

PINNACLE WEST CAPITAL CORP

FORM 8-K (Current report filing)

Filed 05/09/06 for the Period Ending 03/31/06

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

ARIZONA PUBLIC SERVICE CO

FORM 8-K (Unscheduled Material Events)

Filed 5/9/2006 For Period Ending 3/31/2006

Address	400 N FIFTH ST P O BOX 53999 PHOENIX, Arizona 85004
Telephone	602-250-1000
CIK	0000007286
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): March 31, 2006

<u>Commission File Number</u>	<u>Exact Name of Registrant as Specified in Charter; State of Incorporation; Address and Telephone Number</u>	<u>IRS Employer Identification Number</u>
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 (17CFR 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 by Pinnacle West Capital Corporation and Arizona Public Service Company. Each registrant is filing 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 any information that does not relate to such registrant, and therefore makes no representation as to any such information.

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Item 2.02. Results of Operations and Financial Condition

Certain of the Information referenced in Item 7.01 below relates to Pinnacle West Capital Corporation's ("Pinnacle West" or the "Company") results of operations for its fiscal quarter ended March 31, 2006. This Information is attached hereto as Exhibits 99.2, 99.3, and 99.8.

On May 9, 2006, the Company issued a press release regarding its financial results for its fiscal quarter ended March 31, 2006. A copy of the press release is attached hereto as Exhibit 99.8.

The information being furnished pursuant to this Item 2.02 and in Exhibits 99.2, 99.3, and 99.8 of this report relating to the Company's financial results for its fiscal quarter ended March 31, 2006 shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that Section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

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Item 7.01. Regulation FD Disclosure

Financial and Business Information

The Company is providing quarterly consolidated statistical summaries and a glossary of relevant terms (collectively, “Information”) to help interested parties better understand its business (see Exhibits 99.1, 99.2, 99.3, 99.4, 99.5, 99.6 and 99.7). This Information is concurrently being posted to the Company’s website at 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.

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Item 9.01. Financial Statements and Exhibits

(c) Exhibits.

Exhibit No.	Registrant(s)	Description
99.1	Pinnacle West Arizona Public Service Company ("APS")	Pinnacle West Capital Corporation quarterly consolidated statistical summary (cover page and list of contents).
99.2	Pinnacle West APS	Pinnacle West Capital Corporation quarterly consolidated statistical summary for the three-month periods ended March 31, 2006 and 2005.
99.3	Pinnacle West APS	Pinnacle West Capital Corporation consolidated statistics by quarter for 2006.
99.4	Pinnacle West	Pinnacle West Capital Corporation consolidated statistics by quarter for 2005.
99.5	Pinnacle West	Pinnacle West Capital Corporation consolidated statistics by quarter for 2004.
99.6	Pinnacle West	Pinnacle West Capital Corporation consolidated statistics by quarter for 2003.
99.7	Pinnacle West APS	Glossary of Terms.
99.8	Pinnacle West APS	Earnings News Release issued on May 9, 2006.

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: May 9, 2006

By: /s/ Barbara M. Gomez
Barbara M. Gomez
Vice President and Treasurer

ARIZONA PUBLIC SERVICE COMPANY
(Registrant)

Dated: May 9, 2006

By: /s/ Barbara M. Gomez
Barbara M. Gomez
Vice President and Treasurer

Pinnacle West Capital Corporation

**Quarterly Consolidated Statistical Summary
Periods Ended March 31, 2006 and 2005**

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2006 First Quarter Summary

2006 Year-to-Date

2005 by Quarter

2004 by Quarter

2003 by Quarter

Quarters may not sum to totals due to rounding.

Certain current and prior-year amounts have been reclassified to conform to current-period presentation.

The definitions of terms used in this statistical summary are contained
in the "Glossary of Terms" on the Pinnacle West website at:
<http://www.pinnaclewest.com/files/investors/2006Q1QuarStatsGloss.pdf>

This statistical data may be graphed in various quarterly or annual comparisons
using the "Interactive Charts" tool on the Pinnacle West website at:
<http://www.pinnaclewest.com/main/pnw/investors/financials/quarterly/landing.html>

Pinnacle West Capital Corporation

Quarterly Consolidated Statistical Summary

Periods Ended March 31, 2006 and 2005

Line		3 Mo. Ended March		
		2006	2005	Incr (Decr)
EARNINGS CONTRIBUTION BY SUBSIDIARY (\$ Millions)				
1	Arizona Public Service	\$ (6)	\$ 27	\$ (33)
2	Pinnacle West Energy	—	(21)	21
3	APS Energy Services	1	(3)	4
4	SunCor	21	9	12
5	El Dorado	(1)	(1)	—
6	Parent Company	(3)	19	(22)
7	Income From Continuing Operations	12	30	(18)
8	Loss From Discontinued Operations — Net of Tax	—	(6)	6
9	Cumulative Effect of Change in Accounting — Net of Tax	—	—	—
10	Net Income	<u>\$ 12</u>	<u>\$ 24</u>	<u>\$ (12)</u>
EARNINGS PER SHARE BY SUBSIDIARY — DILUTED				
11	Arizona Public Service	\$ (0.06)	\$ 0.30	\$ (0.36)
12	Pinnacle West Energy	—	(0.23)	0.23
13	APS Energy Services	0.01	(0.04)	0.05
14	SunCor	0.21	0.09	0.12
15	El Dorado	(0.01)	(0.01)	—
16	Parent Company	(0.03)	0.21	(0.24)
17	Income From Continuing Operations	0.12	0.32	(0.20)
18	Income (Loss) From Discontinued Operations — Net of Tax	0.01	(0.05)	0.06
19	Cumulative Effect of Change in Accounting — Net of Tax	—	—	—
20	Net Income	<u>\$ 0.13</u>	<u>\$ 0.27</u>	<u>\$ (0.14)</u>
21	BOOK VALUE PER SHARE	\$ 32.37*	\$ 32.50	\$ (0.13)
COMMON SHARES OUTSTANDING (Thousands)				
22	Average — Diluted	99,449	92,045	7,404
23	End of Period	99,187	92,103	7,084

* Estimate

Pinnacle West Capital Corporation

Quarterly Consolidated Statistical Summary

Periods Ended March 31, 2006 and 2005

Line		3 Mo. Ended March		
		2006	2005	Incr (Decr)
ELECTRIC OPERATING REVENUES (Dollars in Millions)				
REGULATED ELECTRICITY SEGMENT				
Retail				
24	Residential	\$ 202	\$ 190	\$ 12
25	Business	233	209	24
26	Total retail	435	399	36
Wholesale revenue on delivered electricity				
27	Traditional contracts	6	3	3
28	Off-system sales	12	—	12
29	Transmission for others	6	7	(1)
30	Other miscellaneous services	7	7	—
31	Total regulated operating electricity revenues	466	416	50
MARKETING AND TRADING SEGMENT				
32	Electricity and other commodity sales	85	89	(4)
33	Total operating electric revenues	<u>\$ 551</u>	<u>\$ 505</u>	<u>\$ 46</u>
ELECTRIC SALES (GWH)				
REGULATED ELECTRICITY SEGMENT				
Retail sales				
34	Residential	2,419	2,367	52
35	Business	3,199	3,042	157
36	Total retail	5,618	5,409	209
Wholesale electricity delivered				
37	Traditional contracts	215	155	60
38	Off-system sales	936	—	936
39	Retail load hedge management	178	750	(572)
40	Total regulated electricity	6,947	6,314	633
MARKETING AND TRADING SEGMENT				
41	Wholesale sales of electricity	3,891	6,060	(2,169)
42	Total electric sales	<u>10,838</u>	<u>12,374</u>	<u>(1,536)</u>

See Glossary of Terms.

