

# PINNACLE WEST CAPITAL CORP

## FORM 8-K (Current report filing)

Filed 01/28/05 for the Period Ending 12/31/04

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 1/28/2005 For Period Ending 12/31/2004

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



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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

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**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): December 31, 2004

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**PINNACLE WEST CAPITAL CORPORATION**

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(Exact name of registrant as specified in its charter)

Arizona

1-8962

86-0512431

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(State or Other Jurisdiction  
of Incorporation)

(Commission  
File Number)

(IRS Employer  
Identification Number)

400 North Fifth Street, P.O. Box 53999, Phoenix, Arizona

85072-3999

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(Address of Principal Executive Offices)

(Zip Code)

(602) 250-1000

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(Registrant's telephone number, including area code)

NONE

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(Former name or former address, if changed since last report)

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

- Written communications pursuant to Rule 425 under the Securities Act (17CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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### Item 2.02. Results of Operations and Financial Condition

Certain of the Information referenced in Item 7.01 below relates to Pinnacle West Capital Corporation's (the "Company") results of operations for its fiscal quarter and fiscal year ended December 31, 2004. This Information is attached hereto as Exhibits 99.2, 99.3, and 99.7.

On January 28, 2005, the Company issued a press release regarding its financial results for its fiscal quarter and fiscal year ended December 31, 2004. A copy of the press release is attached hereto as Exhibit 99.9.

The information being furnished pursuant to this Item 2.02 and in Exhibits 99.2, 99.3, 99.7 and 99.9 of this report relating to the Company's financial results for its fiscal quarter and fiscal year ended December 31, 2004 shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") or otherwise subject to the liability of that Section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Exhibit 99.9 to this report contains certain "non-GAAP financial measures," as defined in Item 10(e) of Regulation S-K of the Exchange Act. We describe these non-GAAP financial measures as "on-going earnings" and "on-going earnings per share." Exhibit 99.9 reconciles each of these non-GAAP financial measures to the most directly comparable financial measure calculated and presented in accordance with accounting principles generally accepted in the United States of America ("GAAP"). 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.

### Item 7.01. Regulation FD Disclosure

The Company is providing quarterly consolidated statistical summaries, earnings variance explanations, and a glossary of relevant terms (collectively, "Information") to help interested parties better understand its business (see Exhibits 99.1, 99.2, 99.3, 99.4, 99.5, 99.6, 99.7, and 99.8). This Information is concurrently being posted to the Company's website at [www.pinnaclewest.com](http://www.pinnaclewest.com). The Information may not represent all of the factors that could affect the Company's operating or financial results for various periods. Some of the Information is preliminary in nature and could be subject to significant adjustment. Some of the Information is based on information received from third parties and may contain inaccuracies. The Company is not responsible for any such inaccuracies. Although the Company may update or correct the Information if it is aware that such Information has been revised or is inaccurate, the Company assumes no obligation to update or correct the Information and reserves the right to discontinue the provision of all or any portion of the Information at any time or to change the type of Information provided. The Information being furnished pursuant to this Item 7.01 and in

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Exhibits 99.1, 99.2, 99.3, 99.4, 99.5, 99.6, 99.7, and 99.8 shall not be deemed to be “filed” for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that Section.

### Item 8.01. Other Events

#### Earnings Outlook

In June 2003, Arizona Public Service Company (“APS”) filed a general rate case with the Arizona Corporation Commission (the “ACC”). In August 2004, APS and a substantial majority of the parties to the rate case entered into an agreement that proposes terms under which the rate case would be settled (the “2004 Settlement Agreement”). The key financial components of the 2004 Settlement Agreement are described in Note 5 to Condensed Consolidated Financial Statements, “Regulatory Matters,” in the Company’s Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2004. We are unable to predict whether the ACC will approve the 2004 Settlement Agreement as proposed or the exact timing when the ACC will consider the 2004 Settlement Agreement.

If the ACC were to approve the 2004 Settlement Agreement as proposed and the provisions of the settlement were to become effective on March 31, 2005, we estimate that 2005 earnings will be within a reasonable range around \$3.00 per diluted share before the regulatory disallowance proposed in the settlement. This estimate also assumes that SunCor Development Company will report 2005 net income of approximately \$50 million, or \$0.55 per share.

This earnings guidance supersedes all previous earnings guidance provided by the Company, is forward-looking information, and actual results may differ materially from our expectations. See “Forward-Looking Statements” below.

#### ACC Order Regarding Sundance Plant

On January 20, 2005, the ACC issued an order related to APS’ proposed acquisition of the 450 megawatt Sundance power plant (the “Sundance Plant”) from PPL Sundance Energy, LLC, a wholly-owned subsidiary of PPL Corporation. See Note 5 of Notes to Condensed Consolidated Financial Statements in the Company’s Report on Form 10-Q for the fiscal quarter ended September 30, 2004 and Item 1.01 of the Company’s Report on Form 8-K filed December 20, 2004 for additional information about the proposed acquisition. The ACC order confirmed APS’ authority to “self-build or buy new generation assets for native load” and stated that APS’ acquisition of the Sundance Plant would be a proper purpose under APS’ existing ACC financing authorizations.

APS’ filings with the ACC also had requested that the ACC allow APS to defer for future recovery certain capital and operating costs (net of fuel and purchased power savings) associated with the Sundance Plant acquisition until rate treatment for the Sundance Plant could be considered in APS’ next general rate case. APS’ filings estimated that the deferrals would be approximately \$10 million to \$15 million before income taxes on an annualized basis. The order issued by the ACC allows APS to record the deferrals for up to 36 months, subject to a number of conditions. However, if APS has a general rate case pending at the end of the 36-month period, the deferral period could extend until the rate case had been decided. The conditions imposed by the order are expected to substantially limit the amount of deferrals that APS will be able to record.

APS’ acquisition of the Sundance Plant is subject to Federal Energy Regulatory Commission approval and to customary closing conditions. The transaction is targeted to close in the spring of 2005.

#### Forward-Looking Statements

This Report on Form 8-K contains forward-looking statements based on current expectations, and we assume no obligation to update these statements or make any further statements on any of these issues, except as required by applicable law. Forward-looking statements are often identified by words such as “estimate,” “predicts,” “hope,” “may,” “believe,” “anticipate,” “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 results or outcomes currently expected or sought by us. These factors include, but are not limited to:

- state and federal regulatory and legislative decisions and actions, including the outcome of the rate case APS filed with the ACC on June 27, 2003 and the wholesale electric price mitigation plan adopted by the Federal Energy Regulatory Commission;
- the ongoing restructuring of the electric industry, including the introduction of retail electric competition in Arizona and decisions impacting wholesale competition;
- the outcome of regulatory, legislative and judicial proceedings relating to the restructuring;

- market prices for electricity and natural gas;
- power plant performance and outages;
- transmission outages and constraints;
- weather variations affecting local and regional customer energy usage;
- customer growth and energy usage;
- regional economic and market conditions, including the results of litigation and other proceedings resulting from the California energy situation, volatile purchased power and fuel costs and the completion of generation and transmission construction in the



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region, which could affect customer growth and the cost of power supplies;

- the cost of debt and equity capital and access to capital markets;
- the uncertainty that current credit ratings will remain in effect for any given period of time;
- our ability to compete successfully outside traditional regulated markets (including the wholesale market);
- the performance of our marketing and trading activities due to volatile market liquidity and any deteriorating counterparty credit and the use of derivative contracts in our business (including the interpretation of the subjective and complex accounting rules related to these contracts);
- changes in accounting principles generally accepted in the United States of America and the interpretation of those principles;
- the performance of the stock market and the changing interest rate environment, which affect the amount of our required contributions to our pension plan and nuclear decommissioning trust funds, as well as our reported costs of providing pension and other postretirement benefits;
- technological developments in the electric industry;
- the strength of the real estate market in SunCor's market areas, which include Arizona, Idaho, New Mexico and Utah;
- conservation programs; and other uncertainties, all of which are difficult to predict and many of which are beyond our control.

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### Item 9.01. Financial Statements and Exhibits

#### (c) Exhibits.

<b>Exhibit No.</b>	<b>Description</b>
99.1	Pinnacle West Capital Corporation quarterly consolidated statistical summary (cover page and list of contents).
99.2	Pinnacle West Capital Corporation quarterly consolidated statistical summary for the periods ended December 31, 2004 and 2003.
99.3	Pinnacle West Capital Corporation consolidated statistics by quarter for 2004.
99.4	Pinnacle West Capital Corporation consolidated statistics by quarter for 2003.
99.5	Pinnacle West Capital Corporation consolidated statistics by quarter for 2002.
99.6	Pinnacle West Capital Corporation consolidated statistics by quarter for 2001.
99.7	Pinnacle West Capital Corporation earnings variance explanations for periods ended December 31, 2004 and 2003 and condensed consolidated statements of income for the three months and twelve months ended December 31, 2004 and 2003.
99.8	Glossary of Terms.
99.9	Earnings News Release issued on January 28, 2005.

SIGNATURES

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

PINNACLE WEST CAPITAL CORPORATION  
(Registrant)

Dated: January 28, 2005

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

**Pinnacle West Capital Corporation****Quarterly Consolidated Statistical Summary  
Periods Ended December 31, 2004 and 2003****List of Contents****2004 Fourth-Quarter Summary****2004 Year-to-Date****2003 by Quarter****2002 by Quarter****2001 by Quarter**

Quarters may not sum to totals due to rounding.

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

The definitions of terms used in this statistical summary are contained in the "Glossary of Terms" on the Pinnacle West website at:  
<http://www.pinnaclewest.com/files/investors/2004Q4QuarStatsGloss.pdf>

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

## Pinnacle West Capital Corporation

Quarterly Consolidated Statistical Summary  
Periods Ended December 31, 2004 and 2003

Line		3 Mo. Ended December			12 Mo. Ended December		
		2004	2003	Incr (Decr)	2004	2003	Incr (Decr)
<b>EARNINGS CONTRIBUTION BY SUBSIDIARY (\$ Millions)</b>							
1	Arizona Public Service	\$ 15	\$ 21	\$ (6)	\$ 200	\$ 181	\$ 19
2	Pinnacle West Energy	(23)	(12)	(11)	(47)	(1)	(46)
3	APS Energy Services	(1)	3	(4)	3	16	(13)
4	SunCor	31	36	(5)	41	46	(5)
5	El Dorado	—	—	—	33	—	33
6	Parent Company	7	(3)	10	5	(16)	21
7	Income From Continuing Operations	29	45	(16)	235	226	9
	Income from Discontinued Operations -						
8a	Net of Tax	5	4	1	8	15	(7)
	Cumulative Effect of Change in Accounting -						
8b	Net of Tax	—	—	—	—	—	—
9	Net Income	<u>\$ 34</u>	<u>\$ 49</u>	<u>\$ (15)</u>	<u>\$ 243</u>	<u>\$ 241</u>	<u>\$ 2</u>
<b>EARNINGS PER SHARE BY SUBSIDIARY - DILUTED</b>							
10	Arizona Public Service	\$ 0.16	\$ 0.24	\$ (0.08)	\$ 2.18	\$ 1.98	\$ 0.20
11	Pinnacle West Energy	(0.25)	(0.14)	(0.11)	(0.51)	(0.01)	(0.50)
12	APS Energy Services	(0.01)	0.03	(0.04)	0.03	0.18	(0.15)
13	SunCor	0.34	0.39	(0.04)	0.46	0.50	(0.04)
14	El Dorado	—	—	—	0.36	(0.01)	0.37
15	Parent Company	0.08	(0.03)	0.10	0.05	(0.17)	0.22
16	Income From Continuing Operations	0.32	0.49	(0.17)	2.57	2.47	0.10
	Income From Discontinued Operations -						
17a	Net of Tax	0.05	0.05	—	0.09	0.16	(0.07)
	Cumulative Effect of Change in Accounting -						
17b	Net of Tax	—	—	—	—	—	—
18	Net Income	<u>\$ 0.37</u>	<u>\$ 0.54</u>	<u>\$ (0.17)</u>	<u>\$ 2.66</u>	<u>\$ 2.63</u>	<u>\$ 0.03</u>
19	<b>BOOK VALUE PER SHARE</b>	\$ 32.24	\$ 30.97	\$ 1.27	\$ 32.24	\$ 30.97	\$ 1.27
<b>COMMON SHARES OUTSTANDING - DILUTED (Thousands)</b>							
20	Average	91,779	91,403	376	91,532	91,405	127
21	End of Period	91,793	91,288	505	91,793	91,288	505

## Pinnacle West Capital Corporation

Quarterly Consolidated Statistical Summary  
Periods Ended December 31, 2004 and 2003

Line		3 Mo. Ended December			12 Mo. Ended December		
		2004	2003	Incr (Decr)	2004	2003	Incr (Decr)
	<b>ELECTRIC OPERATING REVENUES</b>						
	(Dollars in Millions)						
	<b>REGULATED ELECTRICITY</b>						
	<b>SEGMENT</b>						
	Retail						
22	Residential	\$ 190	\$ 193	\$ (3)	\$ 984	\$ 957	\$ 27
23	Business	222	222	—	979	953	26
24	Total retail	412	415	(3)	1,963	1,910	53
	Wholesale revenue on delivered						
	electricity						
25	Traditional contracts	3	3	—	16	15	1
26	Retail load hedge						
	management	—	—	—	—	—	—
27	Transmission for others	8	7	1	32	27	5
28	Other miscellaneous services	6	7	(1)	24	26	(2)
29	Total regulated electricity	429	432	(3)	2,035	1,978	57
	<b>MARKETING AND TRADING</b>						
	<b>SEGMENT</b>						
	Delivered marketing and trading						
30	Generation sales other than						
	native load	56	16	40	135	88	47
31	Realized margins on electricity						
	trading (a)	10	6	4	36	22	14
32	Other delivered electricity (a)	65	74	(9)	279	308	(29)
33	Total delivered marketing and	131	96	35	450	418	32
	trading						
	<b>OTHER MARKETING AND TRADING</b>						
34	Realized margins on delivered						
	commodities other than						
	electricity (a)	(3)	1	(4)	(4)	(8)	4
35	Prior period mark-to-market						
	(gains) losses on contracts						
	delivered during current						
	period (a)	(1)	(1)	—	(5)	(11)	6
36	Change in mark-to-market for						
	future-period deliveries	3	(5)	8	21	(7)	28
37	Total other marketing and trading	(1)	(5)	4	12	(26)	38
38	Total marketing and trading	130	91	39	462	392	70
39	Total operating electric revenues	\$ 559	\$ 523	\$ 36	\$ 2,497	\$ 2,370	\$ 127

(a) The net effect on net electric operating revenues from realization of prior-period mark-to-market included in line 39 is zero. Realization of prior-period mark-to-market relates to cash flow recognition, not revenue recognition. The arithmetic opposites of amounts included in line 35 are included in lines 31, 32 and 34. For example, line 35 shows that a prior-period mark-to-market gain of \$1 million was transferred to "realized" for the fourth quarter of 2004. Lines 31, 32 and 34 include amounts totaling \$1 million of realized gain for the fourth quarter of 2004.



