FFO / Debt	16.3%	15.7%	18.0%	18.4%	22.5%
FFO / Interest	3.8x	3.7x	4.3x	4.0x	4.6x
Debt / Capitalization	57.0%	57.0%	59.4%	59.8%	55.1%

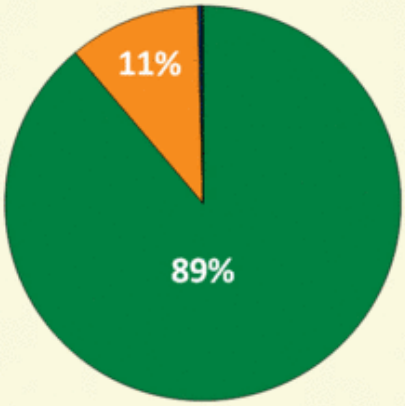
COST EFFICIENCY SUPPORTS FUTURE RESULTS

Our cost management and efficiency efforts will improve financial results beyond those achievable solely through regulatory decisions.

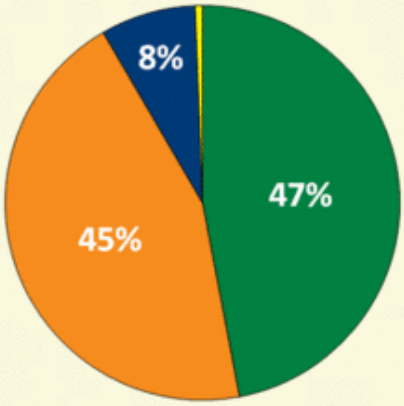


2010 RETAIL CUSTOMER, SALES AND REVENUE MIXES

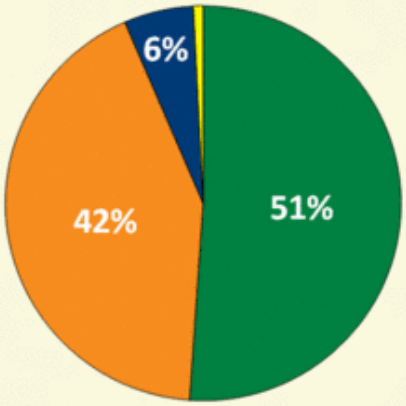
Our business mix is attractive due to favorable climate and other conditions in our market area.



Customers
Year-End
1.1 Million



Retail Sales
27,709 GWh

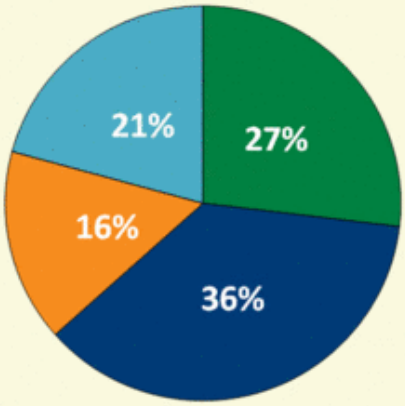


Operating Revenues
$2.9 Billion

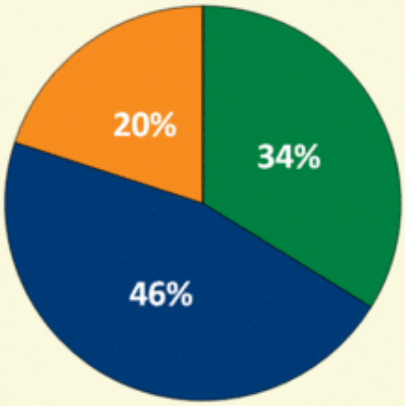
Residential Commercial Industrial Other

2010 APS GENERATION AND ENERGY FUEL MIXES

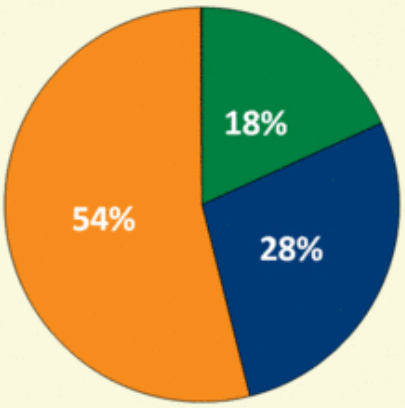
Our balanced resource mix provides our customers reliability and manages price volatility.