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Pinnacle West Capital Corporation

Quarterly Consolidated Statistical Summary

Periods Ended March 31, 2006 and 2005

Line		3 Mo. Ended March		
		2006	2005	Incr (Decr)
POWER SUPPLY ADJUSTOR ("PSA") - REGULATED ELECTRICITY SEGMENT (Dollars in Millions)				
43	Deferred fuel and purchased power regulatory asset — beginning balance	\$ 173	\$ —	\$ 173
44	Deferred fuel and purchased power costs — current period	13	—	13
45	Interest on deferred fuel	1	—	1
46	Amounts recovered through revenues	(18)	—	(18)
47	Deferred fuel and purchased power regulatory asset — ending balance	<u>\$ 169</u>	<u>\$ —</u>	<u>\$ 169</u>

MARKETING AND TRADING SEGMENT PRETAX GROSS MARGIN ANALYSIS (Dollars in Millions)
Realized and Mark-To-Market Components

48	Electricity and other commodity sales, realized (a)	\$ 11	\$ 12	\$ (1)
49	Mark-to-market reversals on realized sales (b)	(1)	(3)	2
50	Change in mark-to-market value of forward sales	1	10	(9)
51	Total gross margin	<u>\$ 11</u>	<u>\$ 19</u>	<u>\$ (8)</u>

By Pinnacle West Entity

52	Parent company marketing and trading division	\$ (2)	\$ 21	\$ (23)
53	APS	10	(4)	14
54	Pinnacle West Energy	—	5	(5)
55	APS Energy Services	3	(3)	6
56	Total gross margin	<u>\$ 11</u>	<u>\$ 19</u>	<u>\$ (8)</u>

Future Marketing and Trading Mark-to-Market Realization

As of March 31, 2006, Pinnacle West had accumulated net mark-to-market gains of \$45 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: 2006, \$11 million; 2007, \$21 million; and 2008, \$13 million.

- (a) Net effect on pretax gross margin from realization of prior-period mark-to-market included in line 48 and in line 49 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 48 are included in line 49. For example, line 49 shows that a prior-period mark-to-market gain of \$1 million was transferred to "realized" for the first quarter of 2006. A \$1 million realized gain is included in the \$11 million on line 48 for the first quarter of 2006.
- (b) Quarterly amounts do not total to annual amounts because of intra-year mark-to-market eliminations.

See Glossary of Terms.

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Pinnacle West Capital Corporation

Quarterly Consolidated Statistical Summary

Periods Ended March 31, 2006 and 2005

Line		3 Mo. Ended March		
		2006	2005	Incr (Decr)
AVERAGE ELECTRIC CUSTOMERS				
Retail customers				
57	Residential	930,799	889,967	40,832
58	Business	113,570	109,795	3,775
59	Total	1,044,369	999,762	44,607
60	Wholesale customers	75	81	(6)
61	Total customers	1,044,444	999,843	44,601
62	Customer growth (% over prior year)	4.5%	4.0%	0.5%
RETAIL SALES (GWH) - WEATHER NORMALIZED				
63	Residential	2,514	2,439	75
64	Business	3,252	3,058	194
65	Total	5,766	5,497	269
RETAIL USAGE (KWh/Average Customer)				
66	Residential	2,763	2,660	103
67	Business	30,444	27,706	2,738
RETAIL USAGE - WEATHER NORMALIZED (KWh/Average Customer)				
68	Residential	2,700	2,741	(41)
69	Business	28,636	27,860	776
ELECTRICITY DEMAND (MW)				
70	System peak demand	4,205	3,997	208

See Glossary of Terms.

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Pinnacle West Capital Corporation

Quarterly Consolidated Statistical Summary

Periods Ended March 31, 2006 and 2005

Line		3 Mo. Ended March		
		2006	2005	Incr (Decr)
ENERGY SOURCES (GWH)				
Generation production				
71	Nuclear	1,720	2,247	(527)
72	Coal	3,083	2,940	143
73	Gas, oil and other	1,252	1,127	125
74	Total generation production	6,055	6,314	(259)
Purchased power				
75	Firm load	365	586	(221)
76	Marketing and trading	4,669	5,832	(1,163)
77	Total purchased power	5,034	6,418	(1,384)
78	Total energy sources	11,089	12,732	(1,643)
POWER PLANT PERFORMANCE				
Capacity Factors				
79	Nuclear	71%	94%	(23)%
80	Coal	83%	79%	4%
81	Gas, oil and other	20%	18%	2%
82	System average	49%	50%	(1)%
Generation Capacity Out of Service and Replaced for Native Load (average MW/day) (a)				
83	Nuclear	306	52	254
84	Coal	257	195	62
85	Gas	201	212	(11)
86	Total	764	459	305

(a) Includes planned and unplanned outages

See Glossary of Terms.

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Pinnacle West Capital Corporation

Quarterly Consolidated Statistical Summary

Periods Ended March 31, 2006 and 2005

Line		3 Mo. Ended March		
		2006	2005	Incr (Decr)
ENERGY MARKET INDICATORS (a)				
Electricity Average Daily Spot Prices (\$/MWh)				
On-Peak				
87	Palo Verde	\$53.78	\$49.74	\$ 4.04
88	SP15	\$58.34	\$55.70	\$ 2.64
Off-Peak				
89	Palo Verde	\$41.92	\$37.04	\$ 4.88
90	SP15	\$44.79	\$40.96	\$ 3.83
WEATHER INDICATORS				
Actual				
91	Cooling degree-days	43	34	9
92	Heating degree-days	464	457	7
93	Average humidity	28%	56%	(28)%
10-Year Averages				
94	Cooling degree-days	99	99	—
95	Heating degree-days	514	514	—
96	Average humidity	41%	41%	0%
ECONOMIC INDICATORS				
Building Permits — Metro Phoenix (b) (d)				
97	Single-family	5,376	6,470	(1,094)
98	Multi-family	2,448	1,049	1,399
99	Total	<u>7,824</u>	<u>7,519</u>	<u>305</u>
Arizona Job Growth (c) (d)				
100	Payroll job growth (% over prior year)	5.6%	4.8%	0.8%
101	Unemployment rate (%, seasonally adjusted)	4.6%	4.5%	0.1%

Sources:

- (a) Average of daily prices obtained and used with permission from Dow Jones & Company, Inc.
(b) Arizona Real Estate Center, Arizona State University W.P. Carey College of Business
(c) Arizona Department of Economic Security
(d) Economic indicators reflect latest available data through periods ended February 28, 2006.

See Glossary of Terms.

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Pinnacle West Capital Corporation

Consolidated Statistics By Quarter
2006

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	\$ (6)				\$ (6)	\$ (33)
2	Pinnacle West Energy	—				—	21
3	APS Energy Services	1				1	4
4	SunCor	21				21	12
5	El Dorado	(1)				(1)	—
6	Parent Company	(3)				(3)	(22)
7	Income From Continuing Operations	12	—	—	—	12	(18)
8	Loss From Discontinued Operations — Net of Tax	—				—	6
9	Cumulative Effect of Change in Accounting — Net of Tax	—	—	—	—	—	—
10	Net Income	<u>\$ 12</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 12</u>	<u>\$ (12)</u>
EARNINGS PER SHARE BY SUBSIDIARY — DILUTED							
11	Arizona Public Service	\$ (0.06)				\$ (0.06)	\$ (0.36)
12	Pinnacle West Energy	—				—	0.23
13	APS Energy Services	0.01				0.01	0.05
14	SunCor	0.21				0.21	0.12
15	El Dorado	(0.01)				(0.01)	—
16	Parent Company	(0.03)				(0.03)	(0.24)
17	Income From Continuing Operations	0.12	—	—	—	0.12	(0.20)
18	Income (Loss) From Discontinued Operations — Net of Tax	0.01				0.01	0.06
19	Cumulative Effect of Change in Accounting — Net of Tax	—	—	—	—	—	—
20	Net Income	<u>\$ 0.13</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 0.13</u>	<u>\$ (0.14)</u>
21	BOOK VALUE PER SHARE	\$ 32.37*				\$ 32.37	\$ (0.13)
COMMON SHARES OUTSTANDING (Thousands)							
22	Average — Diluted	99,449				99,449	7,404
23	End of Period	99,187				99,187	7,084

* Estimate

Pinnacle West Capital Corporation

Consolidated Statistics By Quarter
2006

Line		1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year-To-Date	Increase (Decrease) vs Prior YTD
ELECTRIC OPERATING REVENUES (Dollars in Millions)							
REGULATED ELECTRICITY SEGMENT							
Retail							
24	Residential	\$ 202				\$ 202	\$ 12
25	Business	233				233	24
26	Total retail	435	—	—	—	435	36
Wholesale revenue on delivered electricity							
27	Traditional contracts	6				6	3
28	Off-system sales	12				12	12
29	Transmission for others	6				6	(1)
30	Other miscellaneous services	7				7	—
31	Total regulated operating electricity revenues	466	—	—	—	466	50
MARKETING AND TRADING SEGMENT							
32	Electricity and other commodity sales	85				85	(4)
33	Total operating electric revenues	<u>\$ 551</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 551</u>	<u>\$ 46</u>
ELECTRIC SALES (GWH)							
REGULATED ELECTRICITY SEGMENT							
Retail sales							
34	Residential	2,419				2,419	52
35	Business	3,199				3,199	157
36	Total retail	5,618	—	—	—	5,618	209
Wholesale electricity delivered							
37	Traditional contracts	215				215	60
38	Off-system sales	936				936	936
39	Retail load hedge management	178				178	(572)
40	Total regulated electricity	6,947	—	—	—	6,947	633
MARKETING AND TRADING SEGMENT							
41	Wholesale sales of electricity	3,891				3,891	(2,169)
42	Total electric sales	<u>10,838</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>10,838</u>	<u>(1,536)</u>

See Glossary of Terms.

Pinnacle West Capital Corporation

Consolidated Statistics By Quarter
2006

Line		1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year-To-Date	Increase (Decrease) vs Prior YTD
POWER SUPPLY ADJUSTOR ("PSA") - REGULATED ELECTRICITY SEGMENT (Dollars in Millions)							
43	Deferred fuel and purchased power regulatory asset — beginning balance	\$ 173				173	\$ 173
44	Deferred fuel and purchased power costs — current period	13				13	13
45	Interest on deferred fuel	1				1	1
46	Amounts recovered through revenues	(18)				(18)	(18)
47	Deferred fuel and purchased power regulatory asset — ending balance	\$ 169	\$ —	\$ —	\$ —	\$ 169	\$ 169
MARKETING AND TRADING SEGMENT PRETAX GROSS MARGIN ANALYSIS (Dollars in Millions)							
Realized and Mark-To-Market Components							
48	Electricity and other commodity sales, realized (a)	\$ 11				\$ 11	\$ (1)
49	Mark-to-market reversals on realized sales (b)	(1)				(1)	2
50	Change in mark-to-market value of forward sales	1				1	(9)
51	Total gross margin	\$ 11	\$ —	\$ —	\$ —	\$ 11	\$ (8)
By Pinnacle West Entity							
52	Parent company marketing and trading division	\$ (2)				\$ (2)	\$ (23)
53	APS	10				10	14
54	Pinnacle West Energy	—				—	(5)
55	APS Energy Services	3				3	6
56	Total gross margin	\$ 11	\$ —	\$ —	\$ —	\$ 11	\$ (8)

Future Marketing and Trading Mark-to-Market Realization

As of March 31, 2006, Pinnacle West had accumulated net mark-to-market gains of \$45 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: 2006, \$11 million; 2007, \$21 million; and 2008, \$13 million.

- (a) Net effect on pretax gross margin from realization of prior-period mark-to-market included in line 48 and in line 49 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 48 are included in line 49. For example, line 49 shows that a prior-period mark-to-market gain of \$1 million was transferred to "realized" for the first quarter of 2006. A \$1 million realized gain is included in the \$11 million on line 48 for the first quarter of 2006.

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

See Glossary of Terms.

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Pinnacle West Capital Corporation

Consolidated Statistics By Quarter
2006

Line		1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year-To-Date	Increase (Decrease) vs Prior YTD
AVERAGE ELECTRIC CUSTOMERS							
Retail customers							
57	Residential	930,799				930,799	40,832
58	Business	113,570				113,570	3,775
59	Total	1,044,369	—	—	—	1,044,369	44,607
60	Wholesale customers	75				75	(6)
61	Total customers	1,044,444	—	—	—	1,044,444	44,601
62	Customer growth (% over prior year)	4.5%				4.5%	0.5%
RETAIL SALES (GWH) — WEATHER NORMALIZED							
63	Residential	2,514				2,514	75
64	Business	3,252				3,252	194
65	Total	5,766	—	—	—	5,766	269
RETAIL USAGE (KWh/Average Customer)							
66	Residential	2,763				2,763	103
67	Business	30,444				30,444	2,738
RETAIL USAGE — WEATHER NORMALIZED (KWh/Average Customer)							
68	Residential	2,700				2,700	(41)
69	Business	28,636				28,636	776
ELECTRICITY DEMAND (MW)							
70	System peak demand	4,205				4,205	208

See Glossary of Terms.

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Pinnacle West Capital Corporation

Consolidated Statistics By Quarter
2006

Line		1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year-To-Date	Increase (Decrease) vs Prior YTD
ENERGY SOURCES (GWH)							
Generation production							
71	Nuclear	1,720				1,720	(527)
72	Coal	3,083				3,083	143
73	Gas, oil and other	1,252				1,252	125
74	Total generation production	6,055	—	—	—	6,055	(259)
Purchased power							
75	Firm load	365				365	(221)
76	Marketing and trading	4,669				4,669	(1,163)
77	Total purchased power	5,034	—	—	—	5,034	(1,384)
78	Total energy sources	11,089	—	—	—	11,089	(1,643)
POWER PLANT PERFORMANCE							
Capacity Factors							
79	Nuclear	71%				71%	(23)%
80	Coal	83%				83%	4%
81	Gas, oil and other	20%				20%	2%
82	System average	49%				49%	(1)%
Generation Capacity Out of Service and Replaced for Native Load (average MW/day) (a)							
83	Nuclear	306				306	254
84	Coal	257				257	62
85	Gas	201				201	(11)
86	Total	764	—	—	—	764	305

(a) Includes planned and unplanned outages

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Pinnacle West Capital Corporation

Consolidated Statistics By Quarter
2006

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							
87	Palo Verde	\$53.78				\$ 53.78	\$ 4.04
88	SP15	\$58.34				\$ 58.34	\$ 2.64
Off-Peak							
89	Palo Verde	\$41.92				\$ 41.92	\$ 4.88
90	SP15	\$44.79				\$ 44.79	\$ 3.83
WEATHER INDICATORS							
Actual							
91	Cooling degree-days	43				43	9
92	Heating degree-days	464				464	7
93	Average humidity	28%				28%	(28)%
10-Year Averages							
94	Cooling degree-days	99				99	—
95	Heating degree-days	514				514	—
96	Average humidity	41%				41%	—
ECONOMIC INDICATORS							
Building Permits — Metro Phoenix (b) (d)							
97	Single-family	5,376				5,376	(1,094)
98	Multi-family	2,448				2,448	1,399
99	Total	<u>7,824</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>7,824</u>	<u>305</u>
Arizona Job Growth (c) (d)							
100	Payroll job growth (% over prior year)	5.6%				5.6%	0.8%
101	Unemployment rate (%, seasonally adjusted)	4.6%				4.6%	0.1%

Sources:

- (a) Average of daily prices obtained and used with permission from Dow Jones & Company, Inc.
(b) Arizona Real Estate Center, Arizona State University W.P. Carey College of Business
(c) Arizona Department of Economic Security
(d) Economic indicators reflect latest available data through periods ended February 28, 2006.

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Pinnacle West Capital Corporation

Consolidated Statistics By Quarter
2005

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	\$ 27	\$ 64	\$ 61	\$ 18	\$ 170	\$ (30)
2	Pinnacle West Energy	(21)	12	(71)	(6)	(85)	(27)
3	APS Energy Services	(3)	1	—	(3)	(6)	(9)
4	SunCor	9	11	6	13	39	(2)
5	El Dorado	(1)	—	—	—	(2)	(35)
6	Parent Company	19	(3)	89	2	107	79
7	Income From Continuing Operations	30	85	85	24	223	(24)
8	Loss From Discontinued Operations — Net of Tax	(6)	(58)	19	(3)	(47)	(43)
9	Cumulative Effect of Change in Accounting — Net of Tax	—	—	—	—	—	—
10	Net Income	<u>\$ 24</u>	<u>\$ 27</u>	<u>\$ 104</u>	<u>\$ 21</u>	<u>\$ 176</u>	<u>\$ (67)</u>
EARNINGS PER SHARE BY SUBSIDIARY — DILUTED							
11	Arizona Public Service	\$ 0.30	\$ 0.66	\$ 0.62	\$ 0.19	\$ 1.77	\$ (0.41)
12	Pinnacle West Energy	(0.23)	0.13	(0.72)	(0.06)	(0.89)	(0.26)
13	APS Energy Services	(0.04)	0.01	—	(0.04)	(0.06)	(0.09)
14	SunCor	0.09	0.11	0.07	0.13	0.40	(0.05)
15	El Dorado	(0.01)	—	(0.01)	(0.01)	(0.02)	(0.38)
16	Parent Company	0.21	(0.03)	0.90	0.03	1.11	0.81
17	Income From Continuing Operations	0.32	0.88	0.86	0.24	2.31	(0.38)
18	Income (Loss) From Discontinued Operations — Net of Tax	(0.05)	(0.60)	0.19	(0.02)	(0.49)	(0.46)
19	Cumulative Effect of Change in Accounting — Net of Tax	—	—	—	—	—	—
20	Net Income	<u>\$ 0.27</u>	<u>\$ 0.28</u>	<u>\$ 1.05</u>	<u>\$ 0.22</u>	<u>\$ 1.82</u>	<u>\$ (0.84)</u>
21	BOOK VALUE PER SHARE	\$ 32.50	\$ 32.89	\$ 35.81	\$ 34.58	\$ 34.58	\$ 2.44
COMMON SHARES OUTSTANDING (Thousands)							
22	Average — Diluted	92,045	96,299	98,816	99,050	96,590	5,058
23	End of Period	92,103	98,442	98,881	99,057	99,057	7,264

Pinnacle West Capital Corporation

Consolidated Statistics By Quarter
2005

Line		1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year-To-Date	Increase (Decrease) vs Prior YTD
ELECTRIC OPERATING REVENUES (Dollars in Millions)							
REGULATED ELECTRICITY SEGMENT							
Retail							
24	Residential	\$ 190	\$ 268	\$ 414	\$ 207	\$ 1,079	\$ 95
25	Business	209	281	308	243	1,041	63
26	Total retail	399	549	722	450	2,120	158
Wholesale revenue on delivered electricity							
27	Traditional contracts	3	5	9	6	23	7
28	Off-system sales	—	12	8	20	40	40
29	Transmission for others	7	7	7	5	26	(6)
30	Other miscellaneous services	7	7	7	7	28	3
31	Total regulated operating electricity revenues	416	580	753	488	2,237	202
MARKETING AND TRADING SEGMENT							
32	Electricity and other commodity sales	89	71	107	83	351	(50)
33	Total operating electric revenues	\$ 505	\$ 651	\$ 860	\$ 571	\$ 2,588	\$ 152
ELECTRIC SALES (GWH)							
REGULATED ELECTRICITY SEGMENT							
Retail sales							
34	Residential	2,367	2,889	4,449	2,518	12,223	696
35	Business	3,042	3,684	4,100	3,427	14,254	428
36	Total retail	5,409	6,573	8,549	5,945	26,477	1,124
Wholesale electricity delivered							
37	Traditional contracts	155	200	269	227	850	141
38	Off-system sales	—	598	212	526	1,336	1,336
39	Retail load hedge management	750	702	1,026	532	3,010	278
40	Total regulated electricity	6,314	8,073	10,056	7,230	31,673	2,879
MARKETING AND TRADING SEGMENT							
41	Wholesale sales of electricity	6,060	5,009	7,263	5,240	23,572	(6,606)
42	Total electric sales	12,374	13,082	17,319	12,470	55,245	(3,727)

See Glossary of Terms.

Pinnacle West Capital Corporation

Consolidated Statistics By Quarter
2005

Line	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year-To-Date	Increase (Decrease) vs Prior YTD	
POWER SUPPLY ADJUSTOR ("PSA") — REGULATED ELECTRICITY							
SEGMENT (Dollars in Millions)							
43	Deferred fuel and purchased power regulatory asset — beginning balance	\$ —	\$ —	\$ 38	143	\$ —	\$ —
44	Deferred fuel and purchased power costs — current period	—	38	104	29	171	171
45	Interest on deferred fuel	—	—	1	1	2	2
46	Amounts recovered through revenues	—	—	—	—	—	—
47	Deferred fuel and purchased power regulatory asset — ending balance	<u>\$ —</u>	<u>\$ 38</u>	<u>\$ 143</u>	<u>\$ 173</u>	<u>\$ 173</u>	<u>\$ 173</u>
MARKETING AND TRADING SEGMENT PRETAX GROSS MARGIN ANALYSIS (Dollars in Millions)							
Realized and Mark-To-Market Components							
48	Electricity and other commodity sales, realized (a)	\$ 12	\$ 18	\$ 3	\$ 22	\$ 55	\$ (9)
49	Mark-to-market reversals on realized sales (b)	(3)	(8)	3	(17)	(16)	(11)
50	Change in mark-to-market value of forward sales	10	3	14	1	20	(1)
51	Total gross margin	<u>\$ 19</u>	<u>\$ 13</u>	<u>\$ 20</u>	<u>\$ 6</u>	<u>\$ 59</u>	<u>\$ (21)</u>
By Pinnacle West Entity							
52	Parent company marketing and trading division	\$ 21	\$ 6	\$ 26	\$ 5	\$ 59	\$ 34
53	APS	(4)	3	(8)	3	(6)	(1)
54	Pinnacle West Energy	5	—	—	—	5	(41)
55	APS Energy Services	(3)	4	2	(2)	1	(13)
56	Total gross margin	<u>\$ 19</u>	<u>\$ 13</u>	<u>\$ 20</u>	<u>\$ 6</u>	<u>\$ 59</u>	<u>\$ (21)</u>

Future Marketing and Trading Mark-to-Market Realization

As of December 31, 2005, Pinnacle West had accumulated net mark-to-market gains of \$45 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: 2006, \$14 million; 2007, \$20 million; and 2008, \$11 million.

- (a) Net effect on pretax gross margin from realization of prior-period mark-to-market included in line 48 and in line 49 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 48 are included in line 49. For example, line 49 shows that a prior-period mark-to-market gain of \$17 million was transferred to "realized" for the fourth quarter of 2005. A \$17 million realized gain is included in the \$22 million on line 48 for the fourth quarter of 2005.
- (b) Quarterly amounts do not total to annual amounts because of intra-year mark-to-market eliminations.

Pinnacle West Capital Corporation

Consolidated Statistics By Quarter
2005

Line	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year-To-Date	Increase (Decrease) vs Prior YTD
AVERAGE ELECTRIC CUSTOMERS						
Retail customers						
57 Residential	889,967	888,509	895,789	911,623	896,472	37,403
58 Business	109,795	110,658	111,648	112,569	111,168	4,053
59 Total	999,762	999,167	1,007,437	1,024,192	1,007,640	41,456
60 Wholesale customers	81	76	78	77	78	(3)
61 Total customers	999,843	999,243	1,007,515	1,024,269	1,007,718	41,453
62 Customer growth (% over prior year)	4.0%	4.2%	4.5%	4.5%	4.3%	0.6%
RETAIL SALES (GWH) — WEATHER NORMALIZED						
63 Residential	2,439	2,905	4,421	2,515	12,280	572
64 Business	3,058	3,693	4,120	3,414	14,286	415
65 Total	5,497	6,598	8,541	5,929	26,566	987
RETAIL USAGE (KWh/Average Customer)						
66 Residential	2,660	3,252	4,967	2,763	13,635	217
67 Business	27,706	33,292	36,723	30,444	128,514	(878)
RETAIL USAGE — WEATHER NORMALIZED (KWh/Average Customer)						
68 Residential	2,741	3,269	4,935	2,758	13,698	70
69 Business	27,860	33,377	36,899	30,332	128,507	(987)
ELECTRICITY DEMAND (MW)						
70 System peak demand	3,997	6,458	7,000	5,169	7,000	598

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Pinnacle West Capital Corporation

Consolidated Statistics By Quarter
2005

Line	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year-To-Date	Increase (Decrease) vs Prior YTD
ENERGY SOURCES (GWH)						
Generation production						
71 Nuclear	2,247	1,619	2,147	1,496	7,509	(674)
72 Coal	2,940	3,088	3,574	3,458	13,060	394
73 Gas, oil and other	1,127	2,074	3,018	1,482	7,701	2,373
74 Total generation production	6,314	6,781	8,739	6,436	28,270	2,093
Purchased power						
75 Firm load	586	880	1,589	402	3,474	(851)
76 Marketing and trading	5,832	5,984	7,795	6,102	25,713	(4,479)
77 Total purchased power	6,418	6,864	9,384	6,504	29,187	(5,330)
78 Total energy sources	12,732	13,645	18,123	12,940	57,457	(3,237)
POWER PLANT PERFORMANCE						
Capacity Factors						
79 Nuclear	94%	67%	88%	61%	77%	(7)%
80 Coal	79%	83%	95%	91%	87%	3%
81 Gas, oil and other	18%	28%	40%	29%	29%	9%
82 System average	50%	49%	63%	51%	53%	2%
Generation Capacity Out of Service and Replaced for Native Load (average MW/day) (a)						
83 Nuclear	52	329	107	419	227	66
84 Coal	195	244	57	103	150	43
85 Gas	212	164	140	226	186	144
86 Total	459	737	304	748	563	253

(a) Includes planned and unplanned outages

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Pinnacle West Capital Corporation

Consolidated Statistics By Quarter
2005

Line		<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year-To-Date</u>	<u>Increase (Decrease) vs Prior YTD</u>
ENERGY MARKET INDICATORS (a)							
Electricity Average Daily Spot Prices (\$/MWh)							
On-Peak							
87	Palo Verde	\$ 49.74	\$ 53.33	\$ 78.94	\$ 83.58	\$ 66.40	\$ 17.10
88	SP15	\$ 55.70	\$ 55.19	\$ 83.21	\$ 97.65	\$ 72.94	\$ 17.74
Off-Peak							
89	Palo Verde	\$ 37.04	\$ 33.03	\$ 52.35	\$ 67.79	\$ 47.55	\$ 12.81
90	SP15	\$ 40.96	\$ 34.73	\$ 56.08	\$ 76.45	\$ 52.06	\$ 13.44
WEATHER INDICATORS							
Actual							
91	Cooling degree-days	34	1,538	2,583	508	4,663	(31)
92	Heating degree-days	457	1	—	308	766	(219)
93	Average humidity	56%	20%	29%	30%	34%	2%
10-Year Averages							
94	Cooling degree-days	99	1,547	2,541	437	4,623	—
95	Heating degree-days	514	31	—	386	930	—
96	Average humidity	41%	23%	33%	39%	34%	0%
ECONOMIC INDICATORS							
Building Permits — Metro Phoenix (b) (d)							
97	Single-family	10,356	12,013	11,577	9,312	43,258	(4,859)
98	Multi-family	1,741	1,645	2,360	2,032	7,778	192
99	Total	<u>12,097</u>	<u>13,658</u>	<u>13,937</u>	<u>11,344</u>	<u>51,036</u>	<u>(4,667)</u>
Arizona Job Growth (c)							
100	Payroll job growth (% over prior year)	4.8%	5.5%	6.1%	6.0%	5.6%	2.2%
101	Unemployment rate (%, seasonally adjusted)	4.5%	4.7%	4.8%	4.7%	4.7%	(0.3)%

Sources:

- (a) Average of daily prices obtained and used with permission from Dow Jones & Company, Inc.
(b) Arizona Real Estate Center, Arizona State University W.P. Carey College of Business
(c) Arizona Department of Economic Security

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Pinnacle West Capital Corporation
Consolidated Statistics By Quarter
2004

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	\$ 34	\$ 55	\$ 95	\$ 15	\$ 200	\$ 19
2	Pinnacle West Energy	(22)	(14)	1	(23)	(58)	(50)
3	APS Energy Services	2	1	1	(1)	3	(13)
4	SunCor	2	4	4	31	41	(5)
5	El Dorado	—	34	—	—	33	34
6	Parent Company	15	(6)	3	16	28	37
7	Income From Continuing Operations	31	74	104	38	247	22
8	Income (Loss) From Discontinued Operations — Net of Tax	—	(1)	1	(4)	(4)	(20)
9	Cumulative Effect of Change in Accounting — Net of Tax	—	—	—	—	—	—
10	Net Income	<u>\$ 31</u>	<u>\$ 73</u>	<u>\$ 105</u>	<u>\$ 34</u>	<u>\$ 243</u>	<u>\$ 2</u>
EARNINGS PER SHARE BY SUBSIDIARY — DILUTED							
11	Arizona Public Service	\$ 0.38	\$ 0.60	\$ 1.04	\$ 0.16	\$ 2.18	\$ 0.20
12	Pinnacle West Energy	(0.24)	(0.15)	0.01	(0.25)	(0.63)	(0.55)
13	APS Energy Services	0.02	0.01	0.01	(0.01)	0.03	(0.15)
14	SunCor	0.02	0.04	0.05	0.34	0.45	(0.05)
15	El Dorado	—	0.37	—	—	0.36	0.37
16	Parent Company	0.15	(0.06)	0.03	0.17	0.30	0.40
17	Income From Continuing Operations	0.33	0.81	1.14	0.41	2.69	0.22
18	Income (Loss) From Discontinued Operations — Net of Tax	0.01	(0.02)	0.01	(0.04)	(0.03)	(0.19)
19	Cumulative Effect of Change in Accounting — Net of Tax	—	—	—	—	—	—
20	Net Income	<u>\$ 0.34</u>	<u>\$ 0.79</u>	<u>\$ 1.15</u>	<u>\$ 0.37</u>	<u>\$ 2.66</u>	<u>\$ 0.03</u>
21	BOOK VALUE PER SHARE	<u>\$ 31.19</u>	<u>\$ 31.68</u>	<u>\$ 32.55</u>	<u>\$ 32.14</u>	<u>\$ 32.14</u>	<u>\$ 1.17</u>
COMMON SHARES OUTSTANDING (Thousands)							
22	Average — Diluted	91,376	91,400	91,491	91,779	91,532	127
23	End of Period	91,310	91,309	91,443	91,793	91,793	505

Pinnacle West Capital Corporation
Consolidated Statistics By Quarter
2004

Line		1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year-To-Date	Increase (Decrease) vs Prior YTD
ELECTRIC OPERATING REVENUES (Dollars in Millions)							
REGULATED ELECTRICITY SEGMENT							
Retail							
24	Residential	\$ 189	\$ 245	\$ 360	\$ 190	\$ 984	\$ 27
25	Business	211	257	289	221	978	25
26	Total retail	400	502	649	411	1,962	52
Wholesale revenue on delivered electricity							
27	Traditional contracts	3	4	6	3	16	1
28	Off-system sales	—	—	—	—	—	—
29	Transmission for others	8	8	8	8	32	4
30	Other miscellaneous services	4	6	8	7	25	—
31	Total regulated operating electricity revenues	415	520	671	429	2,035	57
MARKETING AND TRADING SEGMENT							
32	Electricity and other commodity sales	89	110	91	111	401	9
33	Total operating electric revenues	\$ 504	\$ 630	\$ 762	\$ 540	\$ 2,436	\$ 66
ELECTRIC SALES (GWH)							
REGULATED ELECTRICITY SEGMENT							
Retail sales							
34	Residential	2,410	2,722	4,028	2,367	11,527	380
35	Business	3,051	3,602	3,937	3,236	13,826	411
36	Total retail	5,461	6,324	7,965	5,603	25,353	791
Wholesale electricity delivered							
37	Traditional contracts	138	195	210	166	709	209
38	Off-system sales	—	—	—	—	—	—
39	Retail load hedge management	169	731	943	889	2,732	1,638
40	Total regulated electricity	5,768	7,250	9,118	6,658	28,794	2,638
MARKETING AND TRADING SEGMENT							
41	Wholesale sales of electricity	5,696	7,141	8,994	8,347	30,178	1,375
42	Total electric sales	11,464	14,391	18,112	15,005	58,972	4,013

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Pinnacle West Capital Corporation
Consolidated Statistics By Quarter
2004

Line		1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year-To-Date	Increase (Decrease) vs Prior YTD
POWER SUPPLY ADJUSTOR ("PSA") — REGULATED ELECTRICITY SEGMENT (Dollars in Millions)							
43	Deferred fuel and purchased power regulatory asset — beginning balance	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
44	Deferred fuel and purchased power costs — current period	—	—	—	—	—	—
45	Interest on deferred fuel	—	—	—	—	—	—
46	Amounts recovered through revenues	—	—	—	—	—	—
47	Deferred fuel and purchased power regulatory asset — ending balance	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
MARKETING AND TRADING SEGMENT PRETAX GROSS MARGIN ANALYSIS (Dollars in Millions)							
Realized and Mark-To-Market Components							
48	Electricity and other commodity sales, realized (a)	\$ 12	\$ 21	\$ 16	\$ 15	\$ 64	\$ (1)
49	Mark-to-market reversals on realized sales (b)	1	(4)	(3)	(1)	(5)	6
50	Change in mark-to-market value of forward sales	8	4	8	3	21	28
51	Total gross margin	<u>\$ 21</u>	<u>\$ 21</u>	<u>\$ 21</u>	<u>\$ 17</u>	<u>\$ 80</u>	<u>\$ 33</u>
By Pinnacle West Entity							
52	Parent company marketing and trading division	\$ 12	\$ 6	\$ 5	\$ 1	\$ 25	\$ 30
53	APS	(5)	—	2	(2)	(5)	(13)
54	Pinnacle West Energy	10	11	10	16	46	38
55	APS Energy Services	4	4	4	2	14	(22)
56	Total gross margin	<u>\$ 21</u>	<u>\$ 21</u>	<u>\$ 21</u>	<u>\$ 17</u>	<u>\$ 80</u>	<u>\$ 33</u>

(a) Net effect on pretax gross margin from realization of prior-period mark-to-market included in line 48 and in line 49 is zero. Realization of prior-period mark-to-market relates to cash flow recognition, not earnings recognition. The opposites of amounts included in line 48 are included in line 49. For example, line 49 shows that a prior-period mark-to-market gain of \$6 million was transferred to "realized" for the total year 2004. A \$6 million realized gain is included in the \$63 million on line 48 for the total year 2004.

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

Pinnacle West Capital Corporation
Consolidated Statistics By Quarter
2004

Line		<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year-To-Date</u>	<u>Increase (Decrease) vs Prior YTD</u>
AVERAGE ELECTRIC CUSTOMERS							
Retail customers							
57	Residential	855,754	852,594	856,353	871,575	859,069	30,703
58	Business	105,502	106,517	107,583	108,860	107,115	4,019
59	Total	<u>961,256</u>	<u>959,111</u>	<u>963,936</u>	<u>980,435</u>	<u>966,184</u>	<u>34,722</u>
60	Wholesale customers	81	82	85	77	81	15
61	Total customers	<u>961,337</u>	<u>959,193</u>	<u>964,021</u>	<u>980,512</u>	<u>966,265</u>	<u>34,737</u>
62	Customer growth (% over prior year)	3.4%	3.8%	3.9%	3.9%	3.7%	0.4%
RETAIL SALES (GWH) — WEATHER NORMALIZED							
63	Residential	2,366	2,798	4,209	2,334	11,708	804
64	Business	2,998	3,616	4,005	3,252	13,871	469
65	Total	<u>5,364</u>	<u>6,414</u>	<u>8,214</u>	<u>5,586</u>	<u>25,579</u>	<u>1,273</u>
RETAIL USAGE (KWh/Average Customer)							
66	Residential	2,816	3,193	4,704	2,717	13,418	(39)
67	Business	28,919	33,816	36,595	29,726	129,392	(1,137)
RETAIL USAGE — WEATHER NORMALIZED (KWh/Average Customer)							
68	Residential	2,765	3,282	4,915	2,678	13,628	465
69	Business	28,421	33,944	37,224	29,874	129,494	(503)
ELECTRICITY DEMAND (MW)							
70	System peak demand	3,979	5,632	6,402	4,432	6,402	70

See Glossary of Terms.

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Pinnacle West Capital Corporation
Consolidated Statistics By Quarter
2004

Line		<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year-To-Date</u>	<u>Increase (Decrease) vs Prior YTD</u>
	ENERGY SOURCES (GWH)						
	Generation production						
71	Nuclear	2,148	1,860	2,364	1,811	8,183	(132)
72	Coal	2,887	3,035	3,417	3,327	12,666	1,299
73	Gas, oil and other	367	1,339	2,547	1,075	5,328	(763)
74	Total generation production	<u>5,402</u>	<u>6,234</u>	<u>8,328</u>	<u>6,213</u>	<u>26,177</u>	<u>404</u>
	Purchased power						
75	Firm load	701	1,532	1,068	1,024	4,325	1,214
76	Marketing and trading	5,506	7,167	9,301	8,218	30,192	2,442
77	Total purchased power	<u>6,207</u>	<u>8,699</u>	<u>10,369</u>	<u>9,242</u>	<u>34,517</u>	<u>3,656</u>
78	Total energy sources	<u>11,609</u>	<u>14,933</u>	<u>18,697</u>	<u>15,455</u>	<u>60,694</u>	<u>4,060</u>
	POWER PLANT PERFORMANCE						
	Capacity Factors						
79	Nuclear	88%	76%	96%	74%	84%	(3)%
80	Coal	77%	81%	90%	88%	84%	8%
81	Gas, oil and other	5%	20%	38%	17%	20%	(7)%
82	System average	44%	49%	64%	48%	51%	(3)%
	Generation Capacity Out of Service and Replaced for Native Load (average MW/day) (a)						
83	Nuclear	135	233	13	261	161	29
84	Coal	149	153	63	61	107	(163)
85	Gas	49	47	39	34	42	(163)
86	Total	<u>333</u>	<u>433</u>	<u>115</u>	<u>356</u>	<u>310</u>	<u>(296)</u>

(a) Includes planned and unplanned outages

See Glossary of Terms.

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Pinnacle West Capital Corporation
Consolidated Statistics By Quarter
2004

Line		<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year-To-Date</u>	<u>Increase (Decrease) vs Prior YTD</u>
ENERGY MARKET INDICATORS (a)							
Electricity Average Daily Spot Prices (\$/MWh)							
On-Peak							
87	Palo Verde	\$ 43.73	\$ 50.36	\$ 51.86	\$ 51.23	\$ 49.30	\$ 0.70
88	SP15	\$ 48.37	\$ 54.73	\$ 57.09	\$ 60.62	\$ 55.20	\$ 3.82
Off-Peak							
89	Palo Verde	\$ 33.66	\$ 33.74	\$ 33.37	\$ 38.21	\$ 34.75	\$ 2.72
90	SP15	\$ 36.90	\$ 37.32	\$ 37.18	\$ 43.07	\$ 38.62	\$ 3.96
WEATHER INDICATORS							
Actual							
91	Cooling degree-days	273	1,598	2,471	352	4,694	(205)
92	Heating degree-days	552	11	—	422	985	249
93	Average humidity	39%	19%	26%	45%	32%	1%
10-Year Averages							
94	Cooling degree-days	99	1,547	2,541	437	4,623	—
95	Heating degree-days	514	31	—	386	930	—
96	Average humidity	41%	23%	33%	39%	34%	0%
ECONOMIC INDICATORS							
Building Permits — Metro Phoenix (b)							
97	Single-family	10,045	13,636	14,111	10,325	48,117	8,466
98	Multi-family	1,757	1,324	2,149	2,356	7,586	859
99	Total	<u>11,802</u>	<u>14,960</u>	<u>16,260</u>	<u>12,681</u>	<u>55,703</u>	<u>9,325</u>
Arizona Job Growth (c)							
100	Payroll job growth (% over prior year)	2.7%	3.3%	3.6%	3.9%	3.4%	2.0%
101	Unemployment rate (% , seasonally adjusted)	5.2%	5.1%	4.9%	4.6%	5.0%	(0.7)%

Sources:

- (a) Average of daily prices obtained and used with permission from Dow Jones & Company, Inc.
(b) Arizona Real Estate Center, Arizona State University W.P. Carey College of Business
(c) Arizona Department of Economic Security

See Glossary of Terms.

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Pinnacle West Capital Corporation

Consolidated Statistics By Quarter
2003

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	\$ 16	\$ 43	\$ 100	\$ 21	\$ 181	\$ (18)
2	Pinnacle West Energy	4	1	2	(15)	(8)	11
3	APS Energy Services	8	5	1	3	16	(12)
4	SunCor	1	2	6	36	46	36
5	El Dorado	—	—	—	—	(1)	4
6	Parent Company	(11)	3	—	—	(9)	(32)
7	Income From Continuing Operations	18	54	109	45	225	(11)
8	Income From Discontinued Operations — Net of Tax	7	2	1	4	16	37
9	Cumulative Effect of Change in Accounting — Net of Tax	—	—	—	—	—	66
10	Net Income	<u>\$ 25</u>	<u>\$ 56</u>	<u>\$ 110</u>	<u>\$ 49</u>	<u>\$ 241</u>	<u>\$ 92</u>
EARNINGS PER SHARE BY SUBSIDIARY — DILUTED							
11	Arizona Public Service	\$ 0.17	\$ 0.47	\$ 1.10	\$ 0.24	\$ 1.98	\$ (0.37)
12	Pinnacle West Energy	0.05	0.01	0.02	(0.16)	(0.08)	0.15
13	APS Energy Services	0.08	0.06	0.01	0.03	0.18	(0.15)
14	SunCor	0.01	0.03	0.07	0.39	0.50	0.37
15	El Dorado	—	—	—	—	(0.01)	0.05
16	Parent Company	(0.11)	0.02	(0.01)	(0.01)	(0.10)	(0.36)
17	Income From Continuing Operations	0.20	0.59	1.19	0.49	2.47	(0.31)
18	Income From Discontinued Operations — Net of Tax	0.08	0.02	0.01	0.05	0.16	0.41
19	Cumulative Effect of Change in Accounting — Net of Tax	—	—	—	—	—	0.77
20	Net Income	<u>\$ 0.28</u>	<u>\$ 0.61</u>	<u>\$ 1.20</u>	<u>\$ 0.54</u>	<u>\$ 2.63</u>	<u>\$ 0.87</u>
21	BOOK VALUE PER SHARE	\$ 29.39	\$ 29.95	\$ 30.68	\$ 30.97	\$ 30.97	\$ 1.57
COMMON SHARES OUTSTANDING (Thousands)							
22	Average — Diluted	91,359	91,450	91,467	91,403	91,405	6,441
23	End of Period	91,257	91,262	91,271	91,288	91,288	33

Pinnacle West Capital Corporation
Consolidated Statistics By Quarter
2003

Line	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year-To-Date	Increase (Decrease) vs Prior YTD
ELECTRIC OPERATING REVENUES (Dollars in Millions)						
REGULATED ELECTRICITY SEGMENT						
Retail						
24	\$ 168	\$ 233	\$ 363	\$ 193	\$ 957	\$ 51
25	196	251	284	222	953	25
26	364	484	647	415	1,910	76
Wholesale revenue on delivered electricity						
27	3	4	5	3	15	7
28	—	—	—	—	—	—
29	6	5	9	8	28	(2)
30	7	6	6	6	25	7
31	380	499	667	432	1,978	88
MARKETING AND TRADING SEGMENT						
32	117	101	83	91	392	105
33	\$ 497	\$ 600	\$ 750	\$ 523	\$ 2,370	\$ 193
ELECTRIC SALES (GWH)						
REGULATED ELECTRICITY SEGMENT						
Retail sales						
34	2,104	2,543	4,126	2,374	11,147	703
35	2,849	3,450	3,891	3,225	13,415	497
36	4,953	5,993	8,017	5,599	24,562	1,200
Wholesale electricity delivered						
37	130	131	127	112	500	27
38	—	—	—	—	—	—
39	109	205	446	334	1,094	(1,548)
40	5,192	6,329	8,590	6,045	26,156	(321)
MARKETING AND TRADING SEGMENT						
41	7,372	6,798	7,255	7,378	28,803	5,949
42	12,564	13,127	15,845	13,423	54,959	5,628

See Glossary of Terms.

Pinnacle West Capital Corporation
Consolidated Statistics By Quarter
2003

Line		1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year-To-Date	Increase (Decrease) vs Prior YTD
POWER SUPPLY ADJUSTOR ("PSA") - REGULATED ELECTRICITY SEGMENT (Dollars in Millions)							
43	Deferred fuel and purchased power regulatory asset — beginning balance	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
44	Deferred fuel and purchased power costs — current period	—	—	—	—	—	—
45	Interest on deferred fuel	—	—	—	—	—	—
46	Amounts recovered through revenues	—	—	—	—	—	—
47	Deferred fuel and purchased power regulatory asset — ending balance	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
MARKETING AND TRADING SEGMENT PRETAX GROSS MARGIN ANALYSIS (Dollars in Millions)							
Realized and Mark-To-Market Components							
48	Electricity and other commodity sales, realized (a)	\$ 25	\$ 20	\$ 4	\$ 16	\$ 65	\$ (56)
49	Mark-to-market reversals on realized sales (b)	(3)	1	(3)	(1)	(11)	35
50	Change in mark-to-market value of forward sales	(3)	(1)	(3)	(5)	(7)	(64)
51	Total gross margin	<u>\$ 19</u>	<u>\$ 20</u>	<u>\$ (2)</u>	<u>\$ 10</u>	<u>\$ 47</u>	<u>\$ (85)</u>
By Pinnacle West Entity							
52	Parent company marketing and trading division	\$ 2	\$ 4	\$ (2)	\$ (9)	\$ (5)	\$ (95)
53	APS	6	4	(6)	4	8	\$ 6
54	Pinnacle West Energy	(1)	—	—	9	8	\$ 4
55	APS Energy Services	12	12	6	6	36	\$ —
56	Total gross margin	<u>\$ 19</u>	<u>\$ 20</u>	<u>\$ (2)</u>	<u>\$ 10</u>	<u>\$ 47</u>	<u>\$ (85)</u>

(a) Net effect on pretax gross margin from realization of prior-period mark-to-market included in line 48 and in line 49 is zero. Realization of prior-period mark-to-market relates to cash flow recognition, not earnings recognition. The opposites of amounts included in line 48 are included in line 49. For example, line 49 shows that a prior-period mark-to-market gain of \$6 million was transferred to "realized" for the total year 2003. A \$6 million realized gain is included in the \$65 million on line 48 for the total year 2003.

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



Pinnacle West Capital Corporation
Consolidated Statistics By Quarter
2003

Line		1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year-To-Date	Increase (Decrease) vs Prior YTD
AVERAGE ELECTRIC CUSTOMERS							
Retail customers							
57	Residential	827,937	821,331	824,655	839,539	828,366	26,565
58	Business	101,999	102,601	103,262	104,521	103,096	2,868
59	Total	929,936	923,932	927,917	944,060	931,462	29,432
60	Wholesale customers	65	66	66	66	66	(1)
61	Total customers	930,001	923,998	927,983	944,126	931,528	29,431
62	Customer growth (% over prior year)	3.3%	3.1%	3.2%	3.4%	3.3%	0.2%
RETAIL SALES (GWH) — WEATHER NORMALIZED							
63	Residential	2,218	2,477	3,939	2,269	10,904	443
64	Business	2,885	3,485	3,857	3,174	13,402	496
65	Total	5,103	5,962	7,796	5,443	24,306	939
RETAIL USAGE (KWh/Average Customer)							
66	Residential	2,541	3,096	5,004	2,828	13,457	432
67	Business	27,927	33,625	37,677	30,865	130,529	1,288
RETAIL USAGE — WEATHER NORMALIZED (KWh/Average Customer)							
68	Residential	2,679	3,016	4,777	2,703	13,163	116
69	Business	28,286	33,969	37,356	30,371	129,997	1,234
ELECTRICITY DEMAND (MW)							
70	System peak demand	3,569	5,571	6,332	5,124	6,332	529

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Pinnacle West Capital Corporation
Consolidated Statistics By Quarter
2003

Line		<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year-To-Date</u>	<u>Increase (Decrease) vs Prior YTD</u>
ENERGY SOURCES (GWH)							
Generation production							
71	Nuclear	2,306	2,047	2,230	1,732	8,315	(666)
72	Coal	2,770	2,824	2,972	2,801	11,367	(690)
73	Gas, oil and other	1,288	1,572	2,696	535	6,091	1,722
74	Total generation production	<u>6,364</u>	<u>6,443</u>	<u>7,898</u>	<u>5,068</u>	<u>25,773</u>	<u>366</u>
Purchased power							
75	Firm load	(12)	606	1,099	1,418	3,111	1,492
76	Marketing and trading	6,489	6,527	7,498	7,236	27,750	4,045
77	Total purchased power	<u>6,477</u>	<u>7,133</u>	<u>8,597</u>	<u>8,654</u>	<u>30,861</u>	<u>5,537</u>
78	Total energy sources	<u>12,841</u>	<u>13,576</u>	<u>16,495</u>	<u>13,722</u>	<u>56,634</u>	<u>5,903</u>
POWER PLANT PERFORMANCE							
Capacity Factors							
79	Nuclear	98%	86%	93%	72%	87%	(7)%
80	Coal	75%	75%	79%	74%	76%	(4)%
81	Gas, oil and other	26%	30%	45%	9%	27%	0%
82	System average	58%	57%	65%	41%	54%	(9)%
Generation Capacity Out of Service and Replaced for Native Load (average MW/day) (a)							
83	Nuclear	31	136	61	297	131	64
84	Coal	292	254	277	253	269	102
85	Gas	189	148	154	338	205	157
86	Total	<u>512</u>	<u>538</u>	<u>492</u>	<u>888</u>	<u>605</u>	<u>323</u>

(a) Includes planned and unplanned outages

See Glossary of Terms.

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Pinnacle West Capital Corporation
Consolidated Statistics By Quarter
2003

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							
87	Palo Verde	\$49.66	\$ 48.88	\$ 52.88	\$ 42.98	\$ 48.60	\$ 16.32
88	SP15	\$54.35	\$ 50.73	\$ 53.54	\$ 46.88	\$ 51.38	\$ 17.16
Off-Peak							
89	Palo Verde	\$36.09	\$ 25.48	\$ 36.08	\$ 30.48	\$ 32.03	\$ 12.14
90	SP15	\$39.70	\$ 28.27	\$ 37.81	\$ 32.85	\$ 34.66	\$ 12.97
WEATHER INDICATORS							
Actual							
91	Cooling degree-days	76	1,550	2,701	572	4,899	24
92	Heating degree-days	349	17	—	370	736	(64)
93	Average humidity	44%	18%	30%	34%	31%	4%
10-Year Averages							
94	Cooling degree-days	99	1,547	2,541	437	4,623	—
95	Heating degree-days	514	31	—	386	930	—
96	Average humidity	41%	23%	33%	39%	34%	0%
ECONOMIC INDICATORS							
Building Permits — Metro Phoenix (b)							
97	Single-family	8,030	10,613	11,191	9,817	39,651	5,339
98	Multi-family	863	2,053	1,231	2,580	6,727	(347)
99	Total	<u>8,893</u>	<u>12,666</u>	<u>12,422</u>	<u>12,397</u>	<u>46,378</u>	<u>4,992</u>
Arizona Job Growth (c)							
100	Payroll job growth (% over prior year)	1.1%	0.9%	1.5%	2.0%	1.4%	1.4%
101	Unemployment rate (% seasonally adjusted)	5.8%	5.9%	5.7%	5.3%	5.7%	(0.5)%

Sources:

- (a) Average of daily prices obtained and used with permission from Dow Jones & Company, Inc.
(b) Arizona Real Estate Center, Arizona State University W.P. Carey College of Business
(c) Arizona Department of Economic Security

See Glossary of Terms.

Pinnacle West Capital Corporation
Quarterly Consolidated Statistical Summary
Glossary of Terms

Amounts Recovered Through Revenues	Amounts recovered from retail customers through the power supply adjustor in the current period.
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 Value of Forward Sales	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.
Deferred Fuel and Purchased Power Costs — Current Period	Deferrals recorded in the period for recovery or refund to the extent actual retail fuel and purchased power costs vary from the amount included in base retail rates (currently \$0.020743 per kWh).
Deferred Fuel and Purchased Power Regulatory Asset	Balance of accumulated deferrals, net of amounts recovered through revenues, recorded for recovery or refund to the extent actual retail fuel and purchased power costs vary from the amount included in base retail rates (currently \$0.020743 per kWh).
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°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°F for the month. Average temperatures greater than the base temperature are ignored.
Electricity and Other Commodity Sales, Realized	Marketing and trading gross margin related to electricity and other commodities that were delivered in the then-current period.
Electricity Spot Prices — Palo Verde — Off-Peak	Electricity average daily spot prices at 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 — On-Peak	Electricity average daily spot prices at 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 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.
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.
Mark-To-Market Reversals on Realized Sales	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.
Megawatt (MW)	One million watts.
Megawatt-hour (MWh)	A unit of energy equivalent to 1,000 kilowatt-hours.
Native Load	Retail and wholesale sales supplied under traditional cost-based rate regulation.
Off-System Sales	Sales of electricity from generation owned or contracted by the company that is over and above the amount required to serve retail customers and traditional wholesale contracts.

Power Supply Adjustor (“PSA”)	Power supply adjustor provides for recovery or refund of variations in actual fuel and purchased power costs compared with the amount included in base retail rates (currently \$0.020743 per kWh) subject to certain specified parameters.
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 and Mark-to-Market Components	Marketing and trading gross margin, before income taxes, for off-system sales 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.
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.

Wholesale Sales of Electricity

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.

**FOR IMMEDIATE RELEASE**

Media Contact:
Analyst Contact:
Web site:

Alan Bunnell, (602) 250-3376
Rebecca Hickman, (602) 250-5668
www.pinnaclewest.com

May 9, 2006
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**PINNACLE WEST FIRST QUARTER EARNINGS
LOWER DUE TO HIGHER FUEL COSTS**

PHOENIX — Pinnacle West Capital Corporation (NYSE: PNW) today reported lower consolidated net income for the quarter ended March 31, 2006, of \$12.5 million, or \$0.13 per diluted share of common stock. This result compares with net income of \$24.4 million, or \$0.27 per share, for the comparable quarter a year ago.

Arizona Public Service (APS) reported a net loss of \$5.5 million for the first quarter of 2006, compared with net income of \$27.0 million for the same period a year ago. Whereas, SunCor Development Co., Pinnacle West's real estate subsidiary, delivered solid performance, reporting net income of \$22.0 million, compared with \$9.4 million in the 2005 first quarter.

"APS' first quarter sales growth was strong, increasing 4 percent in 2006. But the associated revenue growth was more than offset by high natural gas and purchased power prices," said Chairman Bill Post. "The power supply adjustor approved by the Arizona Corporation Commission (ACC) last week allows us to begin collecting a significant portion of our fuel cost increases on a timely basis.

"And, the ACC's order will improve APS' cash flow, which is essential to maintaining its financial integrity and investment grade credit ratings so as to allow us to continue supporting Arizona's growth in the most cost-effective manner for our customers."

For more information on Pinnacle West's operating statistics and earnings, please visit www.pinnaclewest.com/financials.

Pinnacle West is a Phoenix-based company with consolidated assets of about \$11 billion. Through its subsidiaries, the Company generates, sells and delivers electricity and sells energy-related products and services to retail and wholesale customers in the western United States. It also develops residential, commercial and industrial real estate projects.

Conference Call

Pinnacle West invites interested parties to listen to the live web cast of management's conference call to discuss the Company's 2006 first quarter earnings and recent developments at 1:00 p.m. (ET), today, Tuesday, May 9, 2006. The web cast can be accessed at www.pinnaclewest.com/presentations and will be available for replay on the web site for 30 days. To access the live conference call by telephone, dial (877) 356-3961 and enter reservation number 8073391. A replay of the call also will be available until 11:55 p.m. (ET), Tuesday, May 16, 2006, by calling (800) 642-1687 in the U.S. and Canada or (706) 645-9291 internationally and entering the same reservation number as above.

PINNACLE WEST CAPITAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(unaudited)
(in thousands, except per share amounts)

	THREE MONTHS ENDED MARCH 31,	
	2006	2005
Operating Revenues		
Regulated electricity segment	\$466,126	\$416,030
Marketing and trading segment	85,002	89,257
Real estate segment	107,854	69,936
Other revenues	<u>11,224</u>	<u>10,135</u>
Total	<u>670,206</u>	<u>585,358</u>
Operating Expenses		
Regulated electricity segment fuel and purchased power	157,395	78,423
Marketing and trading segment fuel and purchased power	74,175	70,809
Operations and maintenance	178,427	155,084
Real estate segment operations	71,330	55,334
Depreciation and amortization	87,621	90,944
Taxes other than income taxes	35,573	34,565
Other expenses	<u>8,522</u>	<u>8,374</u>
Total	<u>613,043</u>	<u>493,533</u>
Operating Income	<u>57,163</u>	<u>91,825</u>
Other		
Allowance for equity funds used during construction	3,801	2,603
Other income	5,467	1,726
Other expense	<u>(4,541)</u>	<u>(5,309)</u>
Total	<u>4,727</u>	<u>(980)</u>
Interest Expense		
Interest charges	47,526	45,965
Capitalized interest	<u>(4,024)</u>	<u>(3,289)</u>
Total	<u>43,502</u>	<u>42,676</u>
Income From Continuing Operations Before Income Taxes	18,388	48,169
Income Taxes	<u>6,793</u>	<u>18,570</u>
Income From Continuing Operations	11,595	29,599
Income (Loss) From Discontinued Operations		
Net of Income Taxes	<u>860</u>	<u>(5,151)</u>
Net Income	<u>\$ 12,455</u>	<u>\$ 24,448</u>
Weighted-Average Common Shares Outstanding — Basic	99,115	91,962
Weighted-Average Common Shares Outstanding — Diluted	99,449	92,045
Earnings Per Weighted-Average Common Share Outstanding		
Income From Continuing Operations — Basic	\$ 0.12	\$ 0.32
Net Income — Basic	\$ 0.13	\$ 0.27
Income From Continuing Operations — Diluted	\$ 0.12	\$ 0.32
Net Income — Diluted	\$ 0.13	\$ 0.27

Certain prior year amounts have been reclassified to conform to the 2006 presentation.