## Pinnacle West Capital Corporation

Quarterly Consolidated Statistical Summary  
Periods Ended December 31, 2004 and 2003

Line		3 MO. ENDED DECEMBER			12 MO. ENDED DECEMBER		
		2004	2003	Incr (Decr)	2004	2003	Incr (Decr)
	<b>ELECTRIC SALES (GWH)</b>						
	<b>REGULATED ELECTRICITY SEGMENT</b>						
	Retail sales						
40	Residential	2,368	2,374	(6)	11,528	11,147	381
41	Business	3,236	3,226	10	13,826	13,416	410
42	Total retail	5,604	5,600	4	25,354	24,563	791
	Wholesale electricity delivered						
43	Traditional contracts	167	112	55	710	500	210
44	Retail load hedge management	889	333	556	2,732	1,093	1,639
45	Total regulated electricity	6,660	6,045	615	28,796	26,156	2,640
	<b>MARKETING AND TRADING SEGMENT</b>						
	Delivered marketing and trading						
46	Generation sales other than native load	1,018	475	543	2,717	2,146	571
47	Electricity trading	6,225	5,655	570	22,716	21,305	1,411
48	Other delivered electricity	1,105	1,247	(142)	4,749	5,351	(602)
49	Total delivered marketing and trading	8,348	7,377	971	30,182	28,802	1,380
50	Total electric sales	15,008	13,422	1,586	58,978	54,958	4,020

See Glossary of Terms.

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## Pinnacle West Capital Corporation

Quarterly Consolidated Statistical Summary  
Periods Ended December 31, 2004 and 2003

Line	3 Mo. Ended December			12 Mo. Ended December			
	2004	2003	Incr (Decr)	2004	2003	Incr (Decr)	
	<b>MARKETING AND TRADING SEGMENT PRETAX GROSS MARGIN ANALYSIS (Dollars in Millions)</b>						
	<b>Realized and Mark-To-Market Components</b>						
	Current Period Effects						
	Realized margin on delivered commodities						
	Electricity						
51	Generation sales other than native load	\$ 6	\$ 3	\$ 3	\$ 16	\$ 7	\$ 9
52	Other electricity marketing and trading (a)	12	12	—	52	66	(14)
53	Total electricity	18	15	3	68	73	(5)
54	Other commodities (a)	(3)	1	(4)	(4)	(8)	4
55	Total realized margin	15	16	(1)	64	65	(1)
	Prior-period mark-to-market (gains) losses on contracts delivered during current period						
56	Electricity (a)	(2)	(2)	—	(7)	(14)	7
57	Other commodities (a)	1	1	—	2	3	(1)
58	Charge related to trading activities with Enron and its affiliates	—	—	—	—	—	—
59	Subtotal	(1)	(1)	—	(5)	(11)	6
60	Total current period effects (b)	14	15	(1)	59	54	5
	Change in mark-to-market gains (losses) for future period deliveries (b)						
61	Electricity	5	(5)	10	14	(8)	22
62	Other commodities	(2)	—	(2)	7	1	6
63	Subtotal	3	(5)	8	21	(7)	28
64	Total gross margin	\$ 17	\$ 10	\$ 7	\$ 80	\$ 47	\$ 33

**Future Marketing and Trading Mark-to-Market Realization**

As of December 31, 2004, Pinnacle West had accumulated mark-to-market net gains of \$39 million related to our power marketing and trading activities. We estimate that these gains will be reclassified to realized gains as the underlying commodities are delivered, as follows: 2005, \$15 million; 2006, \$6 million and thereafter, \$18 million.

(a) The net effect on pretax gross margin from realization of prior-period mark-to-market included in line 60 and in line 64 is zero. Realization of prior-period mark-to-market relates to cash flow recognition, not earnings recognition. The arithmetic opposites of amounts included in line 56 are included in line 52. The opposites of amounts included in line 57 are included in line 54. For example, line 56 shows that a prior-period mark-to-market gain of \$2 million was transferred to "realized" for the fourth quarter of 2004. A \$2 million realized gain is included in the \$12 million on line 52 for the fourth quarter of 2004.

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



## Pinnacle West Capital Corporation

Quarterly Consolidated Statistical Summary  
Periods Ended December 31, 2004 and 2003

Line		3 Mo. Ended December			12 Mo. Ended December		
		2004	2003	Incr (Decr)	2004	2003	Incr (Decr)
	<b>MARKETING AND TRADING SEGMENT PRETAX GROSS MARGIN ANALYSIS (continued) (Dollars in Millions)</b>						
	<b>By Commodity Sold or Traded</b>						
65	Electricity	\$ 21	\$ 8	\$ 13	\$ 76	\$ 52	\$ 24
66	Natural gas	(4)	3	(7)	3	3	—
67	Coal	—	—	—	—	(2)	2
68	Emission allowances	—	(1)	1	1	(7)	8
69	Other	—	—	—	—	1	(1)
70	Total gross margin	<u>\$ 17</u>	<u>\$ 10</u>	<u>\$ 7</u>	<u>\$ 80</u>	<u>\$ 47</u>	<u>\$ 33</u>
	<b>By Pinnacle West Entity</b>						
	Parent company marketing and trading division						
71	Generation sales other than native load	\$ —	\$ —	\$ —	\$ —	\$ (2)	\$ 2
72	Other marketing and trading	1	(9)	10	25	(3)	28
	APS						
73	Generation sales other than native load	5	4	1	12	11	1
74	Other marketing and trading	(7)	—	(7)	(17)	(3)	(14)
	Pinnacle West Energy						
75	Generation sales other than native load	1	(1)	2	5	(2)	7
76	Other marketing and trading	15	10	5	41	10	31
	APS ES						
77	Other marketing and trading	2	6	(4)	14	36	(22)
78	Total gross margin before income taxes	<u>\$ 17</u>	<u>\$ 10</u>	<u>\$ 7</u>	<u>\$ 80</u>	<u>\$ 47</u>	<u>\$ 33</u>

See Glossary of Terms.

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## Pinnacle West Capital Corporation

Quarterly Consolidated Statistical Summary  
Periods Ended December 31, 2004 and 2003

Line		3 Mo. Ended December			12 Mo. Ended December		
		2004	2003	Incr (Decr)	2004	2003	Incr (Decr)
	<b>AVERAGE ELECTRIC CUSTOMERS</b>						
	Retail customers						
79	Residential	871,575	839,539	32,036	859,069	828,366	30,703
80	Business	108,860	104,521	4,339	107,115	103,096	4,019
81	Total	980,435	944,060	36,375	966,184	931,462	34,722
82	Wholesale customers	77	66	11	81	66	15
83	Total customers	980,512	944,126	36,386	966,265	931,528	34,737
84	Customer Growth (% over prior year)	3.9%	3.4%	0.5%	3.7%	3.3%	0.4%
	<b>RETAIL SALES (GWH) - WEATHER NORMALIZED</b>						
85	Residential	2,361	2,268	93	11,648	10,899	749
86	Business	3,248	3,168	80	13,890	13,366	524
87	Total	5,609	5,436	173	25,538	24,265	1,273
	<b>RETAIL USAGE (KWh/Average Customer)</b>						
88	Residential	2,717	2,828	(111)	13,419	13,457	(38)
89	Business	29,726	30,865	(1,139)	129,076	130,131	(1,055)
	<b>RETAIL USAGE - WEATHER NORMALIZED (KWh/Average Customer)</b>						
90	Residential	2,709	2,701	8	13,559	13,157	402
91	Business	29,834	30,310	(476)	129,669	129,646	23
	<b>ELECTRICITY DEMAND (MW)</b>						
92	System peak demand	4,432	5,124	(692)	6,402	6,332	70

See Glossary of Terms.

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## Pinnacle West Capital Corporation

Quarterly Consolidated Statistical Summary  
Periods Ended December 31, 2004 and 2003

Line	3 Mo. Ended December			12 Mo. Ended December			
	2004	2003	Incr (Decr)	2004	2003	Incr (Decr)	
<b>ENERGY SOURCES (GWH)</b>							
Generation production							
93	Nuclear	1,812	1,732	80	8,184	8,315	(131)
94	Coal	3,327	2,800	527	12,666	11,366	1,300
95	Gas, oil and other	1,076	535	541	5,502	6,091	(589)
96	Total	<u>6,215</u>	<u>5,067</u>	<u>1,148</u>	<u>26,352</u>	<u>25,772</u>	<u>580</u>
Purchased power							
97	Firm load	1,024	1,418	(394)	4,326	3,111	1,215
98	Marketing and trading	8,219	7,235	984	30,197	27,749	2,448
99	Total	<u>9,243</u>	<u>8,653</u>	<u>590</u>	<u>34,523</u>	<u>30,860</u>	<u>3,663</u>
100	Total energy sources	<u>15,458</u>	<u>13,720</u>	<u>1,738</u>	<u>60,875</u>	<u>56,632</u>	<u>4,243</u>
<b>POWER PLANT PERFORMANCE</b>							
Capacity Factors							
101	Nuclear	74%	72%	2%	84%	87%	(3)%
102	Coal	88%	74%	14%	84%	76%	8%
103	Gas, oil and other	12%	9%	3%	18%	28%	(10)%
104	System average	48%	41%	7%	51%	55%	(4)%
Generation Capacity Out of Service and Replaced for Native Load (average MW/day)							
105	Nuclear	261	297	(36)	161	131	29
106	Coal	61	253	(192)	107	269	(163)
107	Gas	34	338	(304)	42	205	(163)
108	Total	<u>356</u>	<u>888</u>	<u>(532)</u>	<u>310</u>	<u>605</u>	<u>(294)</u>
109	Generation Fuel Cost (\$/MWh)	\$ 20.90	\$ 15.40	\$ 5.50	\$ 18.31	\$ 17.36	\$ 0.95

See Glossary of Terms.

## Pinnacle West Capital Corporation

Quarterly Consolidated Statistical Summary  
Periods Ended December 31, 2004 and 2003

Line	3 Mo. Ended December			12 Mo. Ended December			
	2004	2003	Incr (Decr)	2004	2003	Incr (Decr)	
<b>ENERGY MARKET INDICATORS (a)</b>							
Electricity Average Daily Spot Prices (\$/MWh)							
On-Peak							
110	Palo Verde	\$51.23	\$42.98	\$ 8.25	\$ 49.30	\$ 48.60	\$ 0.70
111	SP15	\$60.62	\$46.88	\$ 13.74	\$ 55.20	\$ 51.38	\$ 3.82
Off-Peak							
112	Palo Verde	\$38.21	\$30.48	\$ 7.73	\$ 34.75	\$ 32.03	\$ 2.71
113	SP15	\$43.07	\$32.85	\$ 10.22	\$ 38.62	\$ 34.66	\$ 3.96
<b>WEATHER INDICATORS</b>							
Actual							
114	Cooling degree-days	352	572	(220)	4,694	4,899	(205)
115	Heating degree-days	422	370	52	985	736	249
116	Average humidity	45%	34%	11%	32%	31%	1%
10-Year Averages							
117	Cooling degree-days	420	420	—	4,531	4,531	—
118	Heating degree-days	415	415	—	972	972	—
119	Average humidity	40%	40%	0%	35%	35%	0%
<b>ECONOMIC INDICATORS</b>							
Building Permits – Metro Phoenix (b) (d)							
120	Single-family	6,822	5,947	875	44,614	35,781	8,833
121	Multi-family	992	1,887	(895)	6,222	6,034	188
122	Total	<u>7,814</u>	<u>7,834</u>	<u>(20)</u>	<u>50,836</u>	<u>41,815</u>	<u>9,021</u>
Arizona Job Growth (c) (d)							
123	Payroll job growth (% over prior year)	2.8%	1.4%	1.4%	2.4%	1.0%	1.4%
124	Unemployment rate (% , seasonally adjusted)	4.7%	5.0%	(0.3)%	4.8%	5.7%	(0.9)%

**Sources:**

- (a) This price is an average of daily prices obtained and used with permission from Dow Jones & Company, Inc.
- (b) Arizona Real Estate Center, Arizona State University W.P. Carey College of Business
- (c) Arizona Department of Economic Security
- (d) The economic indicators reflect latest available data through periods ending November 2004.

See Glossary of Terms.