Energy
Fuel Mix
33,781 GWh



Generation
Fuel Mix
26,828 GWh



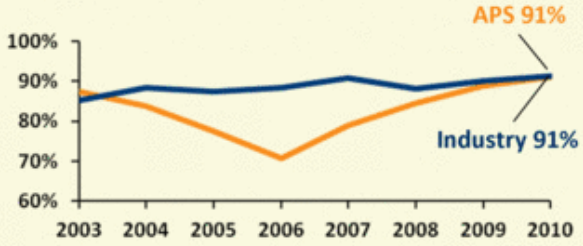
Generation
Capacity Mix
6,293 MW

Nuclear Coal Gas & Oil Purchased Power

SUPERIOR POWER PLANT PERFORMANCE

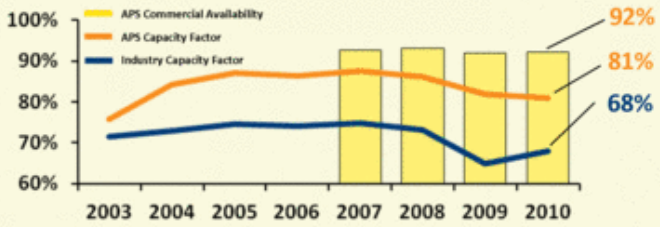
Our nuclear and coal plants are strong baseload resources.

Nuclear Capacity Factors



- Returned to superior performance
- 3,938 MW total managed capacity
- 1,146 MW total APS share
- 2014 goals:
  - Consistent site capacity factor greater than 90%
  - Operating costs excluding fuel less than $0.02/kWh
  - Top-quartile safety
- 20-year license extension approved by U.S. Nuclear Regulatory Commission

Coal Performance Metrics



- Consistent solid performance
- 2,747 MW total managed capacity
- 1,753 MW APS share
- Highly experienced management
- Fleet operating strategy
- New commercial availability metric measures plant reliability during high-demand periods and market responsiveness

A WELL-BALANCED GENERATION PORTFOLIO

Fuel / Plant	Location	Units	Dispatch	Commercial Ops. Date	Operator	Ownership Interest[1]	Net Capacity (MW)
Nuclear							
Palo Verde	Wintersburg, AZ	1-3	Base	1986 - 1989	APS	29.1%	1,146
Total Nuclear							*1,146*
Coal							
Cholla	Joseph City, AZ	1-3	Base	1962 - 1980	APS	100	647
Four Corners	Farmington, NM	1-3	Base	1963 - 1964	APS	100	560
Four Corners	Farmington, NM	4,5	Base	1969 - 1970	APS	15	231
Navajo	Page, AZ	1-3	Base	1974 - 1976	SRP	14	315
Total Coal							*1,753*
Gas/Oil - Combined Cycle							
Redhawk	Arlington, AZ	1,2	Intermediate	2002	APS	100	984
West Phoenix	Phoenix, AZ	1-5	Intermediate	1976 - 2003	APS	100	887
Total Gas/Oil - Combined Cycle							*1,871*
Gas/Oil - Steam Turbines							
Ocotillo	Tempe, AZ	1,2	Peaking	1960	APS	100	220
Saguaro	Red Rock, AZ	1,2	Peaking	1954 - 1955	APS	100	210
Total Gas/Oil - Steam Turbines							*430*
Gas/Oil - Combustion Turbines							
Sundance	Casa Grande, AZ	10	Peaking	2002	APS	100	420
Yucca	Yuma, AZ	6	Peaking	1971 - 2008	APS	100	243
Saguaro	Red Rock, AZ	1-3	Peaking	1972 - 2002	APS	100	189
West Phoenix	Phoenix, AZ	1,2	Peaking	1972 - 1973	APS	100	110
Ocotillo	Tempe, AZ	1,2	Peaking	1972 - 1973	APS	100	110
Douglas	Douglas, AZ	1	Peaking	1972	APS	100	16
Total Gas/Oil - Combustion Turbines							*1,088*
Solar							
Solar	Multiple State-wide Facilities	--	As Available	1996 - 2006	APS	100	5
Total Solar							*5*
Total Generation Capacity							6,293

As of December 31, 2010

[1]Includes leased generating plants.

MAKING COMPELLING CAPITAL INVESTMENTS

PINNACLE WEST
CAPITAL CORPORATION

RENEWABLE PURCHASE POWER CONTRACTS

Fuel / Contract	Location	Original Developer	Status[1]	PPA Signed	Commercial Operation Date	Term (years)	Capacity Net (MW)
Solar							
Solana	Gila Bend, AZ	Abengoa	UC	Feb-2008	2013	30	250
Ajo	Ajo, AZ	Recurrent	UC	Jan-2010	2011	25	5
Prescott	Prescott, AZ	SunEdison	UC	Feb-2010	2011	30	10
Solar 1	Tonopah, AZ	Not Disclosed	AD	Jan-2011	2012	30	15
Total Solar							*280*
Wind							
Aragonne Mesa	Santa Rosa, NM	Babcock & Brown	IO	Dec-2005	Dec-2006	20	90
High Lonesome	Mountainair, NM	Foresight / EME	IO	Feb-2008	Jul-2009	30	100
Perrin Ranch Wind	Williams, AZ	NextEra Energy	UC	Jul-2010	2011	25	99
Total Wind							*289*
Geothermal							
CE Turbo	Imperial County, CA	CalEnergy	IO	Jan-2006	Jan-2006	23	10
Total Geothermal							*10*
Biomass							
Snowflake	Snowflake, AZ	Snowflake White Mtn. Power	IO	Aug-2006	Jun-2008	15	10
Snowflake	Snowflake, AZ	Snowflake White Mtn. Power	IO	Aug-2010	Jun-2008	1	10
Total Biomass							*20*
Biogas							
Glendale Landfill	Glendale, AZ	Glendale Energy LLC	IO	Jul-2008	Jan-2010	20	3
Landfill 1	Surprise, AZ	Not Disclosed	AD	Dec-2010	2012	20	3
Total Biogas							*6*
Total Renewable Contracted Capacity							605

As of June 30, 2011

[1] AD = Advanced Development; UC= Under Construction; IO = In Operation

FOUR CORNERS POWER PLANT FACTS & FIGURES

	Common	Unit 1	Unit 2	Unit 3	Unit 4	Unit 5
Commercial Operation Date		1963	1963	1964	1969	1970
Original Cost ($M)	$37		$369		$166	
Net Book Value at 12/31/10 ($M)	$20		$125		$63	
Current Depreciation Ends	2031	Mid-2016	Mid-2016	Mid-2016	2031	2031
Current Expiration Dates						
Site Lease			July 6, 2016			
BHP Coal Agreement			July 6, 2016			
Certain Related Rights-of-Way			July 6, 2016			
Total Employees (549) (75% Native Americans)	48 Common + 75 Matrix		193		233	
Capacity (MW)		170	170	220	770	770
Ownership Percentages						
Arizona Public Service		100%	100%	100%	15%	15%
Southern California Edison		-	-	-	48%	48%
Public Service Company of New Mexico		-	-	-	13%	13%
Salt River Project		-	-	-	10%	10%
El Paso Electric		-	-	-	7%	7%
Tucson Electric Power		-	-	-	7%	7%
Heat Rate (Btu/kWh)		10,816	11,051	10,614	9,443	10,035

ARIZONA'S RENEWABLE RESOURCE AND ENERGY EFFICIENCY STANDARDS

We are committed to aggressive renewable and energy efficiency standards.

Renewable Energy (RES) Minimum Requirements

Portion of retail sales to be supplied by renewable resources

- 5% by 2015
- 15% by 2025

Distributed energy component

- 30% of total requirement by 2012

APS committed to approximately double 2015 requirement

- Pursuant to 2009 regulatory settlement

Energy Efficiency Requirements

Increasing annually 2011-2020

Cumulative energy savings as a percent of retail sales

- 3% by 2012
- 9.5% by 2015
- 22% by 2020

AZ SUN PROGRAM SUMMARY PHASE I

APS is investing up to $500 million to own 100 MW of solar generation by year-end 2014.

Name	Location	Capacity	Developer	Target COD*
Paloma	Gila Bend, AZ	17 MW	First Solar	2011
Cotton Center	Gila Bend, AZ	17 MW	Solon	2011
Hyder Phase 1	Hyder, AZ	11 MW	SunEdison	2011
Hyder Phase 2	Hyder, AZ	5 MW	SunEdison	2012
Chino Valley	Chino Valley, AZ	19 MW	SunEdison	2012
Luke Air Force Base	Glendale, AZ	14 MW	SunPower	2013
	Total Announced To Date	83 MW		
	To Be Announced	17 MW		
	Program Total	100 MW		

As of June 30, 2011
* Commercial Operation Date

SOLANA: A "SUNNY PLACE"

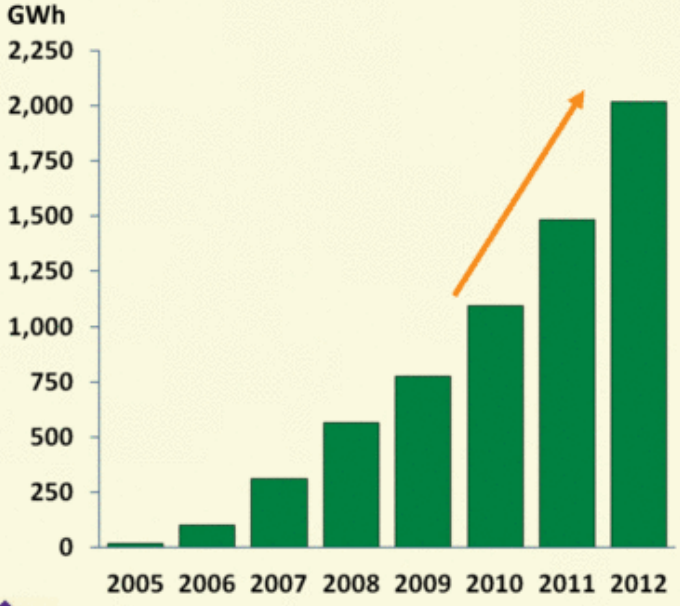
Solana will provide about one-third of APS's renewable energy target of 10% by 2015.

- 250-MW 30-year PPA for all output (~900 GWh/year)
- Concentrating solar trough facility 70 miles southwest of Phoenix
- Expected to be first major stored-heat plant in U.S. on targeted 2013 commercial operation date
- Near existing transmission lines
- Thermal storage capability with summer on-peak capacity factor +90%
- To be built, owned and operated by Abengoa Solar
- DOE loan guarantee financing finalized

APS ENERGY EFFICIENCY INITIATIVES INCREASING

APS plans to double customers' energy efficiency savings from 2010 through 2012.

Cumulative Annual Energy Savings Associated with EE/DSM Programs



- Program costs currently recovered through retail DSM adjustor
- Decoupling or other financial mechanism to be proposed in 2011 base rate case
- Under retail regulatory settlement, APS to achieve additional retail sales savings of 3.75% in 2010-2012
- Arizona energy efficiency rules require cumulative savings of 22% of retail sales by 2020

PINNACLE WEST CAPITAL CORPORATION

APS LINE EXTENSION POLICY PROPOSAL

APS has requested line extension policy changes in a separate docket.

- Restore sharing of extension costs between new customers and APS
- Implement 750-foot free footage allowance and other measures dependent upon customer class
- Accounting to revert to contributions in aid of construction or customer advances
- Policy change to be implemented concurrently with new base rates at conclusion of general retail rate case
- Application filed May 20, 2011

PROGRESSIVE REGULATORY SETTLEMENT POSITIONS APS WELL THROUGH 2012

APS's 2009 regulatory settlement contains a number of investor benefits.

- Strengthens APS's earned ROE and financial condition
- Supports common dividend
- Demonstrates increased cooperation among APS, ACC Staff, residential consumer advocate (RUCO) and other intervenors
- Allows opportunity to help shape Arizona's energy future outside continual rate cases
- Provides earnings support until next base rate case
  - Estimated pretax earnings benefits:
    $165 million, 2010; $180 million, 2011; and $254 million, 2012
- Establishes expedited process for future base rate cases
- May file next rate case on June 1, 2011,
  for rate changes effective on or after July 1, 2012

2009 REGULATORY SETTLEMENT SUMMARY

The settlement provisions include earnings support until APS's next rate case decision.

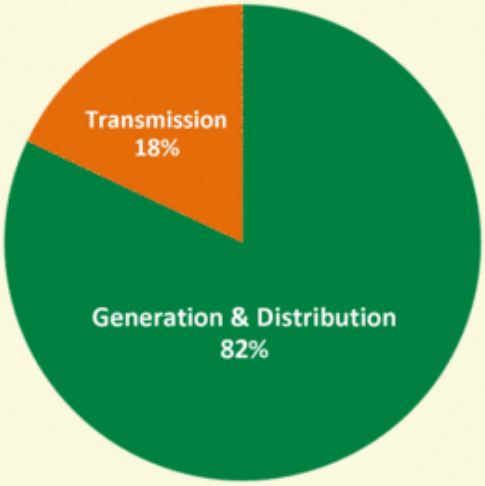
Estimated Pretax Earnings Benefits

$ Millions

	2010	2011	2012
Settlement agreement terms			
Base rate increase	$ 207	$ 207	$ 207
Line extensions treated as revenue	23	25	49
Pension and OPEB deferrals	–	13	29
Palo Verde depreciation reduction	_	_	34
Subtotals	230	245	319
Less interim base rate surcharge that ended upon general rate case implementation	(65)	(65)	(65)
Total	$ 165	$ 180	$ 254

OUR REGULATORY MIX

The bulk of APS's revenues comes from a regulated retail rate base and a meaningful transmission business.



$6.8 Billion Total Approved Rate Base

Most Recent Rate Decisions

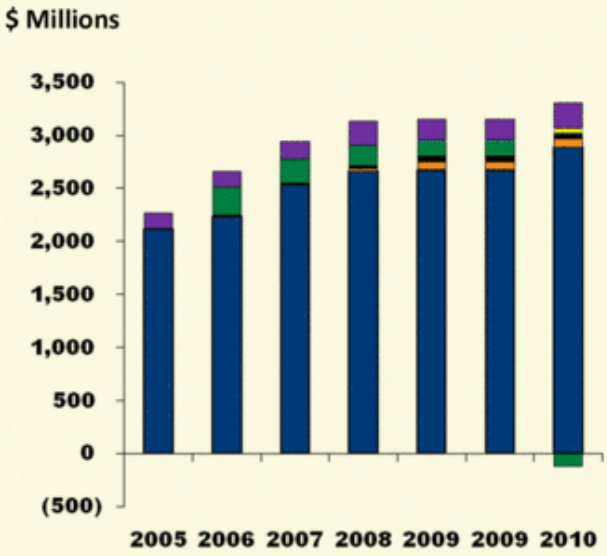
	ACC	FERC
Rates Effective Date	1/1/2010	6/1/2011
Test Year Ended	12/31/2007*	12/31/2010
Rate Base	$5.6 B	$1.2 B
Equity Layer	54%	54%
Allowed ROE	11.00%	10.75%

* Adjusted to include post test-year plant in service through June 30, 2009

APS REVENUES BY RECOVERY MECHANISM

Supportive regulatory treatment through adjustment mechanisms supplements base rates.

Regulated Electricity Revenue by Recovery Mechanism



	Test Year	
	Historical	Forecast
Base Rates	✓	
RES		✓
TCA	✓	✓
PSA	✓	✓
DSM	✓	✓
Other	✓	

PINNACLE WEST CAPITAL CORPORATION

CONSTRUCTIVE TRANSMISSION RATE REGULATION

We have achieved transmission rate treatment with annual adjustments.

- FERC Formula Rates adopted in 2008
- Adjusted annually with 10.75% allowed ROE
- Based on FERC Form 1 and certain projections
- Retail portion flows through ACC Transmission Cost Adjustor (TCA)
- Recent transmission revenue changes

	Annual Revenue	Rate Effective Dates	Annual Revenue	Rate Effective Dates	Annual Revenue	Rate Effective Dates
Retail Portion (TCA)	$ 38 M	7/1/2011	$(10) M	8/1/2010	$ 21 M	8/1/2009
Wholesale Portion	$ 6 M	6/1/2011	$ (2) M	6/1/2010	$ 2 M	6/1/2009
Total Increase (Decrease)	$ 44 M		$(12) M		$ 23 M	
Equity Ratio	54%		51%		55%	
Rate Base	$1.2 B		$1.1 B		$1.1 B	
Test Year	2010		2009		2008	

SIGNIFICANT REGULATORY PROGRESS SINCE 2005

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

Mechanism	Adopted/ Last Adjusted	Description
Power Supply Adjustor ("PSA")	April 2005 / February 2011	• Recovers 90% of variance between actual fuel and purchased power costs and base fuel rate • Includes forward-looking, historical and transition components
Renewable Energy Surcharge ("RES")	May 2008 / January 2011	• Recovers costs related to renewable initiatives • Collects projected dollars to meet RES targets • Provides incentives to customers to install distributed renewable energy
Demand-Side Management Adjustment Clause ("DSMAC")	April 2005 / March 2011	• Recovers costs related to energy efficiency and DSM programs above $10 million in base rates • Provides performance incentive to APS for net benefits achieved • Provides rebates and other incentives to participating customers
Environmental Improvement Surcharge ("EIS")	July 2007 / July 2007	• Recovers retroactively costs related to environmental upgrades not fully recovered through base rates • Allows for cost recovery of ACC-approved projects
Retail Line Extension Fees	February 2008 /January 2010	• "Pay as you go" mechanism collects dollars spent for new distribution construction at beginning of project • Better protects existing customers by allocating cost of expansion to developers
Transmission Cost Adjustor ("TCA")	April 2005 / July 2011	• Recovers FERC-approved transmission costs related to retail customers • Resets annually as result of FERC Formula Rate process (see below)
FERC Formula Rates	2008 / June 2011	• Recovers transmission costs based on historical costs per FERC Form 1 and certain projected data • Resets annually