

# PINNACLE WEST CAPITAL CORP

## FORM 8-K (Current report filing)

Filed 09/27/01 for the Period Ending 09/26/01

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

# PINNACLE WEST CAPITAL CORP

## FORM 8-K (Unscheduled Material Events)

Filed 9/27/2001 For Period Ending 9/26/2001

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

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): September 26, 2001 (March 31, 2001)

**PINNACLE WEST CAPITAL CORPORATION**

(Exact name of registrant as specified in its charter)

Arizona  
(State or other jurisdiction  
of incorporation)

1-8962  
(Commission File Number)

86-0512431  
(IRS Employer  
Identification Number)

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

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

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

**Item 7. Financial Statements, Pro Forma Financial Information and Exhibits**

(c) Exhibits.

<b><u>Exhibit No.</u></b>	<b><u>Description</u></b>
99.1	Pinnacle West Capital Corporation consolidated quarterly operating statistics and market, weather and economic indicators for 1999, 2000, and the quarters ending March 31, 2001 and June 30, 2001.
99.2	Pinnacle West Capital Corporation graphical data presentation for the period from January 1, 1999 through June 30, 2001.
99.3	Question & Answer.
99.4	Earnings variance explanations for the periods ended June 30, 2001 and June 30, 2000 excerpted from Management's Discussion and Analysis of Financial Condition and Results of Operations in the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2001.
99.5	Earnings variance explanations for the periods ended March 31, 2001 and March 31, 2000 excerpted from Management's Discussion and Analysis of Financial Condition and Results of Operations in the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2001.
99.6	Glossary of Terms.

**Item 9. Regulation FD Disclosure**

Pinnacle West is providing quarterly consolidated operating statistics and market, weather and economic indicators ("Information") to help interested parties better understand our business. This information is concurrently being posted to the Registrant's website at [www.pinnaclewest.com](http://www.pinnaclewest.com). The Information may not represent all of the factors that could affect our 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. Pinnacle West is not responsible for any such inaccuracies. Although we may update or correct the Information if we are aware that it has been revised or is inaccurate, we assume no obligation to update or correct the Information and reserve the right to discontinue the provision of all or any portion of the Information at any time or to change the type of Information provided.

## SIGNATURES

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

### PINNACLE WEST CAPITAL CORPORATION

(Registrant)

Dated: September 26, 2001

By: Michael V. Palmeri  
Michael V. Palmeri  
Vice President, Finance

### PINNACLE WEST CAPITAL CORPORATION Exhibit Index to Current Report on Form 8-K

<b><u>Exhibit No.</u></b>	<b><u>Description</u></b>
99.1	Pinnacle West Capital Corporation consolidated quarterly operating statistics and market, weather and economic indicators for 1999, 2000, and the quarters ending March 31, 2001 and June 30, 2001.
99.2	Pinnacle West Capital Corporation graphical data presentation for the period from January 1, 1999 through June 30, 2001.
99.3	Question & Answer.
99.4	Earnings variance explanations for the periods ended June 30, 2001 and June 30, 2000 excerpted from Management's Discussion and Analysis of Financial Condition and Results of Operations in the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2001.
99.5	Earnings variance explanations for the periods ended March 31, 2001 and March 31, 2000 excerpted from Management's Discussion and Analysis of Financial Condition and Results of Operations in the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2001.
99.6	Glossary of Terms.

**Exhibit 99.1**

### **Pinnacle West Capital Corporation**

### **Consolidated Operating Statistics 2001 Quarterly Statistics**

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	YTD Total
ELECTRIC OPERATING REVENUES					
(Dollars in Millions)					
Retail					
Residential	\$ 173	\$ 234			\$ 4
Business	199	258			4
Total retail	372	492			8
Wholesale marketing and trading					
Generation other than native load	122	82			2
Trading and other	356	650			1,0
Total sales for resale	478	732			1,2
Transmission for others	5	5			
Miscellaneous services	52	32			
Net electric operating revenues	\$ 907	\$ 1,261			\$ 2,1

ELECTRIC SALES (GWh)

Retail sales					
Residential	2,122	2,468			4,5
Business	2,823	3,446			6,2
Total retail	4,945	5,914			10,8
Wholesale marketing and trading					
Generation other than native load	622	437			1,0
Trading and other	3,498	4,404			7,9
Total sales for resale	4,120	4,841			8,9
Total electric sales	9,065	10,755			19,8

RETAIL ELECTRIC SALES (GWh) -  
WEATHER NORMALIZED

Residential	2,039	2,224			4,2
Business	2,826	3,315			6,1
Total	4,865	5,539			10,4

ELECTRIC CUSTOMERS (End of Period)

Retail customers					
Residential	771,366	764,741			764,7
Business	94,964	95,998			95,9
Total	866,330	860,739			860,7
Wholesale customers					
Total customers	866,399	860,805			860,8

Customer Growth (% over prior year) 3.6% 3.9%

RETAIL ELECTRICITY USAGE

(kWh/Average Customer)

Residential	2,756	3,224	5,9
Business	29,805	36,018	65,8

RETAIL ELECTRICITY USAGE - WEATHER  
NORMALIZED  
(kWh/Average Customer)

Residential	2,648	2,906	5,5
Business	29,837	34,649	64,5

ELECTRICITY DEMAND (MW)

System Peak Demand	3,661	5,358	5,3
--------------------	-------	-------	-----

## Pinnacle West Capital Corporation

### Consolidated Operating Statistics 2001 Quarterly Statistics

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	YTD Total
	-----	-----	-----	-----	-----
ENERGY SOURCES (GWh)					
Generation production					
Nuclear	2,261	1,985			4,2
Coal	2,901	3,245			6,1
Gas, oil and other	1,007	1,239			2,2
Total	-----	-----	-----	-----	-----
	6,169	6,469			12,6
	-----	-----	-----	-----	-----
Purchased power					
Firm load	381	635			1,0
Marketing and trading	3,232	4,018			7,2
Total	-----	-----	-----	-----	-----
	3,613	4,653			8,2
	-----	-----	-----	-----	-----
Total energy sources	9,782	11,122			20,9
	=====	=====	=====	=====	=====
POWER PLANT PERFORMANCE					
Capacity Factors					
Nuclear	96%	84%			
Coal	78%	87%			
Gas, oil and other	39%	46%			
System average	72%	73%			
Generation Capacity Out of Service (average MW/day)					
Nuclear	57	180			1
Coal	284	166			2
Gas	36	52			
Total	377	398			3
Generation Fuel Cost (\$/MWh)	\$ 19.64	\$ 19.28			\$ 19.

BOOK VALUE PER SHARE

\$ 28.83 \$ 28.17

\$ 28.

## Pinnacle West Capital Corporation

### Energy Market, Weather and Economic Indicators 2001 Quarterly Statistics

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	YTD Total
	-----	-----	-----	-----	-----
ENERGY MARKET INDICATORS (a)					
Electricity Average Daily Spot Prices (\$/MWh)					
On-Peak					
Palo Verde	\$ 214.21	\$ 182.71			\$ 198.
SP15	\$ 219.66	\$ 186.30			\$ 202.
Off-Peak					
Palo Verde	\$ 130.40	\$ 70.32			\$ 100.
SP15	\$ 159.80	\$ 84.78			\$ 122.
WEATHER INDICATORS					
Actual					
Cooling degree-days	106	1,733			1,8
Heating degree-days	657	43			7
Average humidity	50%	25%			
10-Year Averages					
Cooling degree-days	73	1,405			1,4
Heating degree-days	549	33			5
Average humidity	44%	24%			
ECONOMIC INDICATORS					
Building Permits --					
Metro Phoenix (b)					
Single-family	8,681	9,270			17,9
Multi-family	3,918	1,820			5,7
Total	----- 12,599	----- 11,090	-----	-----	----- 23,6
Arizona Job Growth (c)					
Payroll job growth (% over prior year)	2.3%	0.9%			0
Unemployment rate (% , seasonally adjusted)	4.4%	4.3%			4

**Sources:**

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

## Pinnacle West Capital Corporation

### Consolidated Operating Statistics 2000 Quarterly Statistics

	1st Qtr	2nd Qtr	3rd Qtr	4th Qrt	Total Y
	-----	-----	-----	-----	-----
ELECTRIC OPERATING REVENUES					
(Dollars in Millions)					
Retail					
Residential	\$ 157	\$ 227	\$ 324	\$ 172	\$ 8
Business	196	253	275	212	9
	-----	-----	-----	-----	-----
Total retail	353	480	599	384	1,8
	-----	-----	-----	-----	-----
Wholesale marketing and trading					
Generation other than native load	11	7	13	102	1
Trading and other	63	172	921	305	1,4
	-----	-----	-----	-----	-----
Total sales for resale	74	179	934	407	1,5
Transmission for others	3	4	4	4	
Miscellaneous services	16	57	31	3	1
	-----	-----	-----	-----	-----
Net electric operating revenues	\$ 446	\$ 720	\$ 1,568	\$ 798	\$ 3,5
	=====	=====	=====	=====	=====

ELECTRIC SALES (GWH)

Retail sales					
Residential	1,876	2,371	3,506	2,028	9,7
Business	2,737	3,379	3,674	2,964	12,7
	-----	-----	-----	-----	-----
Total retail	4,613	5,750	7,180	4,992	22,5
	-----	-----	-----	-----	-----
Wholesale marketing and trading					
Generation other than native load	397	215	163	720	1,4
Trading and other	2,555	3,691	9,981	3,788	20,0
	-----	-----	-----	-----	-----
Total sales for resale	2,952	3,906	10,144	4,508	21,5
	-----	-----	-----	-----	-----
Total electric sales	7,565	9,656	17,324	9,500	44,0
	=====	=====	=====	=====	=====

RETAIL ELECTRIC SALES (GWh) - WEATHER NORMALIZED

Residential	1,986	2,253	3,358	1,920	9,5
Business	2,741	3,320	3,620	3,004	12,6
	-----	-----	-----	-----	-----
Total	4,727	5,573	6,978	4,924	22,2
	=====	=====	=====	=====	=====

ELECTRIC CUSTOMERS (End of Period)

Retail customers					
Residential	743,960	736,039	744,533	762,574	762,5
Business	91,868	92,469	93,826	94,895	94,8
	-----	-----	-----	-----	-----
Total	835,828	828,508	838,359	857,469	857,4
Wholesale customers	67	67	67	67	
	-----	-----	-----	-----	-----
Total customers	835,895	828,575	838,426	857,536	857,5
	=====	=====	=====	=====	=====

Customer Growth (% over prior year)	3.7%	3.7%	3.8%	3.7%	3
-------------------------------------	------	------	------	------	---



RETAIL ELECTRICITY USAGE  
(kWh/Average Customer)

Residential	2,527	3,215	4,732	2,684	13,1
Business	29,841	36,638	39,410	31,339	137,2

RETAIL ELECTRICITY USAGE - WEATHER  
NORMALIZED  
(kWh/Average Customer)

Residential	2,675	3,055	4,532	2,541	12,7
Business	29,884	35,998	38,831	31,761	136,4

ELECTRICITY DEMAND (MW)

System Peak Demand	3,315	5,095	5,478	4,331	5,4
--------------------	-------	-------	-------	-------	-----

**Pinnacle West Capital Corporation**

**Consolidated Operating Statistics  
2000 Quarterly Statistics**

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total Y
	-----	-----	-----	-----	-----
ENERGY SOURCES (GWh)					
Generation production					
Nuclear	2,324	2,090	2,349	2,078	8,8
Coal	2,828	3,162	3,344	3,175	12,5
Gas, oil and other	323	526	1,046	889	2,7
	-----	-----	-----	-----	-----
Total	5,475	5,778	6,739	6,142	24,1
	-----	-----	-----	-----	-----
Purchased power					
Firm load	263	819	1,549	455	3,0
Marketing and trading	2,206	3,184	9,860	3,642	18,8
	-----	-----	-----	-----	-----
Total	2,469	4,003	11,409	4,097	21,9
	-----	-----	-----	-----	-----
Total energy sources	7,944	9,781	18,148	10,239	46,1
	=====	=====	=====	=====	=====

POWER PLANT PERFORMANCE

Capacity Factors

Nuclear	98%	88%	98%	87%
Coal	76%	85%	88%	84%
Gas, oil and other	13%	21%	40%	34%
System average	63%	67%	77%	70%

Generation Capacity Out of Service  
(average MW/day)

Nuclear	27	129	21	143	
Coal	223	124	85	187	1
Gas	8	43	16	20	

Total	258	296	122	350	2
Generation Fuel Cost (\$/MWh)	\$ 10.74	\$ 12.77	\$ 14.84	\$ 16.38	\$ 13.
BOOK VALUE PER SHARE	\$ 26.29	\$ 27.00	\$ 28.01	\$ 28.09	\$ 28.

## Pinnacle West Capital Corporation

### Energy Market, Weather and Economic Indicators 2000 Quarterly Statistics

	1st Qtr -----	2nd Qtr -----	3rd Qtr -----	4th Qtr -----	Total Y -----
ENERGY MARKET INDICATORS (a)					
Electricity Average Daily Spot Prices (\$/MWh)					
On-Peak					
Palo Verde	\$ 30.52	\$ 90.49	\$ 170.40	\$ 154.33	\$ 111.
SP15	\$ 31.40	\$ 82.67	\$ 152.74	\$ 162.59	\$ 107.
Off-Peak					
Palo Verde	\$ 22.97	\$ 31.91	\$ 61.48	\$ 95.72	\$ 53.
SP15	\$ 24.52	\$ 32.45	\$ 66.28	\$ 119.72	\$ 60.
WEATHER INDICATORS					
Actual					
Cooling degree-days	71	1,712	2,547	253	4,5
Heating degree-days	459	9	--	500	9
Average humidity	37%	23%	29%	46%	
10-Year Averages					
Cooling degree-days	79	1,418	2,402	393	4,2
Heating degree-days	569	30	--	454	1,0
Average humidity	44%	24%	34%	39%	
ECONOMIC INDICATORS					
Building Permits -- Metro Phoenix (b)					
Single-family	8,163	9,605	8,331	6,410	32,5
Multi-family	3,208	2,651	2,417	1,952	10,2
Total	11,371	12,256	10,748	8,362	42,7
	=====	=====	=====	=====	=====
Arizona Job Growth (c)					
Payroll job growth (% over prior year)	4.5%	3.8%	3.9%	3.3%	3
Unemployment rate (% , seasonally adjusted)	4.0%	4.0%	3.7%	3.7%	3

#### Sources:

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

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

(c) Arizona Department of Economic Security

# Pinnacle West Capital Corporation

## Consolidated Operating Statistics 1999 Quarterly Statistics

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total Y
	-----	-----	-----	-----	-----
<b>ELECTRIC OPERATING REVENUES</b>					
(Dollars in Millions)					
<b>Retail</b>					
Residential	\$ 157	\$ 189	\$ 295	\$ 164	\$ 8
Business	190	237	269	216	9
	-----	-----	-----	-----	-----
Total retail	347	426	564	380	1,7
	-----	-----	-----	-----	-----
<b>Wholesale marketing and trading</b>					
Generation other than native load	11	9	8	15	
Trading and other	50	49	276	89	4
	-----	-----	-----	-----	-----
Total sales for resale	61	58	284	104	5
Transmission for others	3	3	3	2	
Miscellaneous services	3	24	17	14	
	-----	-----	-----	-----	-----
Net electric operating revenues	\$ 414	\$ 511	\$ 868	\$ 500	\$ 2,2
	=====	=====	=====	=====	=====
<b>ELECTRIC SALES (GWH)</b>					
<b>Retail sales</b>					
Residential	1,796	1,939	3,160	1,880	8,7
Business	2,664	3,239	3,465	2,932	12,3
	-----	-----	-----	-----	-----
Total retail	4,460	5,178	6,625	4,812	21,0
	-----	-----	-----	-----	-----
<b>Wholesale marketing and trading</b>					
Generation other than native load	468	389	245	585	1,6
Trading and other	2,378	2,605	6,099	2,924	14,0
	-----	-----	-----	-----	-----
Total sales for resale	2,846	2,994	6,344	3,509	15,6
	-----	-----	-----	-----	-----
Total electric sales	7,306	8,172	12,969	8,321	36,7
	=====	=====	=====	=====	=====
<b>RETAIL ELECTRIC SALES (GWh) - WEATHER NORMALIZED</b>					
Residential	1,913	1,939	3,089	1,912	8,8
Business	2,672	3,269	3,435	2,792	12,1
	-----	-----	-----	-----	-----
Total	4,585	5,208	6,524	4,704	21,0
	=====	=====	=====	=====	=====
<b>ELECTRIC CUSTOMERS (End of Period)</b>					
<b>Retail customers</b>					
Residential	716,565	709,102	716,441	735,359	735,3
Business	89,282	89,782	90,998	91,576	91,5
	-----	-----	-----	-----	-----
Total	805,847	798,884	807,439	826,935	826,9
Wholesale customers	67	68	73	73	
	-----	-----	-----	-----	-----
Total customers	805,914	798,952	807,512	827,008	827,0
	=====	=====	=====	=====	=====

Customer Growth (% over prior year)	3.8%	3.8%	3.8%	3.8%	3
RETAIL ELECTRICITY USAGE (kWh/Average Customer)					
Residential	2,512	2,730	4,426	2,584	12,2
Business	30,025	36,203	38,305	32,185	137,2
RETAIL ELECTRICITY USAGE - WEATHER NORMALIZED (kWh/Average Customer)					
Residential	2,676	2,730	4,327	2,628	12,3
Business	30,116	36,528	37,984	30,649	135,3
ELECTRICITY DEMAND (MW)					
System Peak Demand	3,343	4,885	4,935	3,881	4,9

## Pinnacle West Capital Corporation

### Consolidated Operating Statistics 1999 Quarterly Statistics

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total Y
	-----	-----	-----	-----	-----
ENERGY SOURCES (GWh)					
Generation production					
Nuclear	2,295	2,080	2,397	2,077	8,8
Coal	2,677	2,764	3,230	3,204	11,8
Gas, oil and other	241	477	557	484	1,7
Total	----- 5,213	----- 5,321	----- 6,184	----- 5,765	----- 22,4
Purchased power					
Firm load	290	753	1,470	447	2,9
Marketing and trading	2,068	2,255	5,659	2,603	12,5
Total	----- 2,358	----- 3,008	----- 7,129	----- 3,050	----- 15,5
Total energy sources	----- 7,571	----- 8,329	----- 13,313	----- 8,815	----- 38,0

#### POWER PLANT PERFORMANCE

##### Capacity Factors

Nuclear	98%	88%	100%	87%
Coal	72%	74%	85%	85%
Gas, oil and other	9%	18%	21%	18%
System average	61%	61%	71%	66%

##### Generation Capacity Out of Service

###### (average MW/day)

Nuclear	36	135	3	152	
Coal	337	368	177	172	2
Gas*	--	--	--	--	
Total	373	503	180	324	3

Generation Fuel Cost (\$/MWh)	\$ 10.00	\$ 10.96	\$ 11.02	\$ 11.33	\$ 10.
BOOK VALUE PER SHARE	\$ 25.49	\$ 25.58	\$ 25.84	\$ 26.00	\$ 26.

\* Gas unit replacement energy not calculated in 1999

## Pinnacle West Capital Corporation

### Energy Market, Weather and Economic Indicators 1999 Quarterly Statistics

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total Y
	-----	-----	-----	-----	-----
ENERGY MARKET INDICATORS (a)					
Electricity Average Daily Spot Prices (\$/MWh)					
On-Peak					
Palo Verde	\$ 21.57	\$ 29.02	\$ 38.46	\$ 33.31	\$ 30.
SP15	\$ 21.26	\$ 27.17	\$ 35.01	\$ 33.84	\$ 29.
Off-Peak					
Palo Verde	\$ 13.94	\$ 15.33	\$ 20.73	\$ 22.26	\$ 18.
SP15	\$ 13.68	\$ 14.47	\$ 20.60	\$ 25.06	\$ 18.
WEATHER INDICATORS					
Actual					
Cooling degree-days	71	1,312	2,353	589	4,3
Heating degree-days	459	112	--	359	9
Average humidity	34%	27%	40%	28%	
10-Year Averages					
Cooling degree-days	73	1,405	2,425	387	4,2
Heating degree-days	549	33	--	449	1,0
Average humidity	44%	24%	34%	40%	
ECONOMIC INDICATORS					
Building Permits -- Metro Phoenix (b)					
Single-family	8,873	9,299	8,223	6,855	33,2
Multi-family	2,337	2,396	1,861	3,011	9,6
Total	----- 11,210	----- 11,695	----- 10,084	----- 9,866	----- 42,8
	=====	=====	=====	=====	=====
Arizona Job Growth (c)					
Payroll job growth (% over prior year)	3.9%	4.4%	4.6%	4.2%	4.3
Unemployment rate (% , seasonally adjusted)	4.4%	4.4%	4.3%	4.3%	4.4

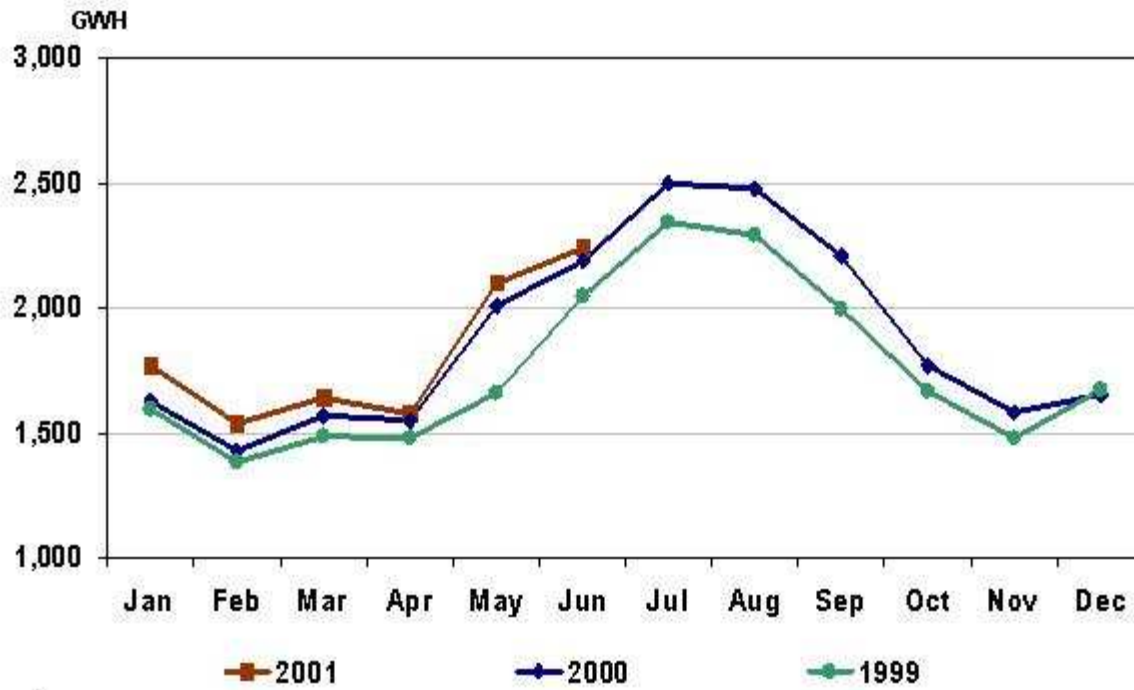
#### Sources:

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

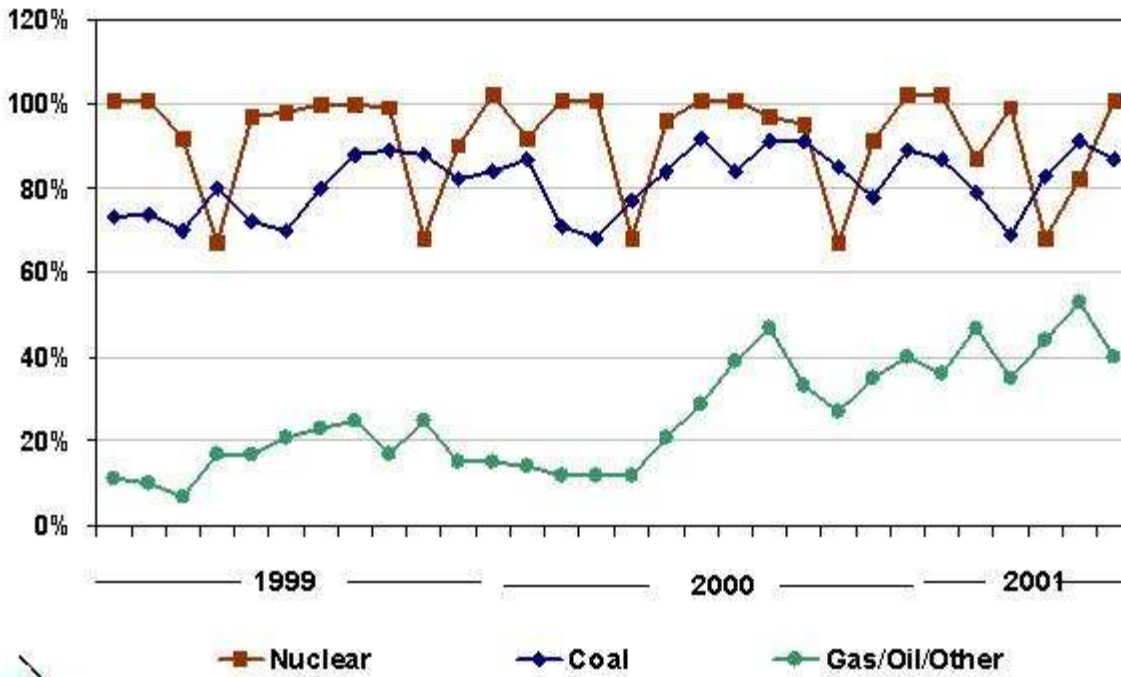
(b) Arizona Real Estate Center, Arizona State University College of Business

(c) Arizona Department of Economic Security

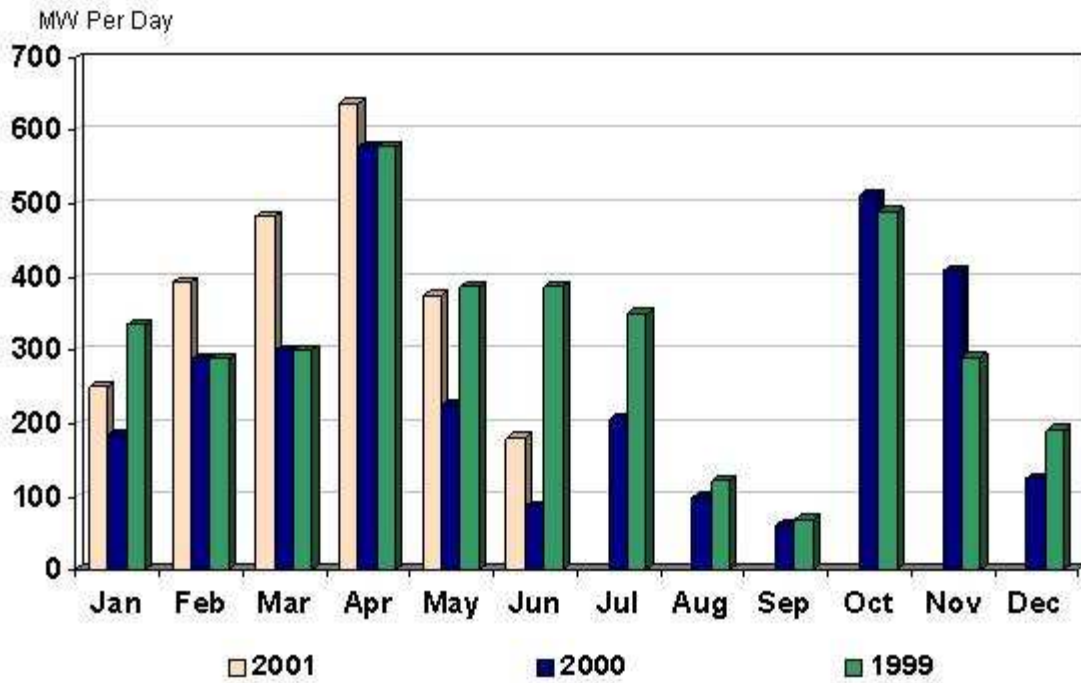
# Retail Electricity Sales January 1999 - June 2001



# Generating Plant Capacity Factors January 1999 - June 2001

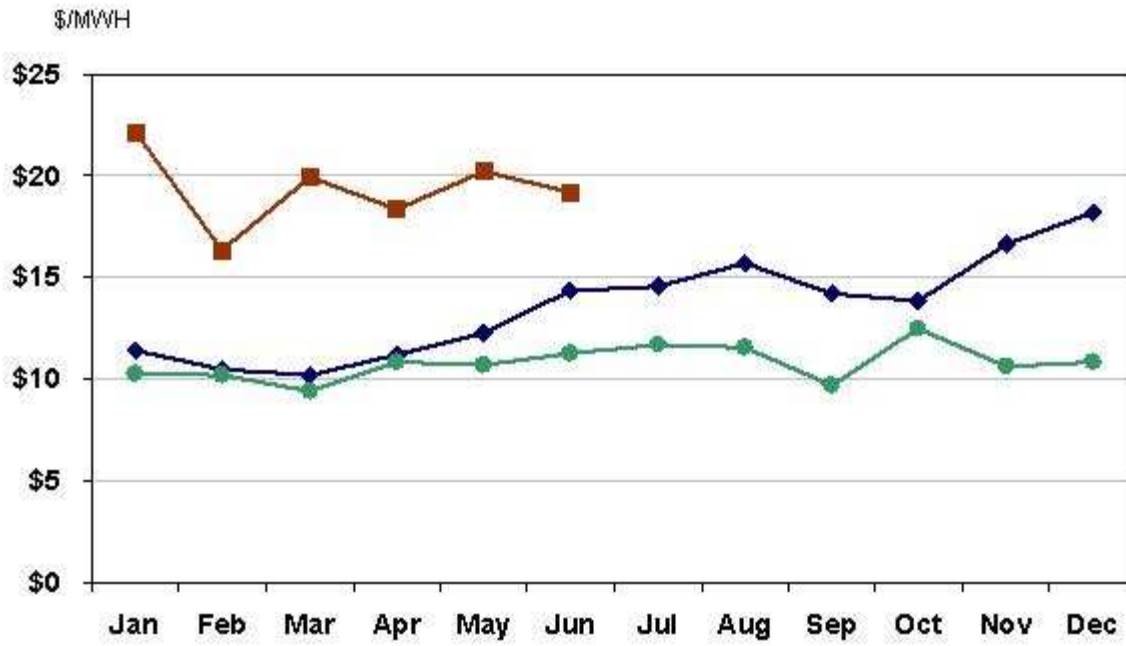


# Average Generating Capacity Out of Service January 1999 - June 2001



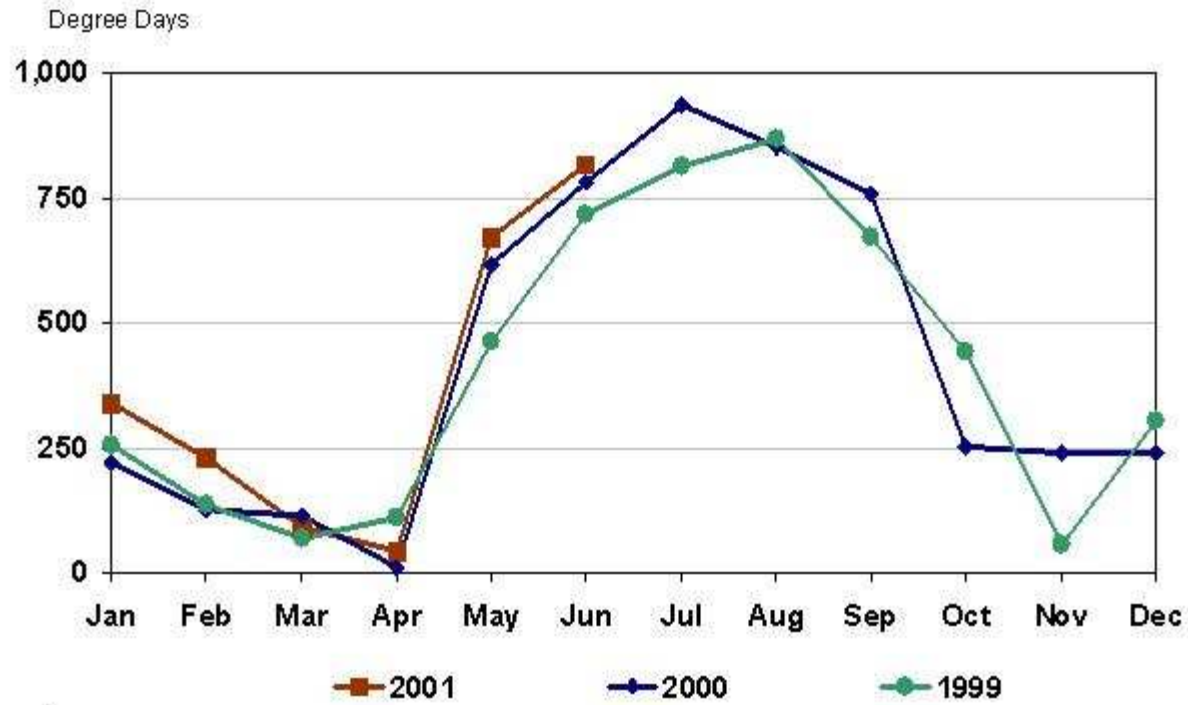


# Generation Fuel Costs January 1999 - June 2001

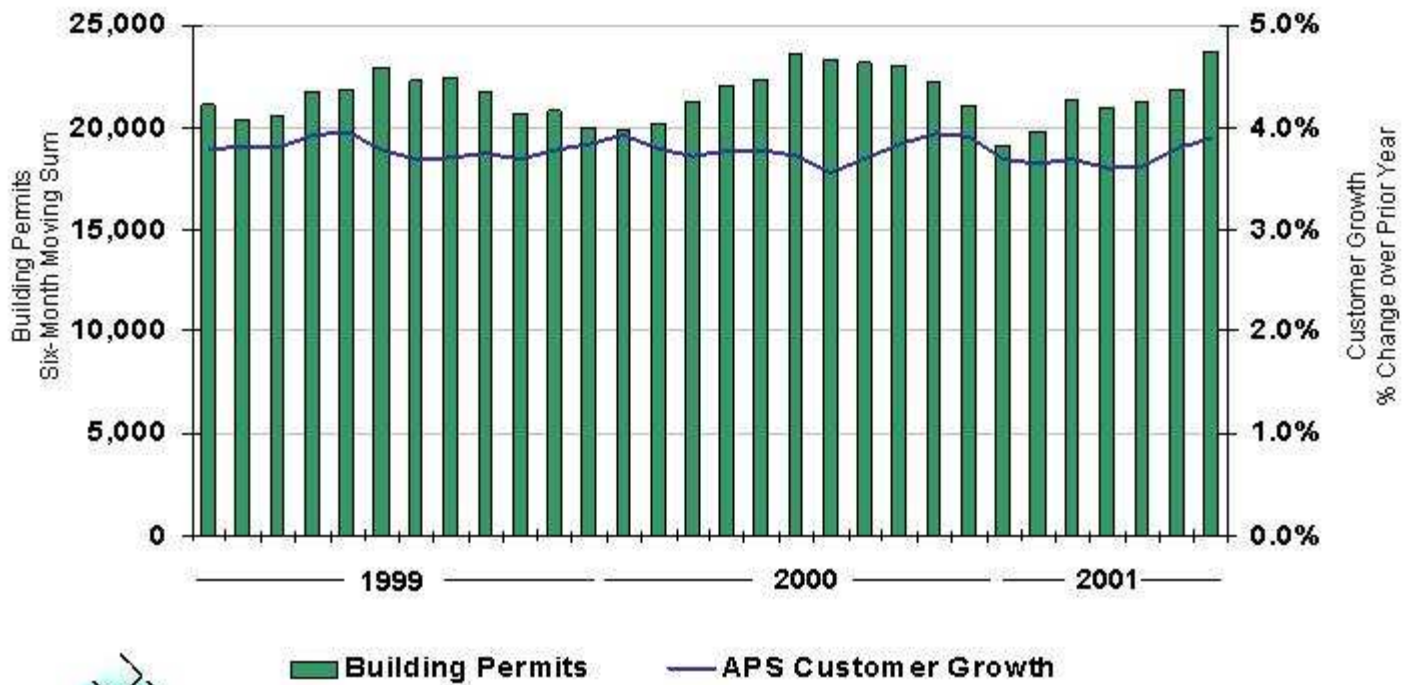


■ 2001      ◆ 2000      ● 1999

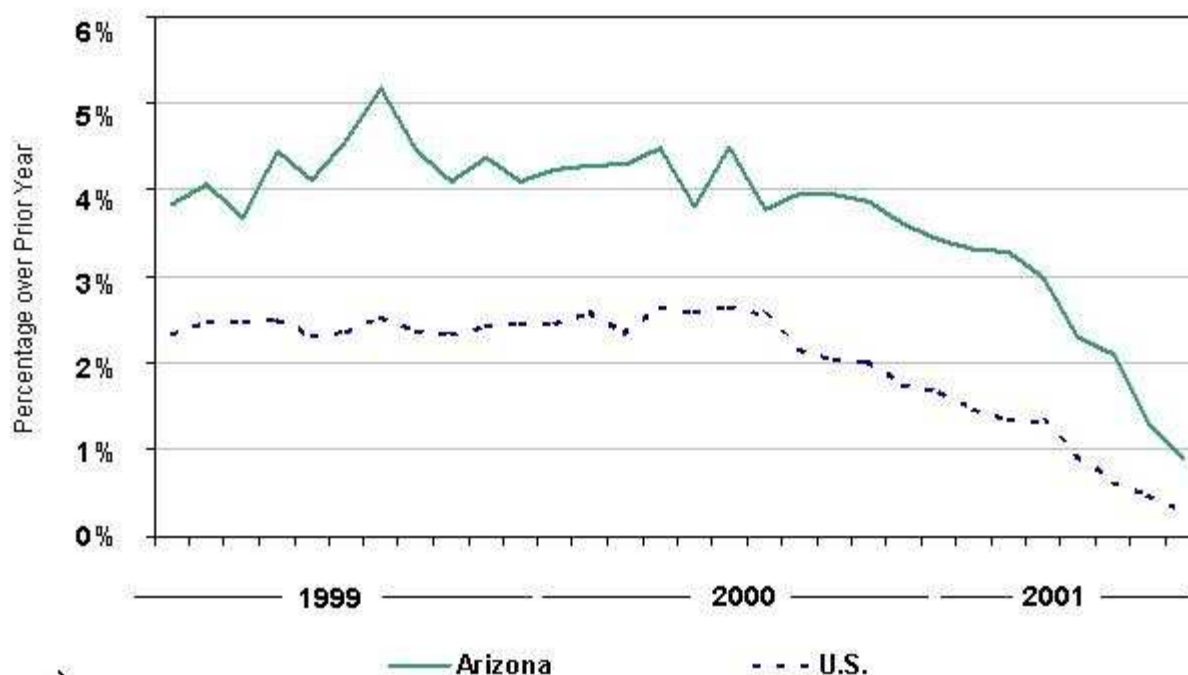
# Metropolitan Phoenix Area Cooling and Heating Degree Days January 1999 - June 2001



# Metro Phoenix Building Permits vs. APS Retail Electricity Customer Growth January 1999 - June 2001



## Arizona vs U.S. Payroll Job Growth January 1999 - June 2001



7

Exhibit 99.3

### Pinnacle West Capital Corporation

#### Q & A September 2001

From time to time, the company will answer questions of interest to the investment community.

- Q. Earnings for the second quarter of 2001 were impacted by a two-week outage extension at Unit 1 of the Palo Verde Nuclear Generating Station to replace the fuel control element assemblies. When does the company expect to replace the fuel control element assemblies in Units 2 and 3, and what effect does it expect those replacements to have on the duration of the outages?**
- A. The company currently plans to replace the control element assemblies in Palo Verde Units 2 and 3 during their next scheduled refueling outages and that the replacement activities will not result in extensions of the planned outage durations. The next scheduled refueling at Unit 3 is expected to begin around the end of September 2001 and last approximately 35 days. The next refueling outage for Unit 2 is currently planned for the spring of 2002.
- Q. Are there any new developments related to the court appeals of either the Arizona Corporation Commission's electric competition rules or the APS 1999 settlement agreement with the Arizona Corporation Commission?**
- A. Recently, the Arizona Court of Appeals scheduled oral argument on the appeals related to the competition rules

for October 30, 2001. Otherwise, the status of the appeals has not changed since they were described in Note 6, "Regulatory Matters," of the Notes to Condensed Consolidated Financial Statements in the Pinnacle West Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2001.

*This document contains forward-looking statements based on current expectations, and the company assumes no obligation to update these statements. Because actual results may differ materially from expectations, the company cautions readers not to place undue reliance on these statements. A number of factors could cause future results to differ materially from historical results, or from results or outcomes currently expected or sought by the company. These factors include the ongoing restructuring of the electric industry; the outcome of the regulatory proceedings relating to the restructuring; regional economic and market conditions, which could affect customer growth and the cost of power supplies; power plant performance, the cost of debt and equity capital; weather variations affecting customer usage; the successful completion of a generation expansion program; regulatory issues associated with generation expansion, such as permitting and licensing; our ability to compete successfully outside traditional regulated markets; technological developments in the electric industry; and the strength of the stock market and real estate market.*

**Exhibit 99.4**

## **Pinnacle West Capital Corporation**

### **Earnings Variance Explanations For Periods Ended June 30, 2001 and 2000**

These explanations are excerpted from Management's Discussion and Analysis of Financial Condition and Results of Operations in the Pinnacle West Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2001 (the "June 2001 10-Q"). Throughout this discussion, we refer to specific "Notes" in the Notes to Condensed Consolidated Financial Statements in the June 2001 10-Q. These Notes add further details to this discussion. We suggest this section be read along with the June 2001 10-Q and the Pinnacle West Annual Report on Form 10-K for the fiscal year ended December 31, 2000.

#### **Operating Results**

The following table summarizes net income for the three, six and twelve months ended June 30, 2001 and the comparable prior year periods for Pinnacle West and each of its subsidiaries (millions of dollars):

	<b>3 Months Ended June 30,</b>		<b>6 Months Ended June 30,</b>		<b>12 Months Ended June 30,</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
Arizona Public Service (APS)	\$ 70	\$ 96	\$ 134	\$ 129	\$ 312	\$ 294
Pinnacle West Energy	1	(1)	1	(1)	--	(1)
APS Energy Services	--	(2)	(7)	(4)	(17)	(10)
SunCor	--	1	--	6	6	8
El Dorado	--	(3)	--	16	(14)	27
Parent company	(4)	(1)	1	(2)	1	(4)
Income from continuing operations	67	90	129	144	288	314
Income tax benefit from discontinued operations	--	--	--	--	--	38
Extraordinary charge - net of income taxes of \$94	--	--	--	--	--	(140)
Cumulative effect of a change in						

accounting - net of income taxes of \$2	--	--	(3)	--	(3)	--
	-----	-----	-----	-----	-----	-----
Net Income	\$ 67	\$ 90	\$ 126	\$ 144	\$ 285	\$ 212
	=====	=====	=====	=====	=====	=====

**Operating Results - Three-month period ended June 30, 2001 compared with three-month period ended June 30, 2000**

Our consolidated net income for the three months ended June 30, 2001 was \$67 million compared with \$90 million for the same period in the prior year. The decrease in net income of \$23 million, or 26%, is primarily because of increases in purchased power and fuel costs, higher operations and maintenance expenses, reductions in retail electricity prices and miscellaneous factors. The positive factors partially offsetting these decreases were an increase in the contribution of wholesale power marketing activities, increases in other income and decreases in interest expense. See Note 6 for information on the price reductions.

Electric operating revenues increased approximately \$541 million primarily because of:

- increased power marketing revenues related to trading and other wholesale activities (\$422 million);
- increased wholesale revenues primarily related to higher prices for surplus generation sales (\$107 million);
- higher retail sales volumes primarily related to weather impacts and customer growth, partially offset by lower average usage per customer (\$13 million); and
- other miscellaneous factors (\$6 million).

As mentioned above, these positive factors were partially offset by reductions in retail electricity prices (\$7 million).

Purchased power and fuel expenses increased approximately \$570 million primarily because of:

- increased power marketing costs related to trading and other wholesale activities (\$413 million);
- increased costs related to wholesale sales of surplus generation (\$71 million);
- increased costs related to higher retail sales volumes primarily related to higher purchased power and fuel prices and weather impacts (\$33 million);
- higher replacement power costs primarily for increased plant outages (\$31 million);
- replacement power costs related to the Palo Verde outage extension to replace fuel control element assemblies (\$12 million); and
- a SFAS No. 133 adjustment related to changes in natural gas market prices (\$10 million).

See Notes 9 and 10 for additional information on SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" and on trading activities.

The increase in operations and maintenance expenses primarily related to the generation summer reliability program and increased power plant maintenance (\$17 million) and increased pension and other costs (\$8 million). See Note 18 for additional information on the generation summer reliability program.

Net other income increased \$10 million primarily because of insurance recovery of environmental remediation costs.

Interest expense decreased by \$6 million primarily because of increased capitalized interest resulting from our generation expansion plan. See Note 12 for information on the generation expansion plan.

**Operating Results - Six-month period ended June 30, 2001 compared with six-month period ended June 30, 2000**

Our consolidated net income for the six months ended June 30, 2001 was \$126 million compared with \$144

million for the same period in the prior year. In January 2001, we recognized a \$3 million after-tax loss in net income as a cumulative effect of a change in accounting for derivatives. See Notes 9 and 10 for further discussion.

Income from continuing operations decreased \$15 million, or 10% less than the comparable period in 2000, primarily because of increases in purchased power and fuel costs, higher operations and maintenance expenses, lower earnings from El Dorado, reductions in retail electricity prices and miscellaneous factors. The positive factors partially offsetting these decreases were an increase in the contribution of wholesale power marketing activities and a decrease in interest expense. See Note 6 for information on the price reductions.

Electric operating revenues increased approximately \$1.0 billion primarily because of:

- increased power marketing revenues related to trading and other wholesale activities (\$744 million);
- increased wholesale revenues primarily related to higher prices for surplus generation sales (\$225 million);
- higher retail sales volumes primarily related to weather impacts and customer growth, partially offset by lower average usage per customer (\$36 million); and
- other miscellaneous factors (\$9 million).

As mentioned above, these positive factors were partially offset by reductions in retail electricity prices (\$13 million).

Purchased power and fuel expenses increased approximately \$961 million primarily because of:

- increased power marketing costs related to trading and other wholesale activities (\$680 million);
- increased costs related to wholesale sales of surplus generation (\$145 million);
- higher replacement power costs primarily for increased plant outages (\$67 million);
- increased costs related to higher retail sales volumes primarily attributable to higher purchased power and fuel prices and weather impacts (\$49 million);
- replacement power costs related to the Palo Verde outage extension to replace fuel control element assemblies (\$12 million); and
- SFAS No. 133 adjustments related to changes in natural gas market prices (\$8 million).

See Notes 9 and 10 for additional information on SFAS No. 133 and trading activities.

The increase in operations and maintenance expenses primarily related to the generation summer reliability program and increased power plant maintenance (\$27 million), increased pension and other costs (\$8 million) and a provision for credit exposure related to the California energy situation (\$5 million). See Note 18 for additional information on the generation summer reliability program.

Net other income decreased by \$26 million primarily because of a change in the market value of El Dorado's investment in a technology-related venture capital partnership (see Note 14) and other non-operating costs, partially offset by an insurance recovery of environmental remediation costs.

Interest expense decreased by \$9 million primarily because of increased capitalized interest resulting from our generation expansion plan. See Note 12 for additional information on the generation expansion plan.

### **Operating Results - Twelve-month period ended June 30, 2001 compared with twelve-month period ended June 30, 2000**

Consolidated net income for the twelve months ended June 30, 2001 was \$285 million compared with \$212 million for the same period in the prior year. The increase primarily relates to a \$140 million after-tax extraordinary charge recorded in the third quarter of 1999, partially offset by a \$38 million income tax benefit from discontinued operations (also recorded in the third quarter of 1999) and a \$3 million after-tax loss for a cumulative effect of a change in accounting for derivatives recorded in 2001.

The extraordinary charge related to a regulatory disallowance that resulted from APS' comprehensive settlement

agreement related to the implementation of retail electric competition (the "1999 Settlement Agreement") that was approved by the ACC. See Notes 5 and 6 for additional information about the regulatory disallowance and the 1999 Settlement Agreement.

The income tax benefit from discontinued operations resulted from the resolution of income tax matters related to a former subsidiary, MeraBank. See Note 13.

The cumulative effect of a change in accounting for derivatives resulted from the implementation of SFAS No. 133. See Notes 9 and 10.

Income from continuing operations for the twelve months ended June 30, 2001 decreased \$27 million, or 9% less than the comparable prior-year period, primarily because of higher purchased power and fuel costs, decreased earnings from El Dorado, the completion of the amortization of investment tax credits ("ITC") in 1999, higher operations and maintenance expenses, reductions in retail electricity prices and miscellaneous factors. The positive factors partially offsetting these decreases were an increase in the contribution of wholesale power marketing activities and weather impacts. See Note 6 for information on the price reductions. See "Income Taxes" below for a discussion of the ITC amortization.

Electric operating revenues increased approximately \$2.0 billion because of:

- increased power marketing revenues related to trading and other wholesale activities (\$1.69 billion);
- increased wholesale revenues primarily related to higher prices for surplus generation sales (\$235 million);
- increases in the number of customers and the average amount of electricity used by customers (\$51 million); and
- weather impacts on retail revenues (\$48 million).

These positive factors were partially offset by reductions in retail electricity prices (\$28 million).

Purchased power and fuel expenses increased approximately \$1.92 billion primarily because of:

- increased power marketing costs related to trading and other wholesale activities (\$1.63 billion);
- increased costs related to wholesale sales of surplus generation (\$102 million);
- higher replacement power costs primarily for increased plant outages (\$106 million);
- higher costs related to retail sales volumes and to purchased power and fuel prices (\$45 million);
- replacement power costs related to the Palo Verde outage extension to replace fuel control element assemblies (\$12 million);
- weather impacts on purchased power and fuel (\$12 million); and
- SFAS No. 133 adjustments related to changes in natural gas market prices (\$8 million).

See Notes 9 and 10 for additional information on SFAS No. 133 and trading activities.

The increase in operations and maintenance expenses primarily related to generation summer reliability programs and increased power plant maintenance (\$35 million), increased pension and other costs (\$11 million), and provisions for credit exposure related to the California energy situation (\$10 million), partially offset by approximately \$15 million of non-recurring items recorded in 1999. See Note 15 for information on the California energy market issues. See Note 18 for additional information on the generation summer reliability program.

Net other income decreased \$67 million primarily because of a change in the market value of El Dorado's investment in a technology-related venture capital partnership (see Note 14) and other non-operating costs offset by an insurance recovery of environmental remediation costs.

Interest expense decreased by \$12 million primarily because of increased capitalized interest resulting from our generation expansion plan. See Note 12 for additional information on the generation expansion plan.

## **Income Taxes**



As part of a 1994 rate settlement, APS accelerated amortization of substantially all of its ITCs over a five-year period that ended on December 31, 1999. The amortization of ITCs decreased annual consolidated income tax expense by approximately \$24 million. Beginning in 2000, no further benefits were being reflected in income tax expense related to the acceleration of the ITCs.

**Exhibit 99.5**

## **Pinnacle West Capital Corporation**

### **Earnings Variance Explanations For Periods Ended March 31, 2001 and 2000**

These explanations are excerpted from Management's Discussion and Analysis of Financial Condition and Results of Operations in the Pinnacle West Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2001 (the "March 2001 10-Q"). Throughout this discussion, we refer to specific "Notes" in the Notes to Condensed Consolidated Financial Statements in the March 2001 10-Q. These Notes add further details to this discussion. We suggest this section be read along with the March 2001 10-Q and the Pinnacle West Annual Report on Form 10-K for the fiscal year ended December 31, 2000.

#### **Operating Results**

The following table summarizes net income for the three-month and twelve-month periods ended March 31, 2001 and the comparable prior year periods for Pinnacle West and each of its subsidiaries (dollars in millions):

	<b>3 Months Ended March 31,</b>		<b>12 Months Ended March 31,</b>	
	----- <b>2001</b> -----	<b>2000</b> -----	----- <b>2001</b> -----	<b>2000</b> -----
Arizona Public Service (APS)	\$ 65	\$ 33	\$ 338	\$ 267
Pinnacle West Energy	--	--	(2)	--
APS Energy Services	(8)	(2)	(20)	(9)
SunCor	--	5	7	10
El Dorado	--	19	(17)	31
Parent company	5	(1)	5	(6)
	-----	-----	-----	-----
Income from continuing Operations	62	54	311	293
Income tax benefit from discontinued operations	--	--	--	38
Extraordinary charge - net of income taxes of \$94	--	--	--	(140)
Cumulative effect of a change in accounting - net of income taxes of \$2	(3)	--	(3)	--
	-----	-----	-----	-----
Net Income	\$ 59	\$ 54	\$ 308	\$ 191
	=====	=====	=====	=====

#### **Operating Results - Three-month period ended March 31, 2001 compared with three-month period ended March 31, 2000**

Our consolidated net income for the three months ended March 31, 2001 was \$59 million compared with \$54 million for the same period in the prior year. In January 2001, we recognized a \$3 million after-tax loss in net income as a cumulative effect of a change in accounting for derivatives. See Note 9 for further discussion.

Income before accounting change for the three-month period increased \$8 million, or 15%, over the comparable period in 2000 primarily because of increases in wholesale and retail electricity sales. These positive factors more than offset decreases resulting from lower earnings from El Dorado, higher operations and maintenance expenses,

reductions in retail electricity prices, and miscellaneous factors. See Note 6 for information on the price reductions.

Electric operating revenues increased approximately \$460 million primarily because of:

- increased wholesale revenues (\$439 million);
- weather impacts on retail revenues (\$17 million); and
- increased retail revenues related to the number of electricity customers and the average amount of electricity used by customers (\$14 million).

As mentioned above, these positive factors were partially offset by reductions in retail electricity prices (\$6 million) and other miscellaneous factors (\$4 million).

The increase in wholesale revenues resulted primarily from higher prices and increased activity in western U.S. wholesale power markets. These revenues were accompanied by increases in purchased power and fuel expense of approximately \$329 million.

Fuel and purchased power expenses were also higher because of increased prices and higher retail electricity sales volumes.

The increase in operations and maintenance expenses primarily related to power plant maintenance and a provision for credit exposure related to the California energy situation. See Note 14 regarding California energy market issues.

Net other income decreased \$36 million primarily because of an increase in the market value of El Dorado's investment in a technology-related venture capital partnership recognized in the first quarter of 2000. See Note 13 for additional information.

### **Operating Results - Twelve-month period ended March 31, 2001 compared with twelve-month period ended March 31, 2000**

Consolidated net income for the twelve months ended March 31, 2001 was \$308 million compared with \$191 million for the same period in the prior year. The increase primarily relates to a \$140 million after-tax extraordinary charge recorded in the third quarter of 1999 and higher income from continuing operations in the twelve-month period ended March 31, 2001, partially offset by a \$38 million income tax benefit from discontinued operations (also recorded in the third quarter of 1999) and a \$3 million after-tax loss for a cumulative effect of a change in accounting for derivatives recorded in 2001.

The extraordinary charge related to a regulatory disallowance that resulted from APS' comprehensive settlement agreement related to the implementation of retail electric competition (the "1999 Settlement Agreement") that was approved by the ACC in September 1999. See Notes 5 and 6 for additional information about the regulatory disallowance and the 1999 Settlement Agreement.

The income tax benefit from discontinued operations resulted from the resolution of income tax matters related to a former subsidiary, MeraBank. See Note 12.

The cumulative effect of a change in accounting for derivatives resulted from the implementation of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." See Note 9.

Income from continuing operations for the twelve-months ended March 31, 2001 increased \$17 million over the comparable prior-year period primarily because of an increase in the contribution of wholesale power marketing activities and an increase in the number of retail electricity customers and in the average amount of electricity used by customers. These positive factors more than offset decreases due to decreased earnings from El Dorado, the completion of the amortization of investment tax credits ("ITC") in 1999, reductions in retail electricity prices, higher depreciation expense, higher operations and maintenance expenses and miscellaneous factors. See Note 6 for information on the price reductions. See "Income Taxes" below for a discussion of the ITC amortization.

Electric operating revenues increased approximately \$1.7 billion because of:

- increased wholesale revenues (\$1.5 billion);
- increases in the number of customers and the average amount of electricity used by customers (\$93 million);
- weather impacts on retail revenues (\$49 million); and
- miscellaneous factors (\$8 million).

These positive factors were partially offset by reductions in retail electricity prices (\$28 million).

The increase in wholesale revenues resulted primarily from increased activity in western U.S. wholesale power markets and higher prices. The revenues were accompanied by increases in purchased power and fuel expenses of approximately \$1.3 billion.

Fuel and purchased power expenses were also higher because of increased prices and higher retail electricity sales volumes.

The increase in operations and maintenance expenses primarily related to provisions for credit exposure related to the California energy situation, increases in customer growth, offset by approximately \$20 million of non-recurring items recorded in 1999. See Note 14 regarding California energy market issues.

Depreciation and amortization expense increased primarily because of higher plant balances.

Net other income decreased \$85 million primarily because of a change in the market value of El Dorado's investment in a technology-related venture capital partnership. See Note 13 for additional information.

## **Income Taxes**

As part of a 1994 rate settlement, APS accelerated amortization of substantially all of its ITCs over a five-year period that ended on December 31, 1999. The amortization of ITCs decreased annual consolidated income tax expense by approximately \$24 million. Beginning in 2000, no further benefits were being reflected in income tax expense related to the acceleration of the ITCs.

**Exhibit 99.6**

## **Pinnacle West Capital Corporation Glossary of Terms**

Arizona Job Growth	Percentage growth over the prior year in total non-farm payroll employment for the state of Arizona, non-seasonally adjusted.
Average Generation Capacity Out of Service	Total capacity required and economic yet unavailable due to scheduled or unscheduled outages. Measured in megawatts per day.
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.
Capacity On-Line	Net accredited capacity of the company-owned share of active generating units. Measured in megawatts.
Coal Energy Production	Amount of net energy produced by coal-fueled generators. Measured in gigawatt-hours.
Degree-Days - Cooling	A measure of temperatures designed to indicate the amount of cooling demand each month. 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 heating demand each month. 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.
Gas/Oil/Other Energy Production	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 Other Than Native Load	Sales of electricity from generation owned by the company that is over and above the amount required to serve retail customers and long-term wholesale contracts.
Gigawatt-hour (gwh)	A unit of energy equivalent to 1,000 megawatt-hours or 1,000,000 kilowatt-hours.
Long-term Contracts	Wholesale sales resulting from unique long-term contracts held by the company with various entities for the supply of electricity at agreed-upon prices.
Megawatt (MW)	One million watts.
Megawatt-hour (MWh)	A unit of energy equivalent to 1,000 kilowatt-hours.
MMBTU	One million British thermal units. A British thermal unit (Btu) is a measure of heat.
Nuclear Energy Production	Amount of net energy produced by nuclear-fueled generators. Measured in gigawatt-hours.
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.
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.
Purchased Power - Firm Load	Power purchased from wholesale market sources used to serve regulated retail demand and long-term 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.
Residential Building Permits	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. Multi-family permits represent the number of units authorized to be built in condominium, townhouse and apartment complexes.
Retail Customer	Residential, commercial industrial, irrigation, and streetlight electricity customers. Customers are generally defined as the number of active accounts.

Retail Customer Growth	Percentage growth over the prior year in retail.
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 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.
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.
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.
System Peak Demand	The demand for electricity during the one hour of highest use each month. Measured in megawatts.
Trading and Other Sales	All wholesale sales not accounted for in sales under long-term contracts or sales of generation other than native load. These sales would be served by power purchased from the wholesale market.
Weather Normalized	Adjusted to exclude the effects of abnormal weather patterns.
Wholesale Marketing and Trading Sales	Sales of electricity to other electric companies power marketers, or public entities for the purpose of resale. Measured in gigawatt-hours.

---

**End of Filing**

Powered By **EDGAR**  
Online

© 2005 | **EDGAR Online, Inc.**