## Pinnacle West Capital Corporation

Consolidated Statistics By Quarter  
2004

Line		1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year-To-Date	Increase (Decrease) vs Prior YTD
<b>EARNINGS CONTRIBUTION BY SUBSIDIARY (\$ Millions)</b>							
1	Arizona Public Service	\$ 34	\$ 55	\$ 95	\$ 15	200	\$ 19
2	Pinnacle West Energy	(18)	(11)	6	(23)	(47)	(46)
3	APS Energy Services	2	1	1	(1)	3	(13)
4	SunCor	2	4	4	31	41	(5)
5	El Dorado	—	34	—	—	33	33
6	Parent Company	10	(11)	(2)	7	5	21
7	Income From Continuing Operations	30	72	104	29	235	9
8a	Income From Discontinued Operations - Net of Tax	1	1	1	5	8	(7)
8b	Cumulative Effect of Change in Accounting - Net of Tax	—	—	—	—	—	—
9	Net Income	<u>\$ 31</u>	<u>\$ 73</u>	<u>\$ 105</u>	<u>\$ 34</u>	<u>\$ 243</u>	<u>\$ 2</u>
<b>EARNINGS PER SHARE BY SUBSIDIARY - DILUTED</b>							
10	Arizona Public Service	\$ 0.38	\$ 0.60	\$ 1.04	\$ 0.16	\$ 2.18	\$ 0.20
11	Pinnacle West Energy	(0.20)	(0.13)	0.07	(0.25)	(0.51)	(0.50)
12	APS Energy Services	0.02	0.01	0.01	(0.01)	0.03	(0.15)
13	SunCor	0.02	0.04	0.05	0.034	0.45	(0.05)
14	El Dorado	—	0.37	—	—	0.36	0.37
15	Parent Company	<u>0.12</u>	<u>(0.12)</u>	<u>(0.03)</u>	<u>0.08</u>	<u>0.06</u>	<u>0.23</u>
16	Income From Continuing Operations	0.34	0.77	1.14	0.32	2.57	0.10
17a	Income From Discontinued Operations - Net of Tax	0.01	0.02	0.01	0.05	0.09	(0.07)
17b	Cumulative Effect of Change in Accounting - Net of Tax	—	—	—	—	—	—
18	Net Income	<u>\$ 0.35</u>	<u>\$ 0.79</u>	<u>\$ 1.15</u>	<u>\$ 0.37</u>	<u>\$ 2.66</u>	<u>\$ 0.03</u>
19	<b>BOOK VALUE PER SHARE</b>	\$ 31.19	\$ 31.68	\$ 32.55	\$ 32.24	\$ 32.24	\$ 1.27
<b>COMMON SHARES OUTSTANDING - DILUTED (Thousands)</b>							
20	Average	91,376	91,400	91,491	91,779	91,532	127
21	End of Period	91,310	91,309	91,443	91,793	91,793	505

See Glossary of Terms.

## Pinnacle West Capital Corporation

Consolidated Statistics By Quarter  
2004

Line		<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year-To-Date</u>	<u>Increase (Decrease) vs Prior YTD</u>
	<b>ELECTRIC OPERATING REVENUES</b> (Dollars in Millions)						
	<b>Regulated Electricity Segment</b>						
	Retail						
22	Residential	\$ 189	\$ 245	\$ 360	\$ 190	\$ 984	\$ 27
23	Business	211	257	289	222	979	26
24	Total retail	400	502	649	412	1,963	53
	Wholesale revenue on delivered electricity						
25	Traditional contracts	3	4	6	3	16	1
26	Retail load hedge management	—	—	—	—	—	—
27	Transmission for others	8	8	8	8	32	5
28	Other miscellaneous services	4	6	8	6	24	(2)
29	Total regulated electricity	415	520	671	429	2,035	57
	<b>Marketing and Trading Segment</b>						
	Delivered marketing and trading						
30	Generation sales other than native load	10	30	39	56	135	47
31	Realized margins on electricity trading (a)	5	12	9	10	36	14
32	Other delivered electricity (a)	66	71	77	65	279	(29)
33	Total delivered marketing and trading	81	113	125	131	450	32
	<b>Other Marketing and Trading</b>						
34	Realized margins on delivered commodities other than electricity (a)	(2)	2	(1)	(3)	(4)	4
35	Prior period mark-to-market (gains) losses on contracts delivered during current period (a)	1	(4)	(3)	(1)	(5)	6
36	Change in mark-to-market for future-period deliveries	8	4	8	3	21	28
37	Total other marketing and trading	7	2	4	(1)	12	38
38	Total marketing and trading	88	115	129	130	462	70
39	Total electric operating revenues	\$ 503	\$ 635	\$ 800	\$ 559	\$ 2,497	\$ 127

(a) The net effect on net electric operating revenues from realization of prior-period mark-to-market included in line 39 is zero. Realization of prior-period mark-to-market relates to cash flow recognition, not revenue recognition. The arithmetic opposites of amounts included in line 35 are included in lines 31, 32 and 34. For example, line 35 shows that a prior-period mark-to-market gain of \$1 million was transferred to "realized" for the fourth quarter of 2004. Lines 31, 32 and 34 include amounts totaling \$1 million of realized gain for the fourth quarter of 2004.

See Glossary of Terms.



## Pinnacle West Capital Corporation

Consolidated Statistics By Quarter  
2004

Line		<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year-To-Date</u>	<u>Increase (Decrease) vs Prior YTD</u>
	<b>ELECTRIC SALES (GWH)</b>						
	<b>Regulated Electricity Segment</b>						
	Retail sales						
40	Residential	2,410	2,722	4,028	2,368	11,528	381
41	Business	3,051	3,602	3,937	3,236	13,826	410
42	Total retail	<u>5,461</u>	<u>6,324</u>	<u>7,965</u>	<u>5,604</u>	<u>25,354</u>	<u>791</u>
	Wholesale electricity delivered						
43	Traditional contracts	138	195	210	167	710	210
44	Retail load hedge management	169	731	943	889	2,732	1,639
45	Total regulated electricity	<u>5,768</u>	<u>7,250</u>	<u>9,118</u>	<u>6,660</u>	<u>28,796</u>	<u>2,640</u>
	<b>Marketing and Trading Segment</b>						
	Delivered marketing and trading						
46	Generation sales other than native load	358	705	636	1,018	2,717	571
47	Electricity trading	4,198	5,243	7,050	6,225	22,716	1,411
48	Other delivered electricity	<u>1,140</u>	<u>1,195</u>	<u>1,309</u>	<u>1,105</u>	<u>4,749</u>	<u>(602)</u>
49	Total delivered marketing and trading	<u>5,696</u>	<u>7,143</u>	<u>8,995</u>	<u>8,348</u>	<u>30,182</u>	<u>1,380</u>
50	Total electric sales	<u>11,464</u>	<u>14,393</u>	<u>18,113</u>	<u>15,008</u>	<u>58,978</u>	<u>4,020</u>

See Glossary of Terms.

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## Pinnacle West Capital Corporation

Consolidated Statistics By Quarter  
2004

Line		<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year-To-Date</u>	<u>Increase (Decrease) vs Prior YTD</u>
	<b>MARKETING AND TRADING SEGMENT PRETAX GROSS MARGIN ANALYSIS (Dollars in Millions)</b>						
	<b>Realized and Mark-To-Market Components</b>						
	Current Period Effects						
	Realized margin on delivered commodities						
	Electricity						
51	Generation sales other than native load	\$ 3	\$ 2	\$ 5	\$ 6	\$ 16	\$ 9
52	Other electricity marketing and trading (a)	11	17	12	12	52	(14)
53	Total electricity	14	19	17	18	68	(5)
54	Other commodities (a)	(2)	2	(1)	(3)	(4)	4
55	Total realized margin	12	21	16	15	64	(1)
	Prior-period mark-to-market (gains) losses on contracts delivered during current period						
56	Electricity (a)	(1)	(2)	(3)	(2)	(7)	7
57	Other commodities (a)	2	(2)	—	1	2	(1)
58	Charge related to trading activities with Enron and its affiliates	—	—	—	—	—	—
59	Subtotal	1	(4)	(3)	(1)	(5)	6
60	Total current period effects (b)	13	17	13	14	59	5
	Change in mark-to-market gains (losses) for future period deliveries (b)						
61	Electricity	7	3	—	5	14	22
62	Other commodities	1	1	8	(2)	7	6
63	Total future period effects	8	4	8	3	21	28
64	Total gross margin	<u>\$ 21</u>	<u>\$ 21</u>	<u>\$ 21</u>	<u>\$ 17</u>	<u>\$ 80</u>	<u>\$ 33</u>

**Future Marketing and Trading Mark-to-Market Realization**

As of December 31, 2004, Pinnacle West had accumulated mark-to-market net gains of \$39 million related to our power marketing and trading activities. We estimate that these gains will be reclassified to realized gains as the underlying commodities are delivered, as follows: 2005, \$15 million; 2006, \$6 million and thereafter, \$18 million.

(a) The net effect on pretax gross margin from realization of prior-period mark-to-market included in line 60 and in line 64 is zero. Realization of prior-period mark-to-market relates to cash flow recognition, not earnings recognition. The arithmetic opposites of amounts included in line 56 are included in line 52. The opposites of amounts included in line 57 are included in line 54. For example, line 56 shows that a prior-period mark-to-market gain of \$2 million was transferred to "realized" for the fourth quarter of 2004. A \$2 million realized gain is included in the \$12 million on line 52 for the fourth quarter of 2004.

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



## Pinnacle West Capital Corporation

Consolidated Statistics By Quarter  
2004

Line	<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year-To-Date</u>	<u>Increase (Decrease) vs Prior YTD</u>
<b>MARKETING AND TRADING</b>						
<b>SEGMENT PRETAX GROSS</b>						
<b>MARGIN ANALYSIS (continued)</b>						
<b>(Dollars in Millions)</b>						
<b>By Commodity Sold or Traded</b>						
65	\$ 20	\$ 20	\$ 15	\$ 21	\$ 76	\$ 24
66	1	—	6	(4)	3	—
67	—	—	—	—	—	2
68	—	1	—	—	1	8
69	—	—	—	—	—	(1)
70	<u>\$ 21</u>	<u>\$ 21</u>	<u>\$ 21</u>	<u>\$ 17</u>	<u>\$ 80</u>	<u>\$ 33</u>
<b>By Pinnacle West Entity</b>						
Parent company marketing and trading division						
71						
72	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2
	12	7	5	1	25	28
APS						
73						
74	3	3	1	5	12	1
	(8)	(3)	1	(7)	(17)	(14)
Pinnacle West Energy						
75						
76	—	—	4	1	5	7
	10	10	6	15	41	31
APS ES						
77						
	4	4	4	2	14	(22)
78	<u>4</u>	<u>4</u>	<u>4</u>	<u>2</u>	<u>14</u>	<u>(22)</u>
	<u>\$ 21</u>	<u>\$ 21</u>	<u>\$ 21</u>	<u>\$ 17</u>	<u>\$ 80</u>	<u>\$ 33</u>

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## Pinnacle West Capital Corporation

Consolidated Statistics By Quarter  
2004

Line		<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year-To-Date</u>	<u>Increase (Decrease) vs Prior YTD</u>
	<b>AVERAGE ELECTRIC CUSTOMERS</b>						
	Retail customers						
79	Residential	855,754	852,594	856,353	871,575	859,069	30,703
80	Business	<u>105,502</u>	<u>106,517</u>	<u>107,583</u>	<u>108,860</u>	<u>107,115</u>	<u>4,019</u>
81	Total	961,256	959,111	963,936	980,435	966,184	34,722
82	Wholesale customers	<u>81</u>	<u>82</u>	<u>85</u>	<u>77</u>	<u>81</u>	<u>15</u>
83	Total customers	<u>961,337</u>	<u>959,193</u>	<u>964,021</u>	<u>980,512</u>	<u>966,265</u>	<u>34,737</u>
84	Customer Growth (% over prior year)	3.4%	3.8%	3.9%	3.9%	3.7%	0.4%
	<b>RETAIL SALES (GWH) - WEATHER NORMALIZED</b>						
85	Residential	2,383	2,745	4,159	2,361	11,648	749
86	Business	<u>3,007</u>	<u>3,621</u>	<u>4,014</u>	<u>3,248</u>	<u>13,890</u>	<u>524</u>
87	Total	<u>5,390</u>	<u>6,366</u>	<u>8,173</u>	<u>5,609</u>	<u>25,538</u>	<u>1,273</u>
	<b>RETAIL USAGE (KWh/Average Customer)</b>						
88	Residential	2,816	3,193	4,704	2,717	13,419	(38)
89	Business	28,919	33,816	36,595	29,726	129,076	(1,055)
	<b>RETAIL USAGE - WEATHER NORMALIZED (KWh/Average Customer)</b>						
90	Residential	2,784	3,220	4,857	2,709	13,559	402
91	Business	28,502	33,990	37,312	29,834	129,669	23
	<b>ELECTRICITY DEMAND (MW)</b>						
92	System peak demand	3,979	5,608	6,402	4,432	6,402	70

See Glossary of Terms.

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## Pinnacle West Capital Corporation

Consolidated Statistics By Quarter  
2004

Line		<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year-To-Date</u>	<u>Increase (Decrease) vs Prior YTD</u>
<b>ENERGY SOURCES (GWH)</b>							
Generation production							
93	Nuclear	2,148	1,860	2,364	1,812	8,184	(131)
94	Coal	2,887	3,035	3,417	3,327	12,666	1,300
95	Gas, oil and other	363	1,361	2,702	1,076	5,502	(589)
96	Total	<u>5,398</u>	<u>6,256</u>	<u>8,483</u>	<u>6,215</u>	<u>26,352</u>	<u>580</u>
Purchased power							
97	Firm load	701	1,533	1,068	1,024	4,326	1,215
98	Marketing and trading	5,507	7,169	9,302	8,219	30,197	2,448
99	Total	<u>6,208</u>	<u>8,702</u>	<u>10,370</u>	<u>9,243</u>	<u>34,523</u>	<u>3,663</u>
100	Total energy sources	<u>11,606</u>	<u>14,958</u>	<u>18,853</u>	<u>15,458</u>	<u>60,875</u>	<u>4,243</u>
<b>POWER PLANT PERFORMANCE</b>							
Capacity Factors							
101	Nuclear	88%	77%	96%	74%	84%	(3)%
102	Coal	77%	81%	90%	88%	84%	8%
103	Gas, oil and other	5%	20%	38%	12%	18%	(10)%
104	System average	44%	50%	64%	48%	51%	(4)%
Generation Capacity Out of Service and Replaced for Native Load (average MW/day)							
105	Nuclear	135	233	13	261	161	29
106	Coal	149	153	63	61	107	(163)
107	Gas	49	47	39	34	42	(163)
108	Total	<u>333</u>	<u>433</u>	<u>115</u>	<u>356</u>	<u>310</u>	<u>(296)</u>
109	Generation Fuel Cost (\$/MWh)	\$ 11.17	\$ 18.59	\$ 20.73	\$ 20.90	\$ 18.31	\$ 0.95

See Glossary of Terms.

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## Pinnacle West Capital Corporation

Consolidated Statistics By Quarter  
2004

Line		<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year-To-Date</u>	<u>Increase (Decrease) vs Prior YTD</u>
<b>ENERGY MARKET INDICATORS (a)</b>							
Electricity Average Daily Spot Prices (\$/MWh)							
On-Peak							
110	Palo Verde	\$ 43.73	\$ 50.36	\$ 51.86	\$51.23	\$ 49.30	\$ 0.70
111	SP15	\$ 48.37	\$ 54.73	\$ 57.09	\$60.62	\$ 55.20	\$ 3.82
Off-Peak							
112	Palo Verde	\$ 33.66	\$ 33.74	\$ 33.37	\$38.21	\$ 34.75	\$ 2.72
113	SP15	\$ 36.90	\$ 37.32	\$ 37.18	\$43.07	\$ 38.62	\$ 3.96
<b>WEATHER INDICATORS</b>							
Actual							
114	Cooling degree-days	273	1,598	2,471	352	4,694	(205)
115	Heating degree-days	552	11	—	422	985	249
116	Average humidity	39%	19%	26%	45%	32%	1%
10-Year Averages							
117	Cooling degree-days	80	1,491	2,540	420	4,531	420
118	Heating degree-days	521	36	—	415	972	415
119	Average humidity	43%	24%	33%	40%	35%	0%
<b>ECONOMIC INDICATORS</b>							
Building Permits — Metro Phoenix (b) (d)							
120	Single-family	10,045	13,636	14,111	6,822	44,614	4,963
121	Multi-family	<u>1,757</u>	<u>1,324</u>	<u>2,149</u>	<u>992</u>	<u>6,222</u>	<u>(505)</u>
122	Total	<u><u>11,802</u></u>	<u><u>14,960</u></u>	<u><u>16,260</u></u>	<u><u>7,814</u></u>	<u><u>50,836</u></u>	<u><u>4,458</u></u>
Arizona Job Growth (c) (d)							
123	Payroll job growth (% over prior year)	2.2%	2.4%	2.4%	2.8%	2.4%	1.4%
124	Unemployment rate (% , seasonally adjusted)	5.1%	5.1%	4.5%	4.7%	4.8%	(0.9)%

**Sources :**

- (a) This price is an average of daily prices obtained and used with permission from Dow Jones & Company, Inc.
- (b) Arizona Real Estate Center, Arizona State University W.P. Carey College of Business
- (c) Arizona Department of Economic Security
- (d) The economic indicators reflect latest available data through periods ending November 2004.

See Glossary of Terms.

## Pinnacle West Capital Corporation

Consolidated Statistics By Quarter  
2003

Line		<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year-To-Date</u>	<u>Increase (Decrease) vs Prior YTD</u>
	<b>EARNINGS CONTRIBUTION BY SUBSIDIARY (\$ Millions)</b>						
1	Arizona Public Service	\$ 16	\$ 43	\$ 100	\$ 21	\$ 181	\$ (18)
2	Pinnacle West Energy	5	2	3	(12)	(1)	18
3	APS Energy Services	8	5	1	3	16	(12)
4	SunCor	1	2	6	36	46	36
5	El Dorado	—	—	—	—	—	(4)
6	Parent Company	(12)	2	(1)	(3)	(16)	(36)
7	Income From Continuing Operations	18	54	109	45	226	(16)
	Income From Discontinued Operations - Net of Tax	7	2	1	4	15	42
8a	Cumulative Effect of Change in Accounting - Net of Tax	—	—	—	—	—	66
8b	Net of Tax	—	—	—	—	—	66
9	Net Income	<u>\$ 25</u>	<u>\$ 56</u>	<u>\$ 110</u>	<u>\$ 49</u>	<u>\$ 241</u>	<u>\$ 92</u>
	<b>EARNINGS PER SHARE BY SUBSIDIARY - DILUTED</b>						
10	Arizona Public Service	\$ 0.17	\$ 0.47	\$ 1.10	\$ 0.24	\$ 1.98	\$ (0.37)
11	Pinnacle West Energy	0.06	0.02	0.04	(0.14)	(0.01)	0.22
12	APS Energy Services	0.08	0.06	0.01	0.03	0.18	(0.15)
13	SunCor	0.01	0.02	0.07	0.39	0.50	0.37
14	El Dorado	—	—	(0.01)	—	(0.01)	(0.06)
15	Parent Company	(0.12)	0.02	(0.02)	(0.03)	(0.17)	(0.40)
16	Income From Continuing Operations	0.20	0.59	1.19	0.49	2.47	(0.39)
	Income From Discontinued Operations - Net of Tax	0.08	0.02	0.01	0.05	0.16	0.48
17a	Cumulative Effect of Change in Accounting - Net of Tax	—	—	—	—	—	0.77
17b	Net of Tax	—	—	—	—	—	0.77
18	Net Income	<u>\$ 0.28</u>	<u>\$ 0.61</u>	<u>\$ 1.20</u>	<u>\$ 0.54</u>	<u>\$ 2.63</u>	<u>\$ 0.86</u>
19	<b>BOOK VALUE PER SHARE</b>	\$ 29.39	\$ 29.95	\$ 30.68	\$ 30.97	\$ 30.97	\$ 1.57
	<b>COMMON SHARES OUTSTANDING - DILUTED (Thousands)</b>						
20	Average	91,359	91,450	91,467	91,403	91,405	6,441
21	End of Period	91,257	91,262	91,271	91,288	91,288	33



## Pinnacle West Capital Corporation

Consolidated Statistics By Quarter  
2003

Line		1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year-To-Date	Increase (Decrease) vs Prior YTD
	<b>ELECTRIC OPERATING REVENUES (Dollars in Millions)</b>						
	<b>Regulated Electricity Segment</b>						
	Retail						
22	Residential	\$ 168	\$ 233	\$ 363	\$ 193	\$ 957	\$ 51
23	Business	196	251	284	222	953	25
24	Total retail	364	484	647	415	1,910	76
	Wholesale revenue on delivered electricity						
25	Traditional contracts	3	4	5	3	15	6
26	Retail load hedge management	—	—	—	—	—	—
27	Transmission for others	6	5	9	7	27	(3)
28	Other miscellaneous services	7	6	6	7	26	9
29	Total regulated electricity	380	499	667	432	1,978	88
	<b>Marketing and Trading Segment</b>						
	Delivered marketing and trading						
30	Generation sales other than native load	44	20	8	16	88	38
31	Realized margins on electricity trading (a)	9	5	2	6	22	(28)
32	Other delivered electricity (a)	72	78	84	74	308	140
33	Total delivered marketing and trading	125	103	94	96	418	150
	<b>Other Marketing and Trading</b>						
34	Realized margins on delivered commodities other than electricity (a)	(2)	(2)	(5)	1	(8)	(16)
35	Prior period mark-to-market (gains) losses on contracts delivered during current period (a)	(3)	1	(3)	(1)	(11)	30
36	Change in mark-to-market for future-period deliveries	(3)	(1)	(3)	(5)	(7)	(59)
37	Total other marketing and trading	(8)	(2)	(11)	(5)	(26)	(45)
38	Total marketing and trading	117	101	83	91	392	105
39	Total electric operating revenues	\$ 497	\$ 600	\$ 750	\$ 523	\$ 2,370	\$ 193

(a) The net effect on net electric operating revenues from realization of prior-period mark-to-market included in line 39 is zero. Realization of prior-period mark-to-market relates to cash flow recognition, not revenue recognition. The arithmetic opposites of amounts included in line 35 are included in lines 31, 32 and 34. For example, line 35 shows that a prior-period mark-to-market gain of \$1 million was transferred to "realized" for the fourth quarter of 2003. Lines 31, 32 and 34 include amounts totaling \$1 million of realized gain for the fourth quarter of 2003.

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## Pinnacle West Capital Corporation

Consolidated Statistics By Quarter  
2003

Line	<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year-To-Date</u>	<u>Increase (Decrease) vs Prior YTD</u>
<b>ELECTRIC SALES (GWH)</b>						
<b>Regulated Electricity Segment</b>						
Retail sales						
40	2,104	2,543	4,126	2,374	11,147	703
41	2,849	3,450	3,891	3,226	13,416	499
42	<u>4,953</u>	<u>5,993</u>	<u>8,017</u>	<u>5,600</u>	<u>24,563</u>	<u>1,202</u>
Wholesale electricity delivered						
43	130	131	127	112	500	26
44	109	205	446	333	1,093	(1,549)
45	<u>5,192</u>	<u>6,329</u>	<u>8,590</u>	<u>6,045</u>	<u>26,156</u>	<u>(321)</u>
<b>Marketing and Trading Segment</b>						
Delivered marketing and trading						
46	992	476	203	475	2,146	355
47	5,074	4,936	5,640	5,655	21,305	3,268
48	1,306	1,386	1,412	1,247	5,351	2,324
49	<u>7,372</u>	<u>6,798</u>	<u>7,255</u>	<u>7,377</u>	<u>28,802</u>	<u>5,947</u>
50	<u>12,564</u>	<u>13,127</u>	<u>15,845</u>	<u>13,422</u>	<u>54,958</u>	<u>5,626</u>

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## Pinnacle West Capital Corporation

Consolidated Statistics By Quarter  
2003

Line		<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year-To-Date</u>	<u>Increase (Decrease) vs Prior YTD</u>
	<b>MARKETING AND TRADING SEGMENT PRETAX GROSS MARGIN ANALYSIS (Dollars in Millions)</b>						
	<b>Realized and Mark-To-Market Components</b>						
	Current Period Effects						
	Realized margin on delivered commodities						
	Electricity						
51	Generation sales other than native load	\$ 3	\$ 1	\$ —	\$ 3	\$ 7	\$ (7)
52	Other electricity marketing and trading (a)	24	21	9	12	66	(33)
53	Total electricity	27	22	9	15	73	(40)
54	Other commodities (a)	(2)	(2)	(5)	1	(8)	(16)
55	Total realized margin	25	20	4	16	65	(56)
	Prior-period mark-to-market (gains) losses on contracts delivered during current period						
56	Electricity (a)	(5)	(2)	(3)	(2)	(14)	16
57	Other commodities (a)	2	3	—	1	3	14
58	Charge related to trading activities with Enron and its affiliates	—	—	—	—	—	—
59	Subtotal	(3)	1	(3)	(1)	(11)	30
60	Total current period effects (b)	22	21	1	15	54	(26)
	Change in mark-to-market gains (losses) for future period deliveries (b)						
61	Electricity	(6)	1	—	(5)	(8)	(71)
62	Other commodities	3	(2)	(3)	—	1	12
63	Total future period effects	(3)	(1)	(3)	(5)	(7)	(59)
64	Total gross margin	\$ 19	\$ 20	\$ (2)	\$ 10	\$ 47	\$ (85)

**Future Marketing and Trading Mark-to-Market Realization**

As of December 31, 2003, Pinnacle West had accumulated mark-to-market net gains of \$23 million related to our power marketing and trading activities. We estimate that these gains will be reclassified to realized gains as the underlying commodities are delivered, as follows: 2004, \$5 million; 2005, \$5 million; 2006, \$3 million and thereafter, \$10 million.

(a) The net effect on pretax gross margin from realization of prior-period mark-to-market included in line 60 and in line 64 is zero. Realization of prior-period mark-to-market relates to cash flow recognition, not earnings recognition. The arithmetic opposites of amounts included in line 56 are included in line 52. The opposites of amounts included in line 57 are included in line 54. For example, line 56 shows that a prior-period mark-to-market gain of \$2 million was transferred to "realized" for the fourth quarter of 2003. A \$2 million realized gain is included in the \$12 million on line 52 for the fourth quarter of 2003.

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



## Pinnacle West Capital Corporation

Consolidated Statistics By Quarter  
2003

Line		<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year-To-Date</u>	<u>Increase (Decrease) vs Prior YTD</u>
	<b>MARKETING AND TRADING SEGMENT PRETAX GROSS MARGIN ANALYSIS (continued) (Dollars in Millions)</b>						
	<b>By Commodity Sold or Traded</b>						
65	Electricity	\$ 17	\$ 21	\$ 6	\$ 8	\$ 52	\$ (95)
66	Natural gas	2	3	(5)	3	3	9
67	Coal	(1)	(1)	—	—	(2)	—
68	Emission allowances	—	(3)	(3)	(1)	(7)	—
69	Other	1	—	—	—	1	1
70	Total gross margin	<u>\$ 19</u>	<u>\$ 20</u>	<u>\$ (2)</u>	<u>\$ 10</u>	<u>\$ 47</u>	<u>\$ (85)</u>
	<b>By Pinnacle West Entity</b>						
	Parent company marketing and trading division						
71	Generation sales other than native load	\$ (2)	\$ —	\$ —	\$ —	\$ (2)	\$ (10)
72	Other marketing and trading APS Generation sales other than native load	4	4	(2)	(9)	(3)	(85)
73	Other marketing and trading	6	1	—	4	11	9
74	Pinnacle West Energy Generation sales other than native load	—	3	(6)	—	(3)	(3)
75	Other marketing and trading	(1)	—	—	(1)	(2)	(6)
76	APS ES Other marketing and trading	—	—	—	10	10	10
77	Other marketing and trading	12	12	6	6	36	—
78	Total gross margin before income taxes	<u>\$ 19</u>	<u>\$ 20</u>	<u>\$ (2)</u>	<u>\$ 10</u>	<u>\$ 47</u>	<u>\$ (85)</u>

See Glossary of Terms.

## Pinnacle West Capital Corporation

Consolidated Statistics By Quarter  
2003

Line		<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year-To-Date</u>	<u>Increase (Decrease) vs Prior YTD</u>
	<b>AVERAGE ELECTRIC CUSTOMERS</b>						
	Retail customers						
79	Residential	827,937	821,331	824,655	839,539	828,366	26,565
80	Business	<u>101,999</u>	<u>102,601</u>	<u>103,262</u>	<u>104,521</u>	<u>103,096</u>	<u>2,868</u>
81	Total	929,936	923,932	927,917	944,060	931,462	29,432
82	Wholesale customers	65	66	66	66	66	(1)
83	Total customers	<u>930,001</u>	<u>923,998</u>	<u>927,983</u>	<u>944,126</u>	<u>931,528</u>	<u>29,431</u>
84	Customer Growth (% over prior year)	3.3%	3.1%	3.2%	3.4%	3.3%	0.2%
	<b>RETAIL SALES (GWH) WEATHER NORMALIZED</b>						
85	Residential	2,243	2,522	3,866	2,268	10,899	468
86	Business	<u>2,875</u>	<u>3,495</u>	<u>3,828</u>	<u>3,168</u>	<u>13,366</u>	<u>461</u>
87	Total	<u>5,118</u>	<u>6,017</u>	<u>7,694</u>	<u>5,436</u>	<u>24,265</u>	<u>929</u>
	<b>RETAIL USAGE (KWh/Average Customer)</b>						
88	Residential	2,541	3,096	5,004	2,828	13,457	432
89	Business	27,927	33,625	37,677	30,865	130,131	1,246
	<b>RETAIL USAGE WEATHER NORMALIZED (KWh/Average Customer)</b>						
90	Residential	2,709	3,071	4,688	2,701	13,157	148
91	Business	28,187	34,064	37,071	30,310	129,646	890
	<b>ELECTRICITY DEMAND (MW)</b>						
92	System peak demand	3,569	5,571	6,332	5,124	6,332	529

## Pinnacle West Capital Corporation

Consolidated Statistical By Quarter  
2003

Line		<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year-To-Date</u>	<u>Increase (Decrease) vs Prior YTD</u>
	<b>ENERGY SOURCES (GWH)</b>						
	Generation production						
93	Nuclear	2,306	2,047	2,230	1,732	8,315	(666)
94	Coal	2,770	2,824	2,972	2,800	11,366	(690)
95	Gas, oil and other	<u>1,288</u>	<u>1,572</u>	<u>2,696</u>	<u>535</u>	<u>6,091</u>	<u>1,722</u>
96	Total	<u>6,364</u>	<u>6,443</u>	<u>7,898</u>	<u>5,067</u>	<u>25,772</u>	<u>366</u>
	Purchased power						
97	Firm load	(12)	606	1,099	1,418	3,111	1,492
98	Marketing and trading	<u>6,489</u>	<u>6,527</u>	<u>7,498</u>	<u>7,235</u>	<u>27,749</u>	<u>4,045</u>
99	Total	<u>6,477</u>	<u>7,133</u>	<u>8,597</u>	<u>8,653</u>	<u>30,860</u>	<u>5,537</u>
100	Total energy sources	<u>12,841</u>	<u>13,576</u>	<u>16,495</u>	<u>13,720</u>	<u>56,632</u>	<u>5,903</u>
	<b>POWER PLANT PERFORMANCE</b>						
	Capacity Factors						
101	Nuclear	98%	86%	93%	72%	87%	(7)%
102	Coal	75%	75%	79%	74%	76%	(4)%
103	Gas, oil and other	26%	31%	44%	9%	28%	1%
104	System average	58%	59%	64%	41%	55%	(8)%
	Generation Capacity Out of Service and Replaced for Native Load (average MW/day)						
105	Nuclear	31	136	61	297	131	64
106	Coal	292	254	277	253	269	102
107	Gas	<u>189</u>	<u>148</u>	<u>154</u>	<u>338</u>	<u>205</u>	<u>157</u>
108	Total	<u>512</u>	<u>538</u>	<u>492</u>	<u>888</u>	<u>605</u>	<u>323</u>
109	Generation Fuel Cost (\$/MWh)	\$ 15.89	\$ 16.80	\$ 19.52	\$ 15.40	\$ 17.36	\$ 4.35

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## Pinnacle West Capital Corporation

Consolidated Statistics By Quarter  
2003

Line		<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year-To-Date</u>	<u>Increase (Decrease) vs Prior YTD</u>
<b>ENERGY MARKET INDICATORS (a)</b>							
Electricity Average Daily Spot Prices (\$/MWh)							
On-Peak							
110	Palo Verde	\$49.66	\$ 48.88	\$ 52.88	\$ 42.98	\$ 48.60	\$ 16.32
111	SP15	\$54.35	\$ 50.73	\$ 53.54	\$ 46.88	\$ 51.38	\$ 17.16
Off-Peak							
112	Palo Verde	\$36.09	\$ 25.48	\$ 36.08	\$ 30.48	\$ 32.03	\$ 12.14
113	SP15	\$39.70	\$ 28.27	\$ 37.81	\$ 32.85	\$ 34.66	\$ 12.97
<b>WEATHER INDICATORS</b>							
Actual							
114	Cooling degree-days	76	1,550	2,701	572	4,899	24
115	Heating degree-days	349	17	—	370	736	(64)
116	Average humidity	44%	18%	30%	34%	31%	4%
10-Year Averages							
117	Cooling degree-days	80	1,491	2,540	420	4,531	—
118	Heating degree-days	521	36	—	415	972	—
119	Average humidity	43%	24%	33%	40%	35%	0%
<b>ECONOMIC INDICATORS</b>							
Building Permits — Metro Phoenix (b)							
120	Single-family	8,030	10,613	11,191	9,817	39,651	5,339
121	Multi-family	863	2,053	1,231	2,580	6,727	(347)
122	Total	<u>8,893</u>	<u>12,666</u>	<u>12,422</u>	<u>12,397</u>	<u>46,378</u>	<u>4,992</u>
Arizona Job Growth (c)							
123	Payroll job growth (% over prior year)	1.1%	0.6%	1.1%	1.5%	1.1%	1.1%
124	Unemployment rate (% , seasonally adjusted)	5.9%	5.9%	5.7%	5.1%	5.6%	(0.6)%

Sources:

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

(b) Arizona Real Estate Center, Arizona State University W.P. Carey College of Business

(c) Arizona Department of Economic Security

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## Pinnacle West Capital Corporation

Consolidated Statistics By Quarter  
2002

Line		<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year-To-Date</u>	<u>Increase (Decrease) vs Prior YTD</u>
<b>EARNINGS CONTRIBUTION BY SUBSIDIARY (\$ Millions)</b>							
1	Arizona Public Service	\$ 32	\$ 64	\$ 87	\$ 16	\$ 199	\$ (82)
2	Pinnacle West Energy	1	1	10	(31)	(19)	(37)
3	APS Energy Services	2	11	7	8	28	38
4	SunCor	1	2	(1)	8	10	7
5	El Dorado	—	(3)	(2)	9	4	4
6	Parent Company	17	(6)	8	1	20	(15)
7	Income From Continuing Operations	53	69	109	11	242	(85)
8a	Income From Discontinued Operations - Net of Tax	1	6	(8)	(26)	(27)	(27)
8b	Cumulative Effect of Change in Accounting - Net of Tax	—	—	—	(66)	(66)	(51)
9	Net Income	<u>\$ 54</u>	<u>\$ 75</u>	<u>\$ 101</u>	<u>\$ (81)</u>	<u>\$ 149</u>	<u>\$ (163)</u>
<b>EARNINGS PER SHARE BY SUBSIDIARY - DILUTED</b>							
10	Arizona Public Service	\$ 0.37	\$ 0.76	\$ 1.02	\$ 0.19	\$ 2.35	\$ (0.95)
11	Pinnacle West Energy	0.01	0.01	0.12	(0.37)	(0.23)	(0.44)
12	APS Energy Services	0.03	0.13	0.08	0.09	0.33	0.45
13	SunCor	0.02	0.02	(0.01)	0.09	0.13	0.09
14	El Dorado	—	(0.04)	(0.02)	0.10	0.05	0.05
15	Parent Company	0.20	(0.07)	0.10	0.02	0.23	(0.19)
16	Income From Continuing Operations	0.63	0.81	1.29	0.12	2.86	(0.99)
17a	Income From Discontinued Operations - Net of Tax	—	0.08	(0.10)	(0.30)	(0.32)	(0.32)
17b	Cumulative Effect of Change in Accounting - Net of Tax	—	—	—	(0.77)	(0.77)	(0.60)
18	Net Income	<u>\$ 0.63</u>	<u>\$ 0.89</u>	<u>\$ 1.19</u>	<u>\$ (0.95)</u>	<u>\$ 1.77</u>	<u>\$ (1.91)</u>
19	<b>BOOK VALUE PER SHARE</b>	\$ 30.06	\$ 30.54	\$ 31.39	\$ 29.40	\$ 29.40	\$ (0.06)
<b>COMMON SHARES OUTSTANDING - DILUTED (Thousands)</b>							
20	Average	84,884	84,926	84,797	85,302	84,964	34
21	End of Period	84,789	84,768	84,756	91,255	91,255	6,531

## Pinnacle West Capital Corporation

Consolidated Statistics By Quarter  
2002

Line		<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year-To-Date</u>	<u>Increase (Decrease) vs Prior YTD</u>
	<b>ELECTRIC OPERATING REVENUES</b>						
	<b>(Dollars in Millions)</b>						
	<b>Regulated Electricity Segment</b>						
	Retail						
22	Residential	\$ 171	\$ 226	\$ 337	\$ 172	\$ 906	\$ (9)
23	Business	195	251	270	212	928	(24)
24	Total retail	<u>366</u>	<u>477</u>	<u>607</u>	<u>384</u>	<u>1,834</u>	<u>(33)</u>
	Wholesale revenue on delivered electricity						
25	Traditional contracts	2	1	3	3	9	(64)
26	Retail load hedge management	—	—	—	—	—	—
27	Transmission for others	6	6	6	12	30	4
28	Other miscellaneous services	4	2	4	7	17	(1)
29	Total regulated electricity	<u>378</u>	<u>486</u>	<u>620</u>	<u>406</u>	<u>1,890</u>	<u>(94)</u>
	<b>Marketing and Trading Segment</b>						
	Delivered marketing and trading						
30	Generation sales other than native load	8	2	8	32	50	(98)
31	Realized margins on electricity trading (a)	28	13	8	1	50	(20)
32	Other delivered electricity (a)	<u>21</u>	<u>31</u>	<u>45</u>	<u>71</u>	<u>168</u>	<u>36</u>
33	Total delivered marketing and trading	<u>57</u>	<u>46</u>	<u>61</u>	<u>104</u>	<u>268</u>	<u>(82)</u>
	<b>Other Marketing and Trading</b>						
34	Realized margins on delivered commodities other than electricity (a)	4	1	(3)	6	8	22
35	Prior period mark-to-market (gains) losses on contracts delivered during current period (a)	(22)	(9)	2	(8)	(41)	(47)
36	Change in mark-to-market for future-period deliveries	23	3	23	(1)	52	(76)
37	Total other marketing and trading	<u>5</u>	<u>(5)</u>	<u>22</u>	<u>(3)</u>	<u>19</u>	<u>(101)</u>
38	Total marketing and trading	<u>62</u>	<u>41</u>	<u>83</u>	<u>101</u>	<u>287</u>	<u>(183)</u>
39	Total electric operating revenues	<u>\$ 440</u>	<u>\$ 527</u>	<u>\$ 703</u>	<u>\$ 507</u>	<u>\$ 2,177</u>	<u>\$ (277)</u>

(a) The net effect on net electric operating revenues from realization of prior-period mark-to-market included in line 39 is zero. Realization of prior-period mark-to-market relates to cash flow recognition, not revenue recognition. The arithmetic opposites of amounts included in line 35 are included in lines 31, 32 and 34. For example, line 35 shows that a prior-period mark-to-market gain of \$41 million was transferred to "realized" for the total year 2002. Lines 31, 32 and 34 include amounts totaling \$41 million of realized gain for the total year 2002.

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## Pinnacle West Capital Corporation

Consolidated Statistics By Quarter  
2002

Line		<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year-To-Date</u>	<u>Increase (Decrease) vs Prior YTD</u>
	<b>ELECTRIC SALES (GWH)</b>						
	<b>Regulated Electricity Segment</b>						
	Retail sales						
40	Residential	2,141	2,441	3,806	2,056	10,444	109
41	Business	<u>2,771</u>	<u>3,429</u>	<u>3,681</u>	<u>3,036</u>	<u>12,917</u>	<u>(147)</u>
42	Total retail	4,912	5,870	7,487	5,092	23,361	(38)
	Wholesale electricity delivered						
43	Traditional contracts	71	121	142	140	474	(739)
44	Retail load hedge management	158	230	1,958	296	2,642	(398)
45	Total regulated electricity	<u>5,141</u>	<u>6,221</u>	<u>9,587</u>	<u>5,528</u>	<u>26,477</u>	<u>(1,175)</u>
	<b>Marketing and Trading Segment</b>						
	Delivered marketing and trading						
46	Generation sales other than native load	376	73	291	1,051	1,791	403
47	Electricity trading	3,410	3,852	6,120	4,655	18,037	4,450
48	Other delivered electricity	<u>426</u>	<u>518</u>	<u>693</u>	<u>1,390</u>	<u>3,027</u>	<u>2,001</u>
49	Total delivered marketing and trading	<u>4,212</u>	<u>4,443</u>	<u>7,104</u>	<u>7,096</u>	<u>22,855</u>	<u>6,854</u>
50	Total electric sales	<u><u>9,353</u></u>	<u><u>10,664</u></u>	<u><u>16,691</u></u>	<u><u>12,624</u></u>	<u><u>49,332</u></u>	<u><u>5,679</u></u>

See Glossary of Terms.

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## Pinnacle West Capital Corporation

Consolidated Statistics By Quarter  
2002

Line		<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year-To-Date</u>	<u>Increase (Decrease) vs Prior YTD</u>
	<b>MARKETING AND TRADING SEGMENT PRETAX GROSS MARGIN ANALYSIS (Dollars in Millions) Realized and Mark-To-Market Components</b>						
	Current Period Effects						
	Realized margin on delivered commodities						
	Electricity						
51	Generation sales other than native load	\$ 2	\$ —	\$ 3	\$ 9	\$ 14	\$ (66)
52	Other electricity marketing and trading (a)	33	24	19	23	99	(18)
53	Total electricity	35	24	22	32	113	(84)
54	Other commodities (a)	4	1	(3)	6	8	22
55	Total realized margin	39	25	19	38	121	(62)
	Prior-period mark-to-market (gains) losses on contracts delivered during current period						
56	Electricity (a)	(16)	(9)	(4)	(4)	(30)	(19)
57	Other commodities (a)	(6)	—	6	(4)	(11)	(36)
58	Charge related to trading activities with Enron and its affiliates	—	—	—	—	—	8
59	Subtotal	(22)	(9)	2	(8)	(41)	(47)
60	Total current period effects (b)	17	16	21	30	80	(109)
	Change in mark-to-market gains (losses) for future period deliveries (b)						
61	Electricity	25	10	25	6	63	(83)
62	Other commodities	(2)	(7)	(2)	(7)	(11)	7
63	Total future period effects	23	3	23	(1)	52	(76)
64	Total gross margin	\$ 40	\$ 19	\$ 44	\$ 29	\$ 132	\$ (185)

**Future Marketing and Trading Mark-to-Market Realization**

As of December 31, 2002, Pinnacle West had accumulated mark-to-market net gains of \$41 million related to our power marketing and trading activities. We estimate that these gains will be reclassified to realized gains as the underlying commodities are delivered, as follows: 2003, \$4 million; 2004, \$10 million; 2005 and thereafter, \$27 million.

(a) The net effect on pretax gross margin from realization of prior-period mark-to-market included in line 60 and in line 64 is zero. Realization of prior-period mark-to-market relates to cash flow recognition, not earnings recognition. The arithmetic opposites of amounts included in line 56 are included in line 52. The opposites of amounts included in line 57 are included in line 54. For example, line 56 shows that a prior-period mark-to-market gain of \$30 million was transferred to "realized" for the total year 2002. A \$30 million realized gain is included in the \$99 million on line 52 for total year 2002.

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



## Pinnacle West Capital Corporation

Consolidated Statistics By Quarter  
2002

Line		<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year-To-Date</u>	<u>Increase (Decrease) vs Prior YTD</u>
	<b>MARKETING AND TRADING SEGMENTPRETAX GROSS MARGIN ANALYSIS (continued) (Dollars in Millions)</b>						
	<b>By Commodity Sold or Traded</b>						
65	Electricity	\$ 45	\$ 25	\$ 43	\$ 34	\$ 147	\$ (181)
66	Natural gas	(5)	1	3	(5)	(6)	2
67	Coal	(1)	(2)	1	—	(2)	(9)
68	Emission allowances	1	(5)	(3)	—	(7)	3
69	Other	—	—	—	—	—	—
70	Total gross margin	<u>\$ 40</u>	<u>\$ 19</u>	<u>\$ 44</u>	<u>\$ 29</u>	<u>\$ 132</u>	<u>\$ (185)</u>
	<b>By Pinnacle West Entity</b>						
	Parent company marketing and trading division						
71	Generation sales other than native load	\$ 1	\$ —	\$ 2	\$ 5	\$ 8	\$ 8
72	Other marketing and trading	34	9	30	9	82	4
	APS						
73	Generation sales other than native load	1	—	1	—	2	(77)
74	Other marketing and trading	—	—	—	—	—	(156)
	Pinnacle West Energy						
75	Generation sales other than native load	—	—	—	4	4	4
76	Other marketing and trading	—	—	—	—	—	—
	APS ES						
77	Other marketing and trading	<u>4</u>	<u>10</u>	<u>11</u>	<u>11</u>	<u>36</u>	<u>32</u>
78	Total gross margin before income taxes	<u>\$ 40</u>	<u>\$ 19</u>	<u>\$ 44</u>	<u>\$ 29</u>	<u>\$ 132</u>	<u>\$ (185)</u>

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## Pinnacle West Capital Corporation

Consolidated Statistics By Quarter  
2002

Line		<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year-To-Date</u>	<u>Increase (Decrease) vs Prior YTD</u>
	<b>AVERAGE ELECTRIC CUSTOMERS</b>						
	Retail customers						
79	Residential	801,000	795,681	798,590	811,930	801,801	25,462
80	Business	<u>99,335</u>	<u>100,096</u>	<u>100,318</u>	<u>101,177</u>	<u>100,228</u>	<u>2,030</u>
81	Total	<u>900,335</u>	<u>895,777</u>	<u>898,908</u>	<u>913,107</u>	<u>902,029</u>	<u>27,492</u>
82	Wholesale customers	<u>67</u>	<u>67</u>	<u>67</u>	<u>67</u>	<u>67</u>	<u>1</u>
83	Total customers	<u>900,402</u>	<u>895,844</u>	<u>898,975</u>	<u>913,174</u>	<u>902,096</u>	<u>27,493</u>
84	Customer Growth (% over prior year)	3.2%	3.2%	3.1%	3.2%	3.1%	(0.5)%
	<b>RETAIL SALES (GWH) - WEATHER NORMALIZED</b>						
85	Residential	2,163	2,446	3,683	2,139	10,431	632
86	Business	<u>2,778</u>	<u>3,410</u>	<u>3,689</u>	<u>3,028</u>	<u>12,905</u>	<u>200</u>
87	Total	<u>4,941</u>	<u>5,856</u>	<u>7,372</u>	<u>5,167</u>	<u>23,336</u>	<u>832</u>
	<b>RETAIL USAGE (KWh/Average Customer)</b>						
88	Residential	2,673	3,068	4,766	2,532	13,025	(287)
89	Business	<u>27,896</u>	<u>34,258</u>	<u>36,691</u>	<u>30,011</u>	<u>128,885</u>	<u>(4,152)</u>
	<b>RETAIL USAGE - WEATHER NORMALIZED (KWh/Average Customer)</b>						
90	Residential	2,700	3,074	4,614	2,634	13,009	387
91	Business	<u>27,966</u>	<u>34,067</u>	<u>36,773</u>	<u>29,928</u>	<u>128,756</u>	<u>(627)</u>
	<b>ELECTRICITY DEMAND (MW)</b>						
92	System peak demand	3,921	5,425	5,803	3,828	5,803	116

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## Pinnacle West Capital Corporation

Consolidated Statistics By Quarter  
2002

Line		<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year-To-Date</u>	<u>Increase (Decrease) vs Prior YTD</u>
	<b>ENERGY SOURCES (GWH)</b>						
	Generation production						
93	Nuclear	2,257	2,242	2,387	2,095	8,981	596
94	Coal	2,890	2,703	3,280	3,183	12,056	(516)
95	Gas, oil and other	337	659	1,918	1,455	4,369	375
96	Total	<u>5,484</u>	<u>5,604</u>	<u>7,585</u>	<u>6,733</u>	<u>25,406</u>	<u>455</u>
	Purchased power						
97	Firm load	70	846	859	(157)	1,619	(1,342)
98	Marketing and trading	3,993	4,599	8,771	6,340	23,704	6,051
99	Total	<u>4,063</u>	<u>5,445</u>	<u>9,630</u>	<u>6,183</u>	<u>25,323</u>	<u>4,709</u>
100	Total energy sources	<u>9,547</u>	<u>11,049</u>	<u>17,215</u>	<u>12,916</u>	<u>50,729</u>	<u>5,164</u>
	<b>POWER PLANT PERFORMANCE</b>						
	Capacity Factors						
101	Nuclear	96%	95%	100%	87%	94%	6%
102	Coal	78%	72%	87%	84%	80%	(4)%
103	Gas, oil and other	12%	20%	38%	29%	27%	(10)%
104	System average	62%	62%	69%	60%	63%	(7)%
	Generation Capacity Out of Service and Replaced for Native Load (average MW/day)						
105	Nuclear	62	66	12	129	67	(60)
106	Coal	184	279	88	116	167	—
107	Gas	12	18	106	54	48	16
108	Total	258	363	206	299	282	(44)
109	Generation Fuel Cost (\$/MWh)	\$11.57	\$ 11.89	\$ 14.84	\$ 13.05	\$ 13.01	\$ (3.21)

See Glossary of Terms.



## Pinnacle West Capital Corporation

Consolidated Statistics By Quarter  
2002

Line		<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year-To-Date</u>	<u>Increase (Decrease) vs Prior YTD</u>
<b>ENERGY MARKET INDICATORS (a)</b>							
Electricity Average Daily Spot Prices (\$/MWh)							
On-Peak							
110	Palo Verde	\$26.86	\$ 30.65	\$ 35.45	\$36.18	\$ 32.28	\$ (86.13)
111	SP15	\$28.46	\$ 31.51	\$ 35.55	\$41.35	\$ 34.22	\$ (85.77)
Off-Peak							
112	Palo Verde	\$22.17	\$ 14.10	\$ 18.21	\$25.09	\$ 19.89	\$ (41.68)
113	SP15	\$22.76	\$ 15.95	\$ 19.54	\$28.52	\$ 21.69	\$ (51.79)
<b>WEATHER INDICATORS</b>							
Actual							
114	Cooling degree-days	89	1,741	2,647	398	4,875	(247)
115	Heating degree-days	472	—	—	328	800	(360)
116	Average humidity	28%	16%	27%	38%	27%	(9)%
10-Year Averages							
117	Cooling degree-days	80	1,491	2,540	420	4,531	—
118	Heating degree-days	521	36	—	415	972	—
119	Average humidity	43%	24%	33%	40%	35%	0%
<b>ECONOMIC INDICATORS</b>							
Building Permits — Metro Phoenix (b)							
120	Single-family	7,682	9,666	8,689	8,275	34,312	1,447
121	Multi-family	1,249	2,005	2,662	1,158	7,074	(1,930)
122	Total	<u>8,931</u>	<u>11,671</u>	<u>11,351</u>	<u>9,433</u>	<u>41,386</u>	<u>(483)</u>
Arizona Job Growth (c)							
123	Payroll job growth (% over prior year)	(0.8)%	(0.2)%	0.1%	0.9%	0.0%	(1.0)%
124	Unemployment rate (% , seasonally adjusted)	6.2%	6.2%	6.2%	6.0%	6.2%	1.5%

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 W.P. Carey College of Business

(c) Arizona Department of Economic Security

See Glossary of Terms.

## Pinnacle West Capital Corporation

Consolidated Statistics By Quarter  
2001

Line		<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Total Year</u>	<u>Increase (Decrease) vs Prior Year</u>
	<b>EARNINGS CONTRIBUTION BY SUBSIDIARY (\$ Millions)</b>						
1	Arizona Public Service	\$ 65	\$ 70	\$ 108	\$ 39	\$ 281	\$ (26)
2	Pinnacle West Energy	—	1	13	4	18	20
3	APS Energy Services	(8)	—	(3)	—	(10)	3
4	SunCor	—	—	2	—	3	(8)
5	El Dorado	1	—	—	—	—	(2)
6	Parent Company	<u>4</u>	<u>(4)</u>	<u>42</u>	<u>(7)</u>	<u>35</u>	<u>38</u>
7	Income Before Accounting Change	62	67	162	36	327	25
8	Cumulative Effect of Change in Accounting - Net of Tax	<u>(3)</u>	<u>—</u>	<u>(12)</u>	<u>—</u>	<u>(15)</u>	<u>(15)</u>
9	Net Income	<u>\$ 59</u>	<u>\$ 67</u>	<u>\$ 150</u>	<u>\$ 36</u>	<u>\$ 312</u>	<u>\$ 10</u>
	<b>EARNINGS PER SHARE BY SUBSIDIARY — DILUTED</b>						
10	Arizona Public Service	\$ 0.76	\$ 0.82	\$ 1.27	\$ 0.46	\$ 3.30	\$ (0.31)
11	Pinnacle West Energy	—	0.02	0.16	0.04	0.21	0.24
12	APS Energy Services	(0.10)	—	(0.03)	—	(0.12)	0.04
13	SunCor	0.01	—	0.03	0.01	0.04	(0.10)
14	El Dorado	0.01	—	—	—	—	(0.02)
15	Parent Company	<u>0.05</u>	<u>(0.05)</u>	<u>0.49</u>	<u>(0.09)</u>	<u>0.42</u>	<u>0.44</u>
16	Income Before Accounting Change	0.73	0.79	1.92	0.42	3.85	0.29
17	Cumulative Effect of Change in Accounting - Net of Tax	<u>(0.03)</u>	<u>—</u>	<u>(0.15)</u>	<u>—</u>	<u>(0.17)</u>	<u>(0.17)</u>
18	Net Income	<u>\$ 0.70</u>	<u>\$ 0.79</u>	<u>\$ 1.77</u>	<u>\$ 0.42</u>	<u>\$ 3.68</u>	<u>\$ 0.12</u>
19	<b>BOOK VALUE PER SHARE</b>	\$ 28.83	\$ 28.17	\$ 29.37	\$ 29.46	\$ 29.46	\$ 1.37
	<b>COMMON SHARES OUTSTANDING - DILUTED (Thousands)</b>						
20	Average	84,966	85,042	84,909	84,824	84,930	(5)
21	End of Period	84,718	84,713	84,663	84,724	84,724	9

## Pinnacle West Capital Corporation

Consolidated Statistics By Quarter  
2001

Line		<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Total Year</u>	<u>Increase (Decrease) vs Prior Year</u>
	<b>ELECTRIC OPERATING REVENUES</b> (Dollars in Millions)						
	<b>Regulated Electricity Segment</b>						
	Retail						
22	Residential	\$ 173	\$ 234	\$ 328	\$ 180	\$ 915	\$ 34
23	Business	199	258	276	219	952	17
24	Total retail	372	492	604	399	1,867	51
	Wholesale revenue on delivered electricity						
25	Traditional contracts	26	55	(10)	2	73	(48)
26	Retail load hedge management	—	—	—	—	—	(561)
27	Transmission for others	4	5	9	8	26	11
28	Other miscellaneous services	6	5	6	1	18	(9)
29	Total regulated electricity	408	557	609	410	1,984	(556)
	<b>Marketing and Trading Segment</b>						
	Delivered marketing and trading						
30	Generation sales other than native load	87	51	4	6	148	32
31	Realized margin on electricity trading (a)	(15)	20	12	53	70	14
32	Other delivered electricity (a)	45	16	54	17	132	(110)
33	Total delivered marketing and trading	117	87	70	76	350	(64)
	<b>Other Marketing and Trading</b>						
34	Realized margins on delivered commodities other than electricity (a)	(5)	(12)	(1)	4	(14)	(5)
35	Prior period mark-to-market (gains) losses on contracts delivered during current period (a)	13	5	(37)	(50)	6	8
36	Change in mark-to-market for future-period deliveries	47	36	129	(9)	128	114
37	Total other marketing and trading	55	29	91	(55)	120	117
38	Total marketing and trading	172	116	161	21	470	53
39	Total electric operating revenues	\$ 580	\$ 673	\$ 770	\$ 431	\$ 2,454	\$ (503)

(a) The net effect on net electric operating revenues from realization of prior-period mark-to-market included in line 39 is zero. Realization of prior-period mark-to-market relates to cash flow recognition, not revenue recognition. The arithmetic opposites of amounts included in line 35 are included in lines 31, 32 and 34. For example, line 35 shows that a prior-period mark-to-market loss of \$6 million was transferred to "realized" for the total year 2001. Lines 31, 32 and 34 include amounts totaling \$6 million of realized loss for the total year 2001.

## Pinnacle West Capital Corporation

Consolidated Statistics By Quarter  
2001

Line		<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Total Year</u>	<u>Increase (Decrease) vs Prior Year</u>
	<b>ELECTRIC SALES (GWH)</b>						
	<b>Regulated Electricity Segment</b>						
	Retail sales						
40	Residential	2,121	2,467	3,597	2,149	10,335	554
41	Business	2,824	3,445	3,724	3,071	13,064	310
42	Total retail	<u>4,945</u>	<u>5,912</u>	<u>7,321</u>	<u>5,220</u>	<u>23,399</u>	<u>864</u>
	Wholesale electricity delivered						
43	Traditional contracts	569	598	(37)	83	1,213	(397)
44	Retail load hedge management	75	736	1,847	382	3,040	(3,634)
45	Total regulated electricity	<u>5,589</u>	<u>7,246</u>	<u>9,131</u>	<u>5,685</u>	<u>27,652</u>	<u>(3,167)</u>
	<b>Marketing and Trading Segment</b>						
	Delivered marketing and trading						
46	Generation sales other than native load	623	436	73	256	1,388	(106)
47	Electricity trading	2,751	2,975	3,725	4,136	13,587	4,328
48	Other delivered electricity	<u>299</u>	<u>194</u>	<u>95</u>	<u>438</u>	<u>1,026</u>	<u>(1,934)</u>
49	Total delivered marketing and trading	<u>3,673</u>	<u>3,605</u>	<u>3,893</u>	<u>4,830</u>	<u>16,001</u>	<u>2,288</u>
50	Total electric sales	<u><u>9,263</u></u>	<u><u>10,851</u></u>	<u><u>13,024</u></u>	<u><u>10,515</u></u>	<u><u>43,653</u></u>	<u><u>(879)</u></u>

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## Pinnacle West Capital Corporation

Consolidated Statistics By Quarter  
2001

Line	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total Year	Increase (Decrease) vs Prior Year	
<b>MARKETING AND TRADING SEGMENT PRETAX GROSS MARGIN ANALYSIS (Dollars in Millions)</b>							
<b>Realized and Mark-To-Market Components</b>							
Current Period Effects							
Realized margin on delivered commodities							
Electricity							
51	Generation sales other than native load	\$ 48	\$ 26	\$ 3	\$ 3	\$ 80	\$ 26
52	Other electricity marketing and trading (a)	4	43	14	56	117	48
53	Total electricity	52	69	17	59	197	74
54	Other commodities (a)	(5)	(12)	(1)	4	(14)	(5)
55	Total realized margin	47	57	16	63	183	69
Prior-period mark-to-market (gains) losses on contracts delivered during current period							
56	Electricity (a)	1	—	(38)	(38)	(11)	(9)
57	Other commodities (a)	12	5	1	(4)	25	25
58	Charge related to trading activities with Enron and its affiliates	—	—	—	(8)	(8)	(8)
59	Subtotal	13	5	(37)	(50)	6	8
60	Total current period effects(b)	60	62	(21)	13	189	77
Change in mark-to-market gains (losses) for future period deliveries (b)							
61	Electricity	45	42	126	(2)	146	139
62	Other commodities	2	(6)	3	(7)	(18)	(25)
63	Total future period effects	47	36	129	(9)	128	114
64	Total gross margin	\$ 107	\$ 98	\$ 108	\$ 4	\$ 317	\$ 191

**Future Marketing and Trading Mark-to-Market Realization**

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

(a) The net effect on pretax gross margin from realization of prior-period mark-to-market included in line 60 and in line 64 is zero. Realization of prior-period mark-to-market relates to cash flow recognition, not earnings recognition. The arithmetic opposites of amounts included in line 56 are included in line 52. The opposites of amounts included in line 57 are included in line 54. For example, line 56 shows that a prior-period mark-to-market gain of \$11 million was transferred to "realized" for the total year 2001. An \$11 million realized gain is included in the \$117 million on line 52 for the total year 2001.

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



**Pinnacle West Capital Corporation**  
**Consolidated Statistics By Quarter**  
**2001**

Line		<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Total Year</u>	<u>Increase (Decrease) vs Prior Year</u>
	<b>MARKETING AND TRADING SEGMENT PRETAX GROSS MARGIN ANALYSIS (continued) (Dollars in Millions)</b>						
	<b>By Commodity Sold or Traded</b>						
65	Electricity	\$ 98	\$ 111	\$ 105	\$ 15	\$ 328	\$ 201
66	Natural gas	(3)	(12)	9	(3)	(8)	(15)
67	Coal	14	2	(2)	(6)	7	10
68	Emission allowances	(2)	(3)	(4)	(2)	(10)	(5)
69	Other	—	—	—	—	—	—
70	Total gross margin	<u>\$ 107</u>	<u>\$ 98</u>	<u>\$ 108</u>	<u>\$ 4</u>	<u>\$ 317</u>	<u>\$ 191</u>
	<b>By Pinnacle West Entity</b>						
	Parent company marketing and trading division						
71	Generation sales other than native load	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
72	Other marketing and trading	7	3	74	(6)	78	80
	APS						
73	Generation sales other than native load	48	26	2	3	79	25
74	Other marketing and trading	53	68	32	3	156	82
	Pinnacle West Energy						
75	Generation sales other than native load	—	—	—	—	—	—
76	Other marketing and trading	—	—	—	—	—	—
	APS ES						
77	Other marketing and trading	(1)	1	—	4	4	4
78	Total gross margin before income taxes	<u>\$ 107</u>	<u>\$ 98</u>	<u>\$ 108</u>	<u>\$ 4</u>	<u>\$ 317</u>	<u>\$ 191</u>

See Glossary of Terms.

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## Pinnacle West Capital Corporation

Consolidated Statistics By Quarter  
2001

Line		<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Total Year</u>	<u>Increase (Decrease) vs Prior Year</u>
	<b>AVERAGE ELECTRIC CUSTOMERS</b>						
	Retail customers						
79	Residential	775,317	770,335	773,321	786,382	776,339	27,054
80	Business	97,222	98,065	98,874	98,631	98,198	4,070
81	Total	<u>872,539</u>	<u>868,400</u>	<u>872,195</u>	<u>885,013</u>	<u>874,537</u>	<u>31,124</u>
82	Wholesale customers	68	66	66	66	66	(1)
83	Total customers	<u>872,607</u>	<u>868,466</u>	<u>872,261</u>	<u>885,079</u>	<u>874,603</u>	<u>31,123</u>
84	Customer Growth (% over prior year)	4.0%	3.9%	3.7%	3.2%	3.7%	(0.4)%
	<b>RETAIL SALES (GWH) — WEATHER NORMALIZED</b>						
85	Residential	2,033	2,233	3,410	2,123	9,799	209
86	Business	<u>2,823</u>	<u>3,328</u>	<u>3,658</u>	<u>2,896</u>	<u>12,705</u>	<u>11</u>
87	Total	<u>4,856</u>	<u>5,561</u>	<u>7,068</u>	<u>5,019</u>	<u>22,504</u>	<u>220</u>
	<b>RETAIL USAGE (KWh/Average Customer)</b>						
88	Residential	2,737	3,203	4,651	2,733	13,312	259
89	Business	29,047	35,130	37,666	31,136	133,037	133,037
	<b>RETAIL USAGE — WEATHER NORMALIZED (KWh/Average Customer)</b>						
90	Residential	2,622	2,899	4,409	2,700	12,622	(178)
91	Business	29,035	33,936	37,000	29,362	129,383	(5,479)
	<b>ELECTRICITY DEMAND (MW)</b>						
92	System peak demand	3,661	5,358	5,687	3,898	5,687	209

See Glossary of Terms.

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## Pinnacle West Capital Corporation

Consolidated Statistics By Quarter  
2001

Line		<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Total Year</u>	<u>Increase (Decrease) vs Prior Year</u>
	<b>ENERGY SOURCES (GWH)</b>						
	Generation production						
93	Nuclear	2,261	1,985	2,320	1,819	8,385	(456)
94	Coal	2,901	3,245	3,223	3,203	12,572	63
95	Gas, oil and other	<u>1,007</u>	<u>1,256</u>	<u>1,157</u>	<u>574</u>	<u>3,994</u>	<u>1,210</u>
96	Total	<u>6,169</u>	<u>6,486</u>	<u>6,700</u>	<u>5,596</u>	<u>24,951</u>	<u>817</u>
	Purchased power						
97	Firm load	170	845	1,734	212	2,961	446
98	Marketing and trading	<u>3,126</u>	<u>3,905</u>	<u>5,667</u>	<u>4,955</u>	<u>17,653</u>	<u>(1,240)</u>
99	Total	<u>3,296</u>	<u>4,750</u>	<u>7,401</u>	<u>5,167</u>	<u>20,614</u>	<u>(794)</u>
100	Total energy sources	<u>9,465</u>	<u>11,236</u>	<u>14,101</u>	<u>10,763</u>	<u>45,565</u>	<u>23</u>
	<b>POWER PLANT PERFORMANCE</b>						
	Capacity Factors						
101	Nuclear	96%	84%	97%	76%	88%	(5)%
102	Coal	78%	87%	85%	85%	84%	1%
103	Gas, oil and other	39%	46%	38%	20%	37%	10%
104	System average	71%	73%	73%	62%	70%	1%
	Generation Capacity Out of Service and Replaced for Native Load (average MW/day)						
105	Nuclear	57	180	26	246	127	47
106	Coal	284	166	129	90	167	13
107	Gas	36	52	24	16	32	10
108	Total	376	398	179	352	326	70
109	Generation Fuel Cost (\$/MWh)	\$19.64	\$ 19.28	\$ 13.21	\$ 12.51	\$ 16.22	\$ 2.50

See Glossary of Terms.

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## Pinnacle West Capital Corporation

Consolidated Statistics By Quarter  
2001

Line		<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Total Year</u>	<u>Increase (Decrease) vs Prior Year</u>
	<b>ENERGY MARKET INDICATORS (a)</b>						
	Electricity Average Daily Spot Prices (\$/MWh)						
	On-Peak						
110	Palo Verde	\$214.21	\$182.71	\$ 49.80	\$26.89	\$ 118.41	\$ 6.98
111	SP15	\$219.66	\$186.30	\$ 45.61	\$28.38	\$ 119.99	\$ 12.64
	Off-Peak						
112	Palo Verde	\$130.40	\$ 70.32	\$ 27.22	\$18.33	\$ 61.57	\$ 8.55
113	SP15	\$159.80	\$ 84.78	\$ 28.92	\$20.41	\$ 73.48	\$ 12.74
	<b>WEATHER INDICATORS</b>						
	Actual						
114	Cooling degree-days	106	1,733	2,663	620	5,122	539
115	Heating degree-days	657	43	—	460	1,160	192
116	Average humidity	50%	25%	31%	39%	36%	2%
	10-Year Averages						
117	Cooling degree-days	80	1,491	2,540	420	4,531	—
118	Heating degree-days	521	36	—	415	972	—
119	Average humidity	43%	24%	33%	40%	35%	0%
	<b>ECONOMIC INDICATORS</b>						
	Building Permits — Metro Phoenix (b)						
120	Single-family	8,783	9,394	8,384	6,304	32,865	356
121	Multi-family	<u>3,925</u>	<u>1,833</u>	<u>2,514</u>	<u>732</u>	<u>9,004</u>	<u>(1,224)</u>
122	Total	<u>12,708</u>	<u>11,227</u>	<u>10,898</u>	<u>7,036</u>	<u>41,869</u>	<u>(868)</u>
	Arizona Job Growth (c)						
123	Payroll job growth (% over prior year)	2.4%	1.5%	0.8%	(0.7)%	1.0%	(2.7)%
124	Unemployment rate (%, seasonally adjusted)	3.9%	4.4%	4.9%	5.7%	4.7%	0.8%

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 W.P. Carey College of Business
- (c) Arizona Department of Economic Security

See Glossary of Terms.

**Pinnacle West Capital Corporation**  
**Earnings Variance Explanations**  
**For Periods Ended December 31, 2004 and 2003**

This discussion explains the changes in our consolidated earnings for the three-month and twelve-month periods ended December 31, 2004 and 2003. Condensed Consolidated Statements of Income for the three months and twelve months ended December 31, 2004 and 2003 follow this discussion. We will file our Annual Report on Form 10-K for the fiscal year ended December 31, 2004 on or before March 16, 2005. We have reclassified certain prior-period amounts to conform to our current period presentation. Additional operating and financial statistics and a glossary of terms are available on our website ([www.pinnaclewest.com](http://www.pinnaclewest.com)).

**Earnings Contribution by Business Segment**

We have three principal business segments (determined by services and the regulatory environment):

- our regulated electricity segment, which consists of traditional regulated retail and wholesale electricity businesses (primarily electricity service to "Native Load" customers) and related activities, and includes electricity generation, transmission and distribution;
- our marketing and trading segment, which consists of our competitive energy business activities, including wholesale marketing and trading and APS Energy Services' commodity-related energy services; and
- our real estate segment, which consists of SunCor's real estate development and investment activities.

The following table summarizes net income by segment for the three months and twelve months ended December 31, 2004 and the comparable prior-year periods (dollars in millions):

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2004	2003	2004	2003
Regulated electricity	\$ 1	\$ 8	\$ 151	\$ 170
Marketing and trading	(3)	1	18	9
Real estate	30	35	40	45
Other (a)	1	1	26	2
Income from continuing operations	29	45	235	226
Discontinued operations – net of tax (see "Discontinued Operations" below)	5	4	8	15
Net income	<u>\$ 34</u>	<u>\$ 49</u>	<u>\$ 243</u>	<u>\$ 241</u>

- (a) The twelve months ended December 31, 2004 includes a \$35 million gain (\$21 million after-tax) related to the sale of El Dorado's limited partnership interest in the Phoenix Suns.

## General

Throughout the following explanations of our results of operations, we refer to "gross margin." With respect to our regulated electricity segment and our marketing and trading segment, gross margin refers to electric operating revenues less purchased power and fuel costs. Our real estate segment gross margin refers to real estate revenues less real estate operations costs of SunCor. "Gross margin" is a "non-GAAP financial measure," as defined in accordance with Securities and Exchange Commission rules. We view gross margin as an important performance measure of the core profitability of our operations. This measure is a key component of our internal financial reporting and is used by our management in analyzing our business segments. We believe that investors benefit from having access to the same financial measures that our management uses.

As of June 30, 2004, we completed amortization of our regulatory assets related to a 1999 regulatory settlement approved by the Arizona Corporation Commission.

### **Operating Results – Three-month period ended December 31, 2004 compared with the three-month period ended December 31, 2003**

Our consolidated net income for the three months ended December 31, 2004 was \$34 million compared with \$49 million for the prior-year period. The \$15 million decrease in the period-to-period comparison reflected the following changes in earnings by segment:

- Regulated Electricity Segment – Net income decreased approximately \$7 million primarily due to lower income tax credits, increased operations and maintenance costs related to customer service and personnel costs and the effects of weather on retail sales. These negative factors were partially offset by the absence of regulatory asset amortization and decreased purchased power and fuel costs due to lower effective prices for natural gas.
- Marketing and Trading Segment – Net income decreased approximately \$4 million primarily due to increased costs related to a new power plant placed in service in mid-2004 partially offset by higher forward prices for wholesale sales of electricity.
- Real Estate Segment – Net income decreased approximately \$6 million primarily due to decreased asset sales partially offset by increased land sales.

Additional details on the major factors that increased (decreased) net income are contained in the following table (dollars in millions).

	Increase (Decrease)	
	<u>Pretax</u>	<u>After Tax</u>
Regulated electricity segment gross margin:		
Decreased purchased power and fuel costs due to lower effective prices for natural gas	\$ 5	\$ 3
Effects of weather on retail sales	(7)	(4)
Miscellaneous items, net	<u>(3)</u>	<u>(2)</u>
Net decrease in regulated electricity segment gross margin	<u>(5)</u>	<u>(3)</u>
Marketing and trading segment gross margin:		
Higher mark-to-market gains on contracts for future delivery due to higher forward prices for wholesale electricity	8	5
Increase in generation sales other than Native Load due to higher sales volumes and higher unit margins	3	1
Lower unit margins and lower competitive retail sales volumes in California by APS Energy Services	<u>(4)</u>	<u>(2)</u>
Net increase in marketing and trading segment gross margin	<u>7</u>	<u>4</u>
Net increase in gross margin for regulated electricity and marketing and trading segments	2	1
Lower real estate segment contributions primarily due to decreased asset sales, a portion of which was recorded in other income in the prior period, partially offset by higher land sales	(6)	(5)
Higher operations and maintenance expense primarily related to higher customer service costs, a new power plant in service and personnel costs	(19)	(11)
Interest expense net of capitalized financing costs, decreases (increases):		
New power plant in service	(5)	(3)
Lower debt balances and rates	3	2
Depreciation and amortization decreases (increases):		
Absence of regulatory asset amortization	22	13
New power plant in service	(3)	(2)
Increased delivery and other assets	(3)	(2)
Lower income tax credits	—	(11)
Miscellaneous items, net	<u>(2)</u>	<u>3</u>
Net decrease in net income	<u>\$ (11)</u>	<u>\$ (15)</u>

The increase in net costs (primarily net interest expense, depreciation and operations and maintenance expense) related to a new power plant placed in service in mid-2004 by Pinnacle West Energy totaled approximately \$6 million after income taxes in the three months ended December 31, 2004 compared with the prior-year period.

### Regulated Electricity Segment Revenues

Regulated electricity segment revenues were \$3 million lower for the three months ended December 31, 2004 compared with the prior-year period primarily as a result of:

- a \$15 million decrease in retail revenues related to milder weather;

- an \$11 million increase in retail sales volumes related to customer growth and higher average usage, excluding weather effects; and
- a \$1 million increase due to miscellaneous factors.

### **Marketing and Trading Segment Revenues**

Marketing and trading segment revenues were \$38 million higher for the three months ended December 31, 2004 compared with the prior-year period primarily as a result of:

- a \$40 million increase from generation sales other than Native Load primarily due to higher wholesale market prices and higher sales volumes, including sales from a new power plant in service;
- \$8 million in higher mark-to-market gains for future-period deliveries primarily as a result of higher forward prices for wholesale electricity; and
- a \$10 million decrease from lower competitive retail sales volumes in California by APS Energy Services.

### **Real Estate Revenues**

Real estate revenues were \$23 million lower for the three months ended December 31, 2004 compared with the prior year period primarily due to decreased asset sales partially offset by increased land sales.

### **Operating Results – Twelve-month period ended December 31, 2004 compared with the twelve-month period ended December 31, 2003**

Our consolidated net income for the twelve months ended December 31, 2004 was \$243 million compared with \$241 million for the prior-year period. The \$2 million increase in the period-to-period comparison reflected the following changes in earnings by segment:

- Regulated Electricity Segment – Net income decreased approximately \$19 million primarily due to higher costs (primarily interest expense, depreciation, operation and maintenance costs, and property taxes, net of gross margin contributions) related to a new power plant placed in service in mid-2003; increased operations and maintenance costs primarily related to customer service and personnel costs; lower income tax credits; higher depreciation related to delivery and other assets; the effects of milder weather on retail sales; and a retail electricity rate decrease in mid-2003. These negative factors were partially offset by lower regulatory asset amortization, and higher retail sales volumes due to customer growth and usage.

- Marketing and Trading Segment – Net income increased approximately \$9 million primarily due to higher forward and realized prices for wholesale electricity partially offset by lower margins in California by APS Energy Services and increased costs related to a new power plant placed in service in mid-2004.
- Real Estate Segment – Net income decreased approximately \$11 million primarily due to the 2003 gain on the sale of SunCor's water utility company, which was reported as discontinued operations, and decreased asset sales partially offset by increased land sales.
- Other Segment – Net income increased approximately \$23 million primarily due to a \$21 million after-tax gain related to the sale of El Dorado's limited partnership interest in the Phoenix Suns.

Additional details on the major factors that increased (decreased) income from continuing operations and net income are contained in the following table (dollars in millions).

	Increase (Decrease)	
	<u>Pretax</u>	<u>After Tax</u>
Regulated electricity segment gross margin:		
Higher retail sales volumes due to customer growth, excluding weather effects	\$ 43	\$ 26
Lower replacement power costs due to fewer unplanned outages	6	4
Effects of weather on retail sales	(17)	(10)
Retail electricity price reduction effective July 1, 2003	(13)	(8)
Increased purchased power and fuel costs due to higher fuel and power prices	(4)	(2)
Miscellaneous factors, net	<u>(8)</u>	<u>(6)</u>
Net increase in regulated electricity segment gross margin	<u>7</u>	<u>4</u>
Marketing and trading segment gross margin:		
Higher mark-to-market gains on contracts for future delivery due to higher forward prices for wholesale electricity	28	17
Higher realized margins on energy trading primarily due to higher electricity prices	18	11
Increase in generation sales other than Native Load due to higher sales volumes and higher unit margins	9	5
Lower unit margins and lower competitive retail sales volumes in California by APS Energy Services	<u>(22)</u>	<u>(13)</u>
Net increase in marketing and trading segment gross margin	<u>33</u>	<u>20</u>
Net increase in gross margin for regulated electricity and marketing and trading segments	<u>40</u>	<u>24</u>
Lower real estate segment contributions primarily due to decreased asset sales, a portion of which was recorded in other income in the prior period, partially offset by higher land sales (see "Discontinued Operations" below)	(7)	(5)
Higher other income due to the sale of El Dorado's limited partnership interest in the Phoenix Suns	35	21
Higher operations and maintenance expense primarily related to customer service costs, new power plants in service and personnel costs	(48)	(29)
Interest expense net of capitalized financing costs, decreases (increases):		
New power plants in service	(23)	(14)
Lower other debt balances and rates partially offset by increased utility plant in service	9	5
Depreciation and amortization decreases (increases):		
Lower regulatory asset amortization	68	41
New power plants in service	(14)	(8)
Increased delivery and other assets	(20)	(12)
Higher property taxes due to increased plant in service	(12)	(7)
Lower income tax credits	—	(17)
Miscellaneous items, net	<u>8</u>	<u>10</u>
Net increase in income from continuing operations	<u>\$ 36</u>	<u>9</u>
Discontinued operations (primarily real estate segment)		<u>(7)</u>
Net increase in net income		<u>\$ 2</u>

The increase in net costs (primarily interest expense, depreciation and operations and maintenance expense, net of gross margin contributions) related to new power plants placed in service in mid-2003 and mid-2004 by Pinnacle West Energy totaled approximately \$26 million after income taxes in the twelve months ended December 31, 2004 compared with the prior-year period.



## **Regulated Electricity Segment Revenues**

Regulated electricity segment revenues were \$57 million higher for the twelve months ended December 31, 2004 compared with the prior-year period primarily as a result of:

- a \$101 million increase in retail revenues related to customer growth and higher average usage, excluding weather effects;
- a \$42 million decrease in retail revenues related to milder weather;
- a \$13 million decrease in retail revenues related to a reduction in retail electricity prices; and
- an \$11 million increase due to miscellaneous factors.

## **Marketing and Trading Segment Revenues**

Marketing and trading segment revenues were \$70 million higher for the twelve months ended December 31, 2004 compared with the prior-year period primarily as a result of:

- a \$47 million increase from generation sales other than Native Load primarily due to higher wholesale market prices and higher sales volumes, including sales from the new power plants in service;
- \$28 million in higher mark-to-market gains for future-period deliveries primarily as a result of higher forward prices for wholesale electricity;
- \$20 million of higher energy trading revