

PINNACLE WEST CAPITAL CORP

FORM 8-K

(Current report filing)

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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): **October 31, 2013**

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

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

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

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

Item 2.02. Results of Operations and Financial Condition.**Item 7.01. Regulation FD Disclosure.**

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

On October 31, 2013, Pinnacle West Capital Corporation (the “Company” or “Pinnacle West”) issued a press release regarding its financial results for the fiscal quarter ended September 30, 2013 and its earnings outlook for 2013 and 2014. A copy of the press release is attached hereto as Exhibit 99.1.

The Company is providing a quarterly consolidated statistical summary and a copy of the slide presentation made in connection with the quarterly earnings conference call on October 31, 2013. This information contains Company operating results for the fiscal quarter ended September 30, 2013 and is attached hereto as Exhibits 99.2 and 99.3. The summary and slide presentation are concurrently being posted to the Company’s website at www.pinnaclewest.com, which also contains a glossary of relevant terms.

Item 9.01. Financial Statements and Exhibits.**(d) Exhibits.**

Exhibit No.	Registrant(s)	Description
99.1	Pinnacle West APS	Earnings News Release issued on October 31, 2013.
99.2	Pinnacle West APS	Pinnacle West Capital Corporation quarterly consolidated statistical summary for the three-month and nine-month periods ended September 30, 2013 and 2012.
99.3	Pinnacle West APS	Pinnacle West Capital Corporation 3rd Quarter 2013 Results slide presentation accompanying October 31, 2013 conference call.

SIGNATURES

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

PINNACLE WEST CAPITAL CORPORATION
(Registrant)

Dated: October 31, 2013

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

ARIZONA PUBLIC SERVICE COMPANY
(Registrant)

Dated: October 31, 2013

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

Exhibit Index

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**FOR IMMEDIATE RELEASE****October 31, 2013**

Media Contact: Alan Bunnell, (602) 250-3376
 Analyst Contact: Paul Mountain, (602) 250-4952
 Website: pinnaclewest.com

PINNACLE WEST REPORTS THIRD-QUARTER EARNINGS

- *APS customer base grows 1.3 percent reflecting steady economic recovery*
- *Retail sales decrease quarter over quarter as a result of customer conservation and energy efficiency*
- *Company remains focused on building a sustainable energy future for Arizona*
- *Company affirms 2013 guidance, introduces 2014 guidance*

PHOENIX — Pinnacle West Capital Corp. (NYSE: PNW) today reported consolidated net income attributable to common shareholders for the 2013 third quarter of \$226.2 million, or \$2.04 per diluted share. This result compares with net income of \$244.8 million, or \$2.21 per share, for the same period a year ago.

“Our performance in the third quarter was solid, even with weather that, for the second year in a row, was less favorable than normal conditions,” said Pinnacle West Chairman, President and Chief Executive Officer Don Brandt. “By focusing on operational excellence, our employees continued to deliver value to our customers and shareholders by providing top-tier customer service with fewer outages, and by ensuring our generation fleet operated reliably during Arizona’s hot summer months.”

Looking to the immediate future, Brandt said the Company remains focused on building a strong, sustainable energy future for Arizona that includes executing on several key initiatives during the balance of 2013. Top among these priorities include completing the acquisition of Southern California Edison’s interest in Units 4 and 5 of the Four Corners Power Plant, continuing to grow the Company’s renewable energy program, and achieving a fair solution to Arizona’s net metering policy for rooftop solar.

Comparison of 2013 third-quarter financial results to the 2012 period was negatively affected by the following factors:

- *A decrease in retail electricity sales* — excluding the effects of weather variations — reduced results by \$0.09 per share compared to the prior year. Total weather-normalized retail electricity sales were 1.3 percent lower in the 2013 third quarter compared to the same period in 2012. The drop in consumption reflects the effects of energy efficiency, customer conservation and distributed generation. APS’s

customer base, however, grew 1.3 percent over the same timeframe, reflecting a steady improvement in Arizona's economic conditions.

- *Higher infrastructure-related costs* decreased earnings by \$0.07 per share, primarily consisting of increased depreciation and amortization for additional plant in service partially related to the company's AZ Sun program, as well as higher property taxes.
- *Increased operations and maintenance expenses* impacted earnings by \$0.04 per share compared with the prior-year period. In part, the expense increase included communication costs associated with net metering and deregulation, partially offset by lower fossil generation costs as a result of less planned maintenance being completed in the current-year quarter than in the same quarter a year ago.

The O&M variance excludes costs associated with renewable energy, demand side management and similar regulatory programs, which are largely offset by comparable amounts of operating revenues.

These factors were partially offset by the following positive items:

- *The effects of weather variations* improved the Company's earnings by \$0.02 per share. Although weather in the 2013 and 2012 third quarters were less favorable than normal conditions, this year's quarter was slightly warmer than last year. The average high temperature in the 2013 third quarter was 103.5 degrees, while the average high temperature in the same period a year ago was 103.2 degrees. As a result, residential cooling degree-days (a proxy for the effects of weather) were 4 percent higher than last year's third quarter, but still 3 percent below normal.
- *The net effect of other miscellaneous factors*, including lower income taxes, positively impacted results by \$0.01 per share.

Arizona Public Service Co., the Company's principal subsidiary, reported 2013 third-quarter net income attributable to common shareholder of \$235.0 million versus earnings of \$247.8 million for the comparable 2012 quarter.

2013 and 2014 Financial Outlook

Pinnacle West continues to expect its 2013 consolidated on-going earnings will be in the range of \$3.55 to \$3.70 per diluted share. Key factors and assumptions underlying the outlook remain unchanged, with the exception of weather assumptions, which have been updated to reflect actual weather through the 2013 third quarter and normal weather patterns for remainder of the year.

For 2014, the Company estimates its on-going consolidated earnings will be within a comparable range of \$3.60 to \$3.75 per diluted share. Longer-term, the Company's goal is to achieve a consolidated earned return on average common equity of at least 9.5 percent annually through 2015.

Key factors and assumptions underlying both the 2013 and 2014 outlooks can be found in the third-quarter 2013 earnings presentation slides on the Company's website at pinnaclewest.com/investors.

Conference Call and Web Cast

Pinnacle West invites interested parties to listen to the live webcast of management's conference call to discuss the Company's 2013 third-quarter results, as well as recent developments, at 12 noon ET (9 a.m. AZ time) today, October 31. The webcast can be accessed at pinnaclewest.com/presentations and will be available for replay on the website for 30 days. To access the live conference call by telephone, dial (877) 407-8035 or (201) 689-8035 for international callers. A replay of the call also will be available until 11:59 p.m. (ET), Thursday, November 7, 2013, by calling (877) 660-6853 in the U.S. and Canada or (201) 612-7415 internationally and entering conference ID number 100490.

General Information

Pinnacle West Capital, an energy holding company based in Phoenix, has consolidated assets of nearly \$14 billion, more than 6,300 megawatts of generating capacity and about 6,600 employees in Arizona and New Mexico. Through its principal subsidiary, Arizona Public Service, the Company provides retail electricity service to more than 1.1 million Arizona homes and businesses. For more information about Pinnacle West, visit the Company's website at pinnaclewest.com.

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

NON-GAAP FINANCIAL INFORMATION

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

FORWARD-LOOKING STATEMENTS

This press release contains forward-looking statements based on our current expectations, including statements regarding our earnings guidance and financial outlook and goals. These forward-looking statements are often identified by words such as "estimate," "predict," "may," "believe," "plan," "expect," "require," "intend," "assume" and similar words. Because actual results may differ materially from expectations, we caution 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

outcomes currently expected or sought by Pinnacle West or APS. These factors include, but are not limited to:

- our ability to manage capital expenditures and operations and maintenance costs while maintaining reliability and customer service levels;
- variations in demand for electricity, including those due to weather, the general economy, customer and sales growth (or decline), and the effects of energy conservation measures and distributed generation;
- power plant and transmission system performance and outages;
- volatile fuel and purchased power costs;
- fuel and water supply availability;
- our ability to achieve timely and adequate rate recovery of our costs, including returns on debt and equity capital;
- regulatory and judicial decisions, developments and proceedings;
- new legislation or regulation including those relating to environmental requirements, nuclear plant operations and potential deregulation of retail electric markets;
- our ability to meet renewable energy and energy efficiency mandates and recover related costs;
- risks inherent in the operation of nuclear facilities, including spent fuel disposal uncertainty;
- competition in retail and wholesale power markets;
- the duration and severity of the economic decline in Arizona and current real estate market conditions;
- the cost of debt and equity capital and the ability to access capital markets when required;
- changes to our credit ratings;
- the investment performance of the assets of our nuclear decommissioning trust, pension, and other postretirement benefit plans and the resulting impact on future funding requirements;
- the liquidity of wholesale power markets and the use of derivative contracts in our business;
- potential shortfalls in insurance coverage;
- new accounting requirements or new interpretations of existing requirements;
- generation, transmission and distribution facility and system conditions and operating costs;
- the ability to meet the anticipated future need for additional baseload generation and associated transmission facilities in our region;
- the willingness or ability of our counterparties, power plant participants and power plant land owners to meet contractual or other obligations or extend the rights for continued power plant operations;
- technological developments affecting the electric industry; and
- restrictions on dividends or other provisions in our credit agreements and Arizona Corporation Commission orders.

These and other factors are discussed in Risk Factors described in Part 1, Item 1A of the Pinnacle West/APS Annual Report on Form 10-K for the fiscal year ended December 31, 2012, which readers should review carefully before placing any reliance on our financial statements or disclosures. Neither Pinnacle West nor APS assumes any obligation to update these statements, even if our internal estimates change, except as required by law.

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PINNACLE WEST CAPITAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(unaudited)

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

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2013	2012	2013	2012
Operating Revenues	\$ 1,152,392	\$ 1,109,475	\$ 2,754,866	\$ 2,608,682
Operating Expenses				
Fuel and purchased power	350,953	302,894	859,216	783,926
Operations and maintenance	233,323	220,729	685,873	647,628
Depreciation and amortization	107,388	100,353	317,410	301,068
Taxes other than income taxes	43,256	36,507	124,091	120,271
Other expenses	1,784	1,022	5,853	5,323
Total	<u>736,704</u>	<u>661,505</u>	<u>1,992,443</u>	<u>1,858,216</u>
Operating Income	<u>415,688</u>	<u>447,970</u>	<u>762,423</u>	<u>750,466</u>
Other Income (Deductions)				
Allowance for equity funds used during construction	5,569	5,708	18,698	15,639
Other income	160	420	1,387	1,357
Other expense	(7,435)	(5,696)	(13,421)	(12,433)
Total	<u>(1,706)</u>	<u>432</u>	<u>6,664</u>	<u>4,563</u>
Interest Expense				
Interest charges	50,587	52,242	151,372	162,209
Allowance for borrowed funds used during construction	(3,235)	(3,830)	(10,861)	(10,428)
Total	<u>47,352</u>	<u>48,412</u>	<u>140,511</u>	<u>151,781</u>
Income From Continuing Operations Before Income Taxes	366,630	399,990	628,576	603,248
Income Taxes	<u>131,912</u>	<u>147,116</u>	<u>221,424</u>	<u>219,160</u>
Income From Continuing Operations	234,718	252,874	407,152	384,088
Loss From Discontinued Operations				
Net of Income Taxes	<u>—</u>	<u>(11)</u>	<u>—</u>	<u>(1,595)</u>
Net Income	234,718	252,863	407,152	382,493
Less: Net income attributable to noncontrolling interests	<u>8,555</u>	<u>8,040</u>	<u>25,338</u>	<u>23,582</u>
Net Income Attributable To Common Shareholders	<u>\$ 226,163</u>	<u>\$ 244,823</u>	<u>\$ 381,814</u>	<u>\$ 358,911</u>
Weighted-Average Common Shares Outstanding - Basic	110,009	109,555	109,935	109,449
Weighted-Average Common Shares Outstanding - Diluted	111,053	110,655	110,913	110,420
Earnings Per Weighted-Average Common Share Outstanding				
Income from continuing operations attributable to common shareholders - basic	\$ 2.06	\$ 2.23	\$ 3.47	\$ 3.29
Net income attributable to common shareholders - basic	\$ 2.06	\$ 2.23	\$ 3.47	\$ 3.28
Income from continuing operations attributable to common shareholders - diluted	\$ 2.04	\$ 2.21	\$ 3.44	\$ 3.26
Net income attributable to common shareholders - diluted	\$ 2.04	\$ 2.21	\$ 3.44	\$ 3.25
Amounts Attributable To Common Shareholders				
Income from continuing operations, net of tax	\$ 226,163	\$ 244,834	\$ 381,814	\$ 360,515
Discontinued operations, net of tax	<u>—</u>	<u>(11)</u>	<u>—</u>	<u>(1,604)</u>
Net income attributable to common shareholders	<u>\$ 226,163</u>	<u>\$ 244,823</u>	<u>\$ 381,814</u>	<u>\$ 358,911</u>

Pinnacle West Capital Corporation

Quarterly Consolidated Statistical Summary
Periods Ended September 30, 2013 and 2012

Line	3 Months Ended September 30,			9 Months Ended September 30,			
	2013	2012	Incr (Decr)	2013	2012	Incr (Decr)	
EARNINGS CONTRIBUTION BY SUBSIDIARY (Dollars in Millions)							
1	Arizona Public Service	\$ 244	\$ 256	\$ (12)	\$ 420	\$ 392	\$ 28
2	El Dorado	(4)	(2)	(2)	(4)	(2)	(2)
3	Parent Company	(5)	(1)	(4)	(9)	(6)	(3)
4	Income From Continuing Operations	235	253	(18)	407	384	23
	Income (Loss) From Discontinued Operations - Net of Tax						
5	SunCor	-	-	-	-	(1)	1
6	Other	-	-	-	-	-	-
7	Total	-	-	-	-	(1)	1
8	Net Income	235	253	(18)	407	383	24
9	Less: Net Income Attributable to Noncontrolling Interests	9	8	1	25	24	1
10	Net Income Attributable to Common Shareholders	\$ 226	\$ 245	\$ (19)	\$ 382	\$ 359	\$ 23
EARNINGS PER SHARE BY SUBSIDIARY - DILUTED							
11	Arizona Public Service	\$ 2.19	\$ 2.31	\$ (0.12)	\$ 3.79	\$ 3.55	\$ 0.24
12	El Dorado	(0.03)	(0.02)	(0.01)	(0.04)	(0.02)	(0.02)
13	Parent Company	(0.04)	(0.01)	(0.03)	(0.08)	(0.06)	(0.02)
14	Income From Continuing Operations	2.12	2.28	(0.16)	3.67	3.47	0.20
	Income (Loss) From Discontinued Operations - Net of Tax						
15	SunCor	-	-	-	-	(0.01)	0.01
16	Other	-	-	-	-	-	-
17	Total	-	-	-	-	(0.01)	0.01
18	Net Income	2.12	2.28	(0.16)	3.67	3.46	0.21
19	Less: Net Income Attributable to Noncontrolling Interests	0.08	0.07	0.01	0.23	0.21	0.02
20	Net Income Attributable to Common Shareholders	\$ 2.04	\$ 2.21	\$ (0.17)	\$ 3.44	\$ 3.25	\$ 0.19
21	BOOK VALUE PER SHARE	\$ 38.86	\$ 37.01	\$ 1.85	\$ 38.86	\$ 37.01	\$ 1.85
COMMON SHARES OUTSTANDING (Thousands)							
22	Average - Diluted	111,053	110,655	398	110,913	110,420	493
23	End of Period	110,037	109,589	448	110,037	109,589	448

Pinnacle West Capital Corporation

Quarterly Consolidated Statistical Summary
Periods Ended September 30, 2013 and 2012

Line	3 Months Ended September 30,			9 Months Ended September 30,			
	2013	2012	Incr (Decr)	2013	2012	Incr (Decr)	
ELECTRIC OPERATING REVENUES							
(Dollars in Millions)							
Retail							
24	Residential	\$ 626	\$ 607	\$ 19	\$ 1,377	\$ 1,296	\$ 81
25	Business	457	435	22	1,205	1,129	76
26	Total retail	1,083	1,042	41	2,582	2,425	157
Wholesale revenue on delivered electricity							
27	Traditional contracts	18	17	1	44	51	(7)
28	Off-system sales	28	27	1	68	64	4
29	Native load hedge liquidation	4	4	-	8	3	5
30	Transmission for others	10	10	-	25	23	2
31	Other miscellaneous services	9	9	-	25	40	(15)
32	Total wholesale	69	67	2	170	181	(11)
33	Total electric operating revenues	\$ 1,152	\$ 1,109	\$ 43	\$ 2,752	\$ 2,606	\$ 146
ELECTRIC SALES (GWH)							
Retail sales							
34	Residential	4,752	4,819	(67)	10,826	10,705	121
35	Business	4,239	4,245	(6)	11,387	11,357	30
36	Total retail	8,991	9,064	(73)	22,213	22,062	151
Wholesale electricity delivered							
37	Traditional contracts	242	161	81	585	658	(73)
38	Off-system sales	927	911	16	2,281	2,429	(148)
39	Retail load hedge management	72	140	(68)	92	220	(128)
40	Total wholesale	1,241	1,212	29	2,958	3,307	(349)
41	Total electric sales	10,232	10,276	(44)	25,171	25,369	(198)

Pinnacle West Capital Corporation

Quarterly Consolidated Statistical Summary
Periods Ended September 30, 2013 and 2012

Line	3 Months Ended September 30,			9 Months Ended September 30,			
	2013	2012	Incr (Decr)	2013	2012	Incr (Decr)	
AVERAGE ELECTRIC CUSTOMERS							
Retail customers							
42	Residential	1,015,082	1,000,860	14,222	1,017,516	1,003,255	14,261
43	Business	128,245	127,359	886	128,044	127,066	978
44	Total retail	1,143,327	1,128,219	15,108	1,145,560	1,130,321	15,239
45	Wholesale customers	53	51	2	52	49	3
46	Total customers	1,143,380	1,128,270	15,110	1,145,612	1,130,370	15,242
47	Total customer growth (% over prior year)	1.3%	1.2%	0.1%	1.3%	1.0%	0.3%
RETAIL SALES (GWH) - WEATHER NORMALIZED							
48	Residential	4,815	4,897	(82)	10,603	10,571	32
49	Business	4,265	4,307	(42)	11,309	11,362	(53)
50	Total	9,080	9,204	(124)	21,912	21,933	(21)
51	Retail sales (GWH) (% over prior year)	(1.3)%			(0.1)%		
RETAIL USAGE (KWh/Average Customer)							
52	Residential	4,682	4,815	(133)	10,640	10,670	(30)
53	Business	33,057	33,330	(273)	88,931	89,375	(444)
RETAIL USAGE - WEATHER NORMALIZED (KWh/Average Customer)							
54	Residential	4,744	4,893	(149)	10,420	10,536	(116)
55	Business	33,255	33,815	(560)	88,323	89,417	(1,094)
ELECTRICITY DEMAND (MW)							
56	Native load peak demand	6,927	7,207	(280)	6,927	7,207	(280)
WEATHER INDICATORS - RESIDENTIAL							
Actual							
57	Cooling degree-days	1,212	1,170	42	1,792	1,738	54
58	Heating degree-days	-	-	-	614	426	188
59	Average humidity	31%	34%	(3)%	24%	26%	(2)%
10-Year Averages							
60	Cooling degree-days	1,245	1,245	-	1,725	1,725	-
61	Heating degree-days	-	-	-	506	506	-
62	Average humidity	28%	28%	-	23%	23%	-

Pinnacle West Capital Corporation

Quarterly Consolidated Statistical Summary
Periods Ended September 30, 2013 and 2012

Line	3 Months Ended September 30,			9 Months Ended September 30,			
	2013	2012	Incr (Decr)	2013	2012	Incr (Decr)	
ENERGY SOURCES (GWH)							
Generation production							
63	Nuclear	2,522	2,482	40	7,223	7,178	45
64	Coal	2,759	2,990	(231)	8,416	7,938	478
65	Gas, oil and other	2,310	2,490	(180)	4,820	5,914	(1,094)
66	Total generation production	7,591	7,962	(371)	20,459	21,030	(571)
Purchased power							
67	Firm load	2,969	2,662	307	5,564	5,519	45
68	Marketing and trading	180	74	107	408	244	164
69	Total purchased power	3,149	2,736	413	5,973	5,763	209
70	Total energy sources	10,740	10,698	42	26,432	26,793	(362)
POWER PLANT PERFORMANCE							
Capacity Factors							
71	Nuclear	100%	98%	2%	96%	95%	1%
72	Coal	71%	77%	(6)%	73%	69%	4%
73	Gas, oil and other	32%	33%	(1)%	22%	26%	(4)%
74	System average	56%	57%	(1)%	49%	50%	(1)%
ECONOMIC INDICATORS							
Building Permits (a)							
75	Metro Phoenix	(c)	3,678	(c)	9,848		
Arizona Job Growth (b)							
76	Payroll job growth (% over prior year)	(c)	2.1%	(c)	2.0%		
77	Unemployment rate (% , seasonally adjusted)	(c)	8.3%	(c)	8.4%		

Sources:

- (a) U.S. Census Bureau
- (b) Arizona Department of Economic Security
- (c) Data not available at time of filing



3RD QUARTER 2013 RESULTS



October 31, 2013



FORWARD LOOKING STATEMENTS AND NON-GAAP FINANCIAL MEASURES

This presentation contains forward-looking statements based on current expectations, including statements regarding our earnings guidance and financial outlook and goals. These forward-looking statements are often identified by words such as "estimate," "predict," "may," "believe," "plan," "expect," "require," "intend," "assume" and similar words. Because actual results may differ materially from expectations, we caution you not to place undue reliance on these statements. A number of factors could cause future results to differ materially from historical results, or from outcomes currently expected or sought by Pinnacle West or APS. These factors include, but are not limited to: our ability to manage capital expenditures and operations and maintenance costs while maintaining reliability and customer service levels; variations in demand for electricity, including those due to weather, the general economy, customer and sales growth (or decline), and the effects of energy conservation measures and distributed generation; power plant and transmission system performance and outages; volatile fuel and purchased power costs; fuel and water supply availability; our ability to achieve timely and adequate rate recovery of our costs, including returns on debt and equity capital; regulatory and judicial decisions, developments and proceedings; new legislation or regulation, including those relating to environmental requirements, nuclear plant operations and potential deregulation of retail electric markets; our ability to meet renewable energy and energy efficiency mandates and recover related costs; risks inherent in the operation of nuclear facilities, including spent fuel disposal uncertainty; competition in retail and wholesale power markets; the duration and severity of the economic decline in Arizona and current real estate market conditions; the cost of debt and equity capital and the ability to access capital markets when required; changes to our credit ratings; the investment performance of the assets of our nuclear decommissioning trust, pension, and other postretirement benefit plans and the resulting impact on future funding requirements; the liquidity of wholesale power markets and the use of derivative contracts in our business; potential shortfalls in insurance coverage; new accounting requirements or new interpretations of existing requirements; generation, transmission and distribution facility and system conditions and operating costs; the ability to meet the anticipated future need for additional baseload generation and associated transmission facilities in our region; the willingness or ability of our counterparties, power plant participants and power plant land owners to meet contractual or other obligations or extend the rights for continued power plant operations; technological developments affecting the electric industry; and restrictions on dividends or other provisions in our credit agreements and Arizona Corporation Commission orders. These and other factors are discussed in Risk Factors described in Part I, Item 1A of the Pinnacle West/APS Annual Report on Form 10-K for the fiscal year ended December 31, 2012, which you should review carefully before placing any reliance on our financial statements, disclosures or earnings outlook. Neither Pinnacle West nor APS assumes any obligation to update these statements, even if our internal estimates change, except as required by law.

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

We present "gross margin" per diluted share of common stock. Gross margin refers to operating revenues less fuel and purchased power expenses. Gross margin is a "non-GAAP financial measure," as defined in accordance with SEC rules. The appendix contains a reconciliation of this non-GAAP financial measure to the referenced revenue and expense line items on our Consolidated Statements of Income, which are the most directly comparable financial measures calculated and presented in accordance with generally accepted accounting principles in the United States of America (GAAP). We view gross margin as an important performance measure of the core profitability of our operations.

We refer to "on-going earnings" in this presentation, which is also a non-GAAP financial measure. We believe on-going earnings provide investors with a useful indicator of our results that is comparable among periods because it excludes the effects of unusual items that may occur on an irregular basis. Reconciliations of on-going earnings to our net income attributable to common shareholders are included in this presentation.

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



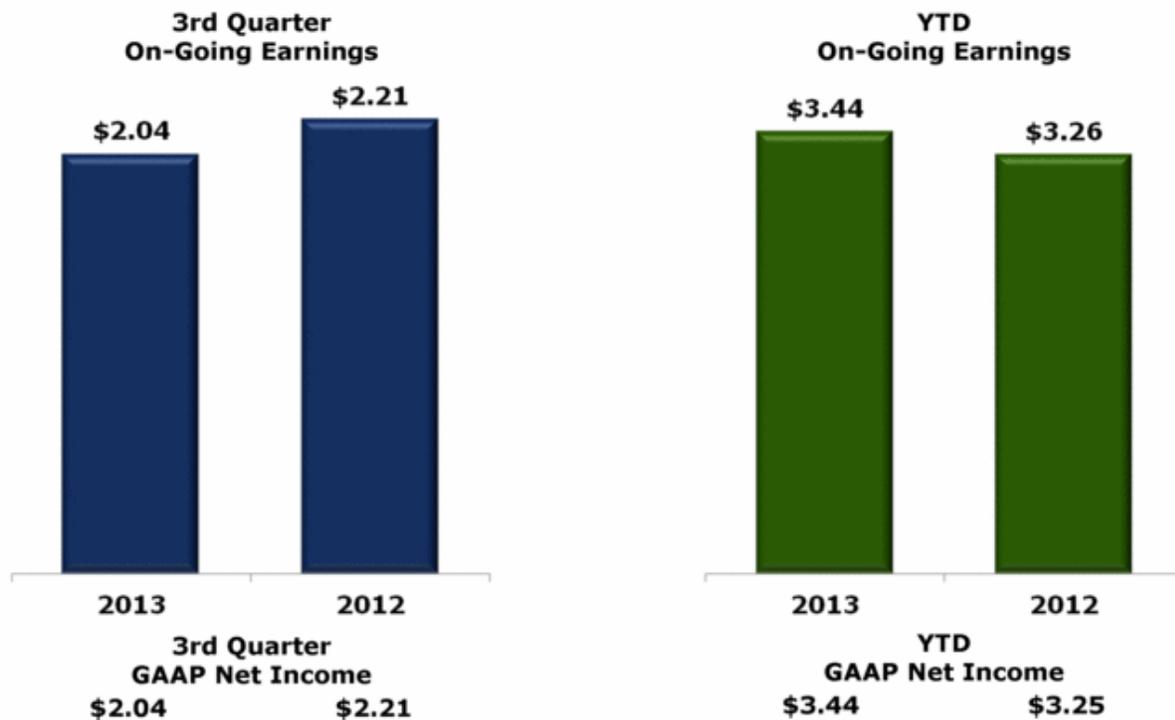
CEO AGENDA

- Four Corners Transaction
- Operational Performance
- Regulatory Update

CFO AGENDA

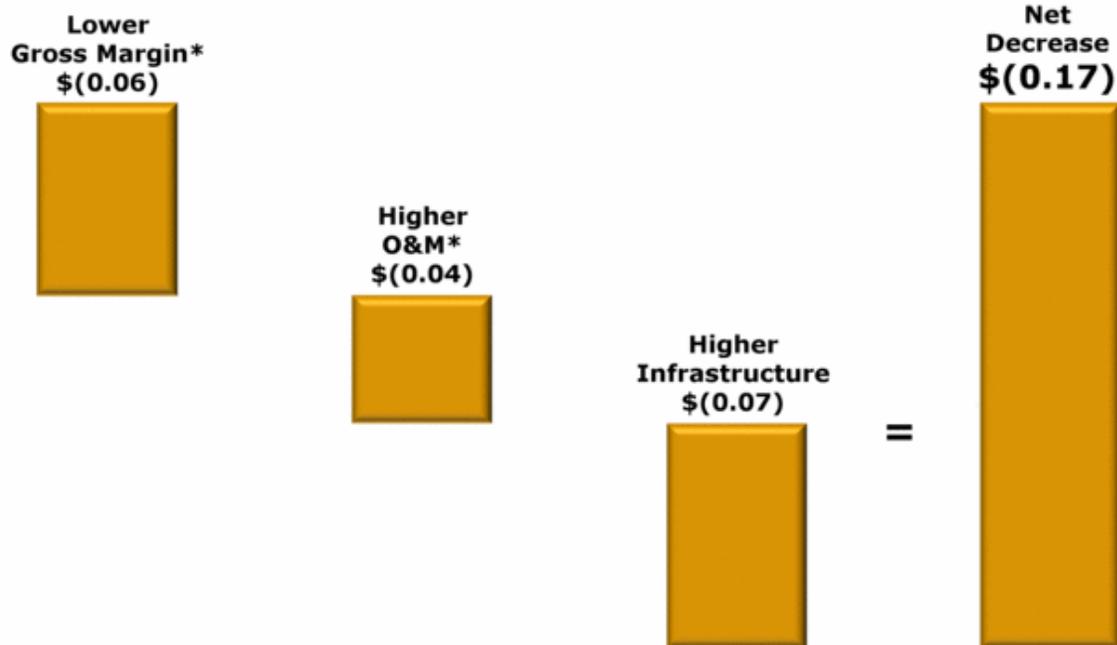
- 3rd Quarter Results
- Arizona Economic Outlook
- Earnings Guidance and Financial Outlook

CONSOLIDATED EPS COMPARISON 2013 VS. 2012



ON-GOING EPS VARIANCES

3RD QUARTER 2013 VS. 3RD QUARTER 2012

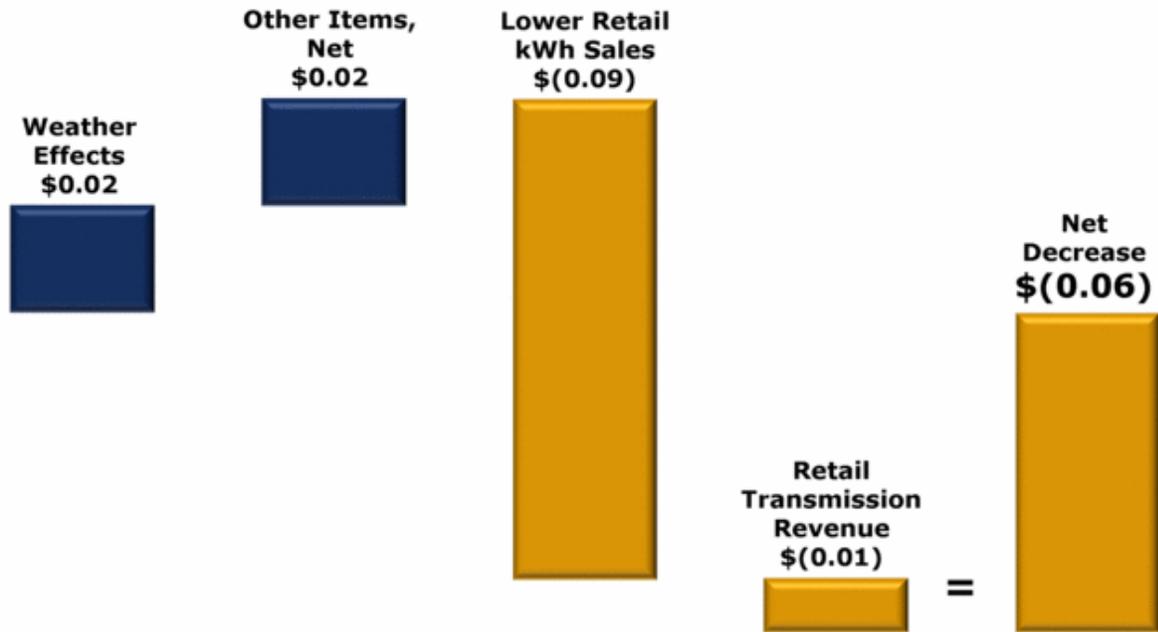


* Excludes costs, and offsetting operating revenues, associated with renewable energy (excluding AZ Sun), energy efficiency and similar regulatory programs. See non-GAAP gross margin reconciliation in appendix.



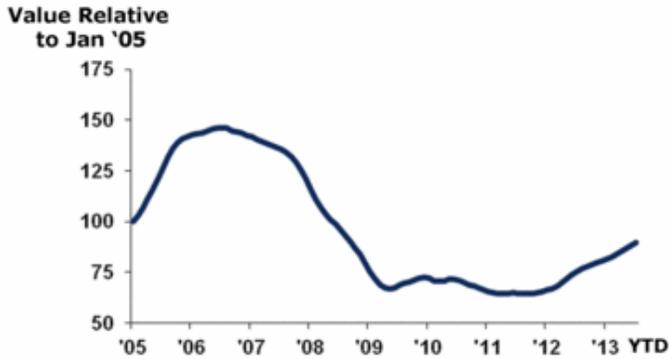
GROSS MARGIN EPS DRIVERS

3RD QUARTER 2013 VS. 3RD QUARTER 2012

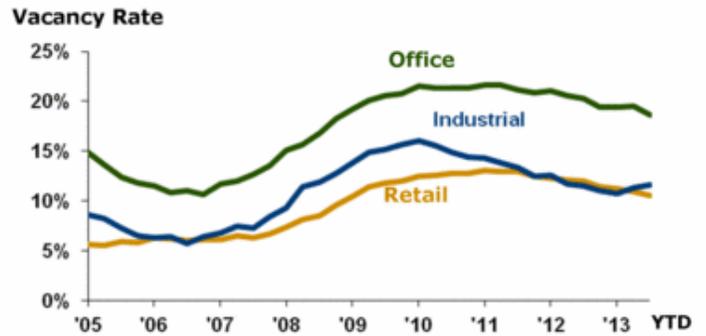


ARIZONA ECONOMIC INDICATORS

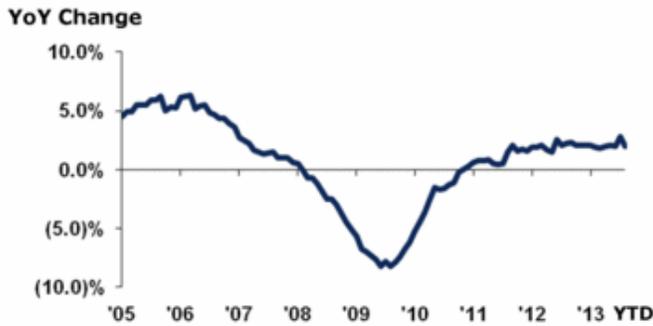
Home Prices – Metro Phoenix



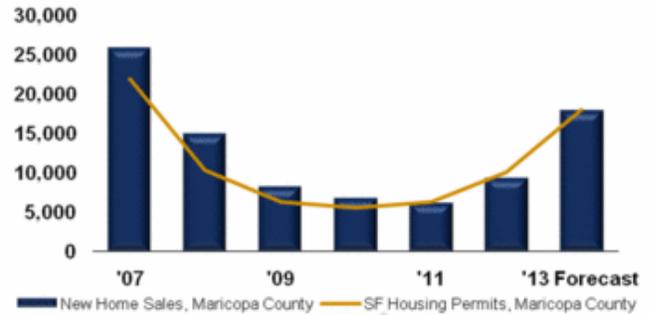
Nonresidential Building Vacancy – Metro Phoenix



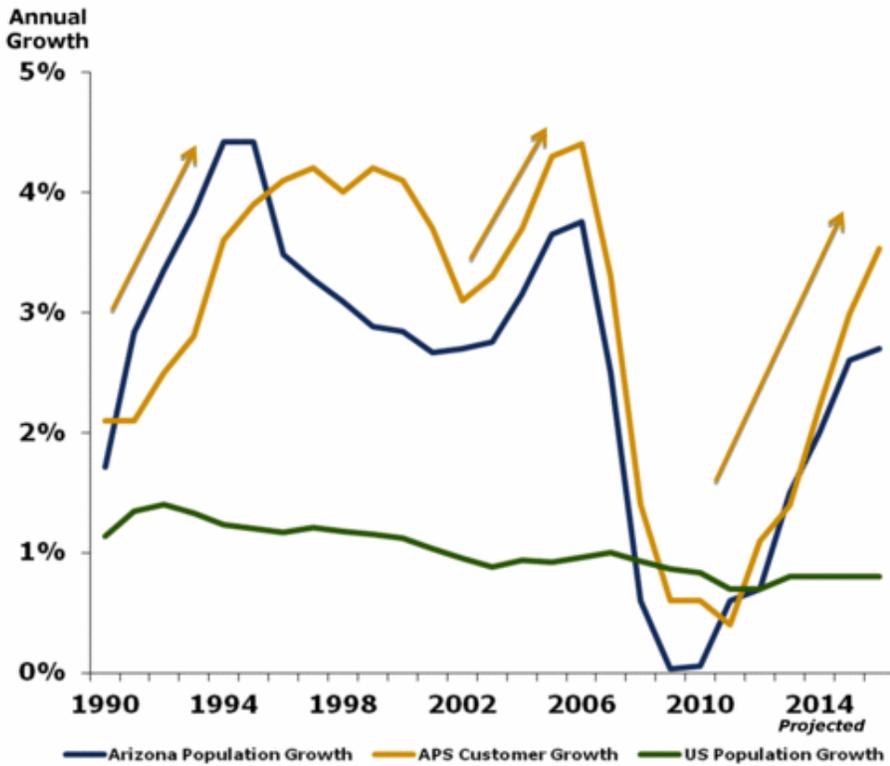
Job Growth (Total Nonfarm) - Arizona



New Home Sales & Single Family Permits



ARIZONA ECONOMIC INDICATORS



85% of retail sales growth driven by customer growth, excluding impacts of customer conservation, energy efficiency and distributed renewable generation initiatives

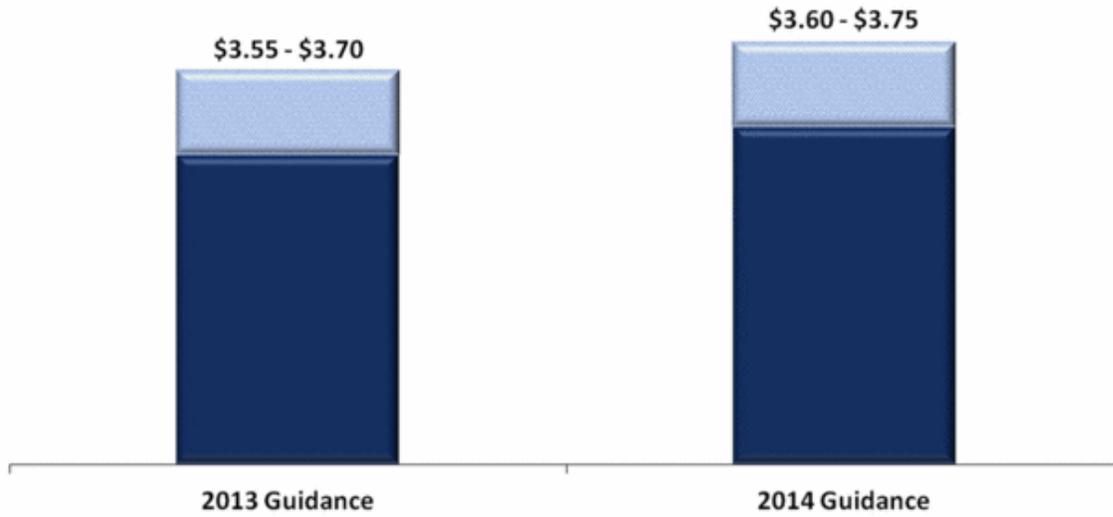
Retail customer growth to average 2% annually 2013-2015

- Weather-normalized retail sales growth less than 1% after customer initiatives mentioned above



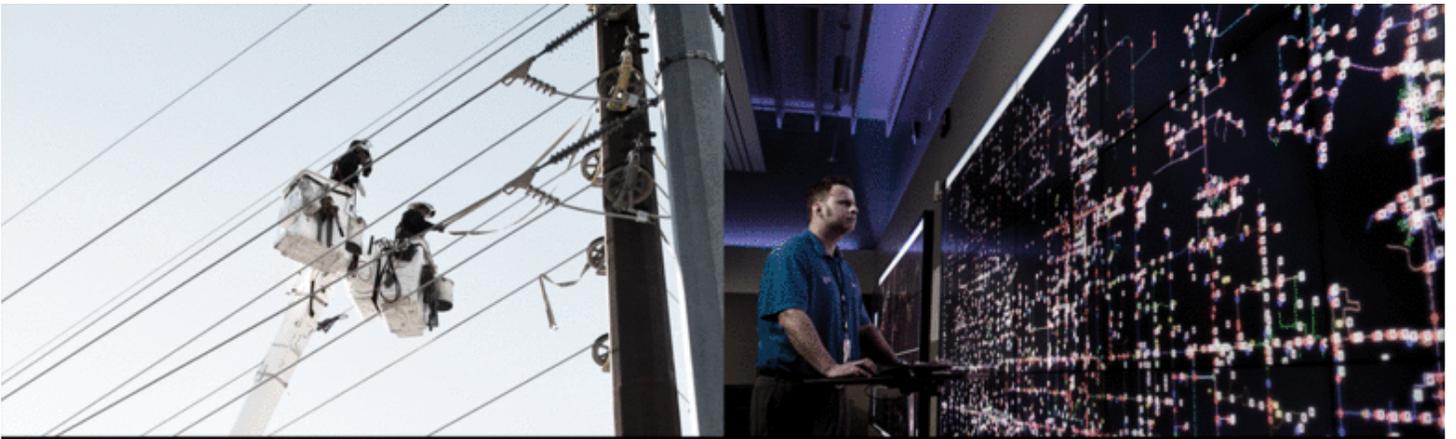
ON-GOING EPS GUIDANCE AS OF OCTOBER 31, 2013

Affirming 2013 Guidance and Introducing 2014 Guidance



See key factor and assumptions in appendix.





APPENDIX



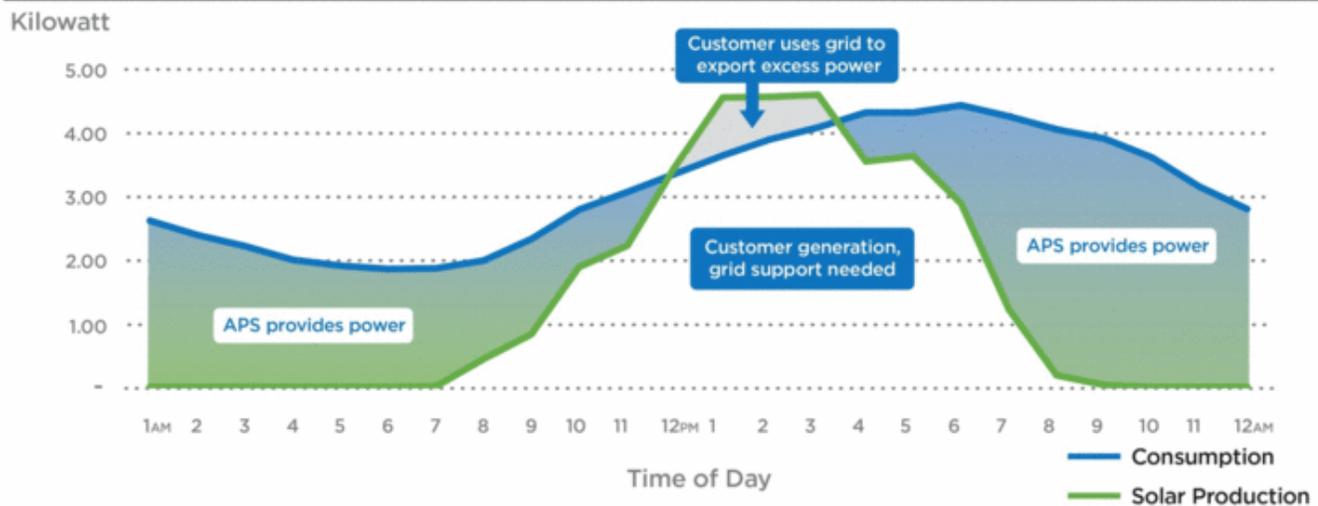
PINNACLE WEST
CAPITAL CORPORATION



NET METERING

Rooftop solar customers still use the grid 24 hours a day

TYPICAL GRID INTERACTION FOR ROOFTOP SOLAR



- Customers with rooftop solar systems do not pay for all of the electric services they use (i.e. rooftop customers still need support from the grid 24 hours a day)
- These unpaid costs are then paid, through higher rates, by other customers that cannot have or do not want rooftop solar
- The issue will get bigger over time as applications and installs continue to increase

APS PROPOSED NET METERING OPTIONS

Either option ensures rooftop solar customers get fair credit for their solar energy and pay their fair share of the grid

Net Metering Option

or

Bill Credit Option

What it is:

Future solar customers would be compensated through net metering and would pay a charge for their use of the grid, which previously they used essentially free

Net metering would be replaced by a bill credit, where future solar customers would select whatever rate plan they choose like a typical customer, and APS would provide the customer a bill credit for the wholesale market value for the power they generate

Rate:

This option would use an existing APS demand-based rate (over 100,000 customers currently use demand rates)

Rate for the bill credit would be set by the ACC and based on the rates APS pays other generators for power

Why this option:

Net metering would essentially function the same as it does today

APS costs are fully collected and solar value paid is fair to all customers

With either option, APS recommends:

- An increase in the upfront cash incentives for customers who want the choice of rooftop solar
- Existing solar customers would be grandfathered under the current rules for 20 years



FOUR CORNERS POWER PLANT

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

- Purchase price: \$294 million, subject to adjustments, including reduction of \$7.5 million per month from October 2012 to the date of closing
- Estimated environmental compliance: \$300 million, primarily in 2015-2017
- APS will continue to operate Four Corners and will have a total interest of about 970 MW after transaction closing

Key Steps Prior to Closing

- Negotiation and execution of a new coal supply contract between Navajo Tribal Council and BHP
- Internal approvals need to be completed for all co-owners

Post-Transaction Closing Steps

- APS files Four Corner-specific revenue requirement on open docket (11-0224), deadline to file is December 31, 2013
- ACC decision on revenue requirement; rates in effect immediately following decision
- APS and other participants to file Best Available Retrofit Technology plan with EPA, deadline to file is December 31, 2013

REGULATORY CALENDAR

LIST OF SELECTED DOCKETS

	Docket #
2012 Retail Rate Settlement (including Four Corners rate recovery)	E-01345A-11-0224
Energy Efficiency and Integrated Resource Planning*	E-00000XX-13-0214
2014 Renewable Energy Standard Implementation Plan	E-01345A-13-0140
Net Metering	E-01345A-13-0248

* Generic docket



2013 ON-GOING EPS GUIDANCE

Key Factors & Assumptions as of
October 31, 2013

	2013
Electricity gross margin* (operating revenues, net of fuel and purchased power expenses)	\$2.22 - \$2.24 billion
<ul style="list-style-type: none"> • Retail customer growth about 1.5% • Weather-normalized retail electricity sales volume about flat to prior year taking into account effects of customer conservation, energy efficiency and distributed renewable generation initiatives • Actual weather through September; normal weather patterns remainder of year 	
Operating expenses* (operations and maintenance, depreciation and amortization, and taxes other than income taxes)	\$1.37 - \$1.40 billion
Interest expense , net of allowance for borrowed and equity funds used during construction	\$160 - \$170 million
Net income attributable to non-controlling interests	~\$35 million
Effective tax rate	34%
Average diluted common shares outstanding	~111.5 million

* Excludes O&M of \$129 million, and offsetting revenues, associated with renewable energy and energy efficiency programs.



2014 ON-GOING EPS GUIDANCE

Key Factors & Assumptions as of
October 31, 2013

	2014
Electricity gross margin* (operating revenues, net of fuel and purchased power expenses)	\$2.22 – \$2.27 billion
• Retail customer growth about 2.0%	
• Weather-normalized retail electricity sales volume about +0.5% to prior year taking into account effects of customer conservation, energy efficiency and distributed renewable generation initiatives	
• Normal weather patterns	
Operating and maintenance*	\$790 – \$810 million
Other operating expenses (depreciation and amortization, Four Corners deferrals, and taxes other than income taxes)	\$595 – \$615 million
Interest expense , net of allowance for borrowed and equity funds used during construction	\$170 – \$180 million
Net income attributable to non-controlling interests	~\$35 million
Effective tax rate	34%
Average diluted common shares outstanding	~111.5 million

* Excludes O&M of \$119 million, and offsetting revenues, associated with renewable energy and energy efficiency programs.



2013 – 2015 FINANCIAL OUTLOOK

Key Factors & Assumptions as of
October 31, 2013

Gross Margin – Customer Growth and Weather

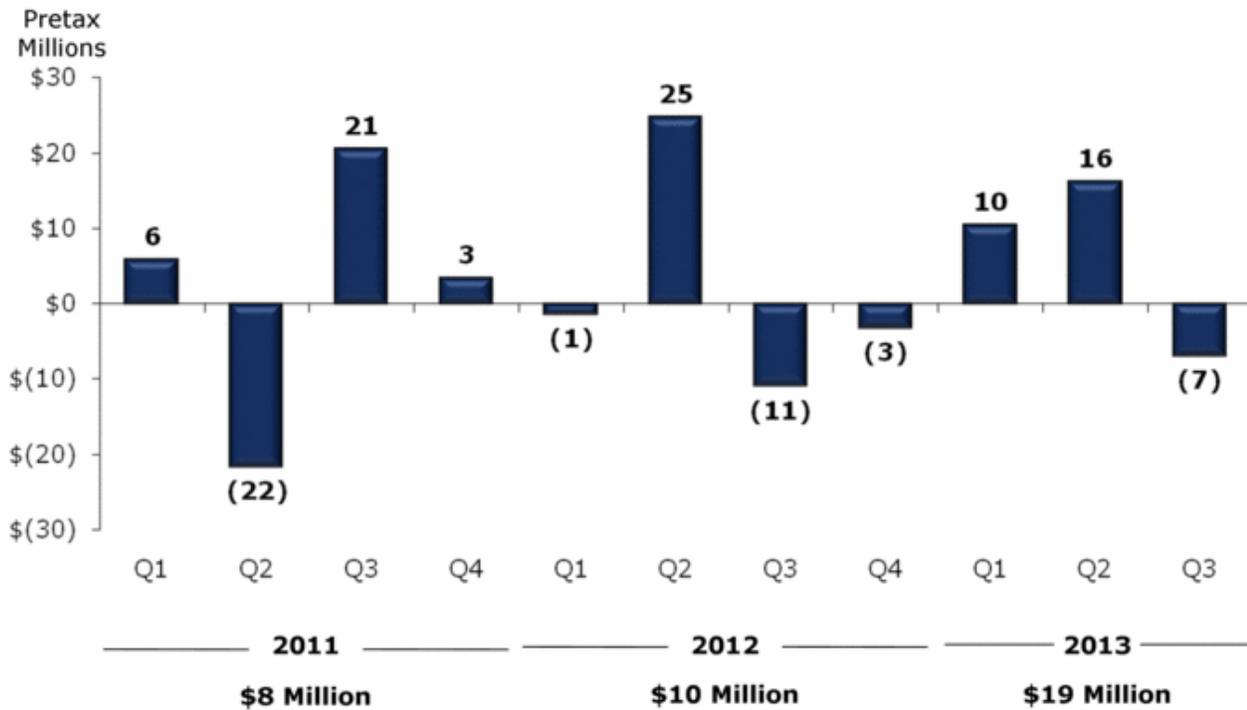
Assumption	Impact
Retail customer growth	<ul style="list-style-type: none"> Expected to average 2% annually (2013-2015) Modestly improving Arizona and U.S. economic conditions
Weather-normalized retail electricity sales volume growth	<ul style="list-style-type: none"> Less than 1% after customer conservation and energy efficiency and distributed renewable generation initiatives
Weather	<ul style="list-style-type: none"> Actual weather through September 2013; normal weather patterns thereafter

Gross Margin – Related to 2012 Retail Rate Settlement

Assumption	Impact
AZ Sun Program	<ul style="list-style-type: none"> Additions to flow through RES until next base rate case First 50 MW of AZ Sun is recovered through base rates
Lost Fixed Cost Recovery (LFCR)	<ul style="list-style-type: none"> Offsets 30-40% of revenues lost due to ACC-mandated energy efficiency and distributed renewable generation initiatives
Environmental Improvement Surcharge (EIS)	<ul style="list-style-type: none"> Assumed to recover up to \$5 million annually of carrying costs for government-mandated environmental capital expenditures
Power Supply Adjustor (PSA)	<ul style="list-style-type: none"> 100% pass-through as of July 1, 2012
Transmission Cost Adjustor (TCA)	<ul style="list-style-type: none"> TCA is filed each May and automatically goes into rates effective June 1 Beginning July 1, 2012 following conclusion of the regulatory settlement, transmission revenue is accrued each month as it is earned.
Four Corners Acquisition	<ul style="list-style-type: none"> Pending transaction closing

Potential Property Tax Deferrals (2012 retail rate settlement) – Assume 60% of property tax increases relate to tax rates, therefore, will be eligible for deferrals (Deferral rates: 50% in 2013; 75% in 2014 and thereafter)

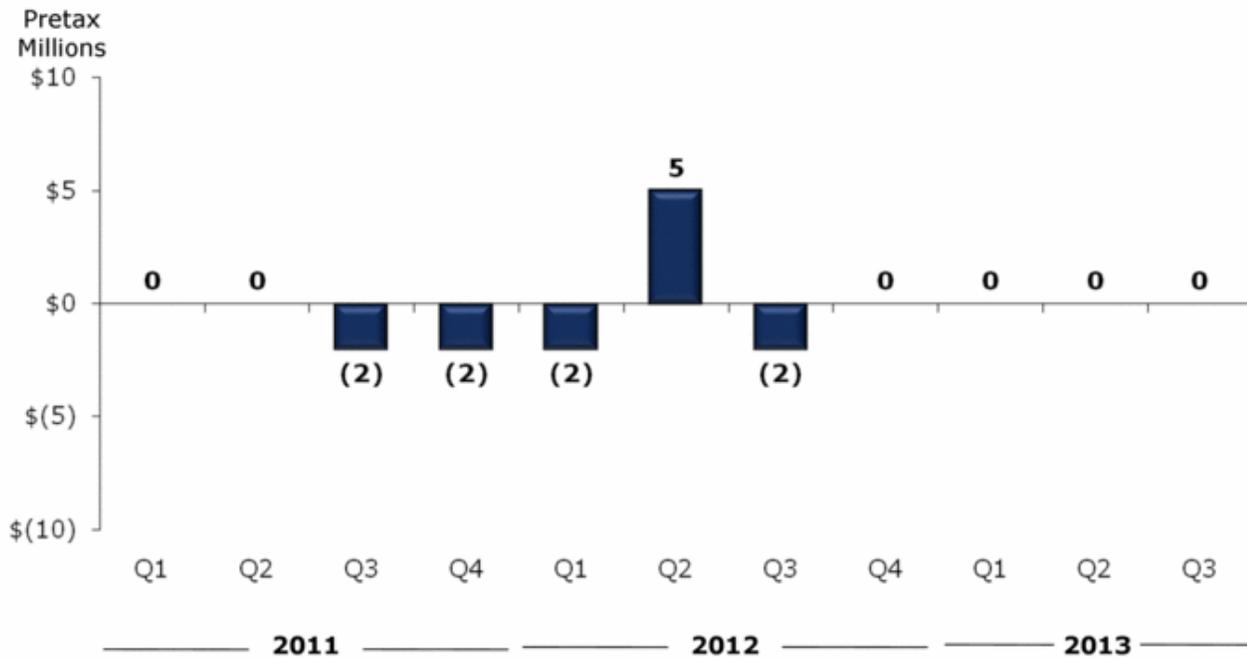
GROSS MARGIN EFFECTS OF WEATHER VARIANCES VS. NORMAL



All periods recalculated to confirm to current 10-year rolling average.



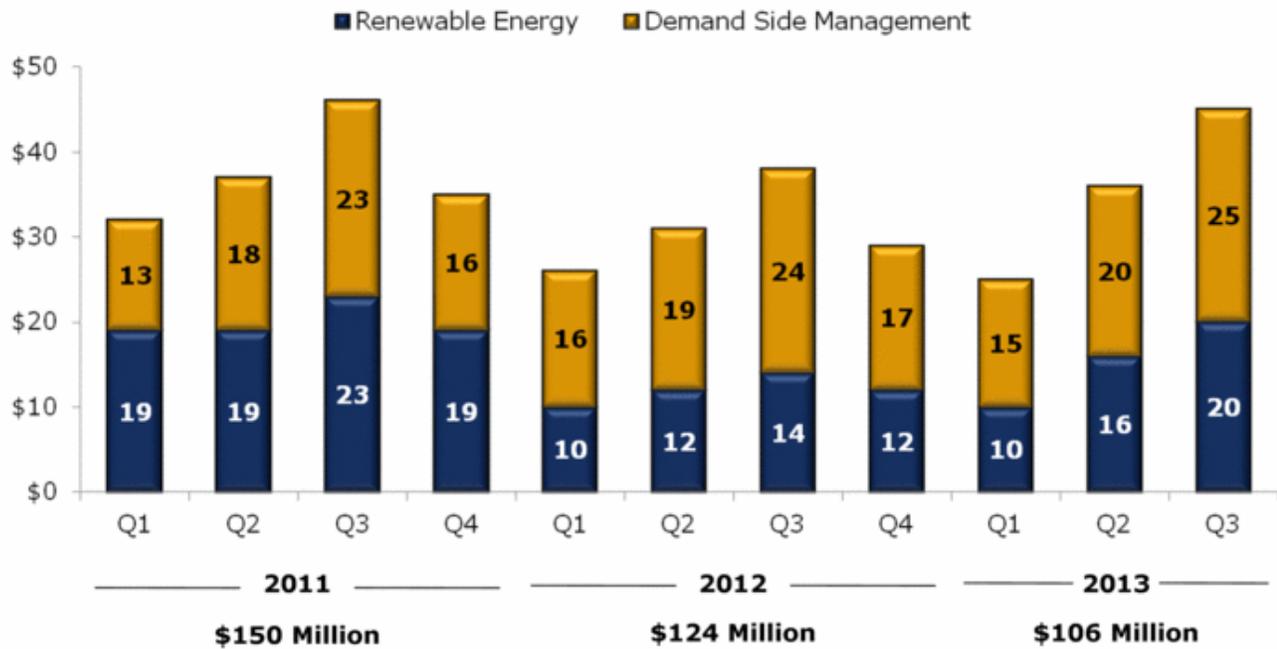
QUARTERLY MARK-TO-MARKET ON HEDGE CONTRACTS*



* Related to APS 10% share under Power Supply Adjustor (PSA), net of related deferrals, effective through June 30, 2012.



RENEWABLE ENERGY AND DEMAND SIDE MANAGEMENT EXPENSES*



* O&M expenses related to Renewable Energy Standard, Demand Side Management and similar regulatory programs are offset by comparable revenue amounts.



NON-GAAP EPS RECONCILIATION

YTD 2013 VS. YTD 2012

	Nine Months Ended September 30,		EPS Change
	2013	2012	
EPS as reported	\$ 3.44	\$ 3.25	\$ 0.19
Adjustments:			
Loss from discontinued operations	-	0.01	(0.01)
On-going EPS	<u>\$ 3.44</u>	<u>\$ 3.26</u>	<u>\$ 0.18</u>

NON-GAAP MEASURE RECONCILIATION

GROSS MARGIN

	Three Months Ended		EPS Change
	September 30,		
\$ millions pretax, except per share amounts	2013	2012	
Operating revenues*	\$ 1,152	\$ 1,109	
Fuel and purchased power expenses*	(351)	(303)	
Gross margin	801	806	\$ (0.03)
Less			
Renewable energy (excluding AZ Sun), energy efficiency and similar regulatory programs	(41)	(35)	(0.03)
Gross margin - adjusted	\$ 760	\$ 771	\$ (0.06)

* Line items from Consolidated Statements of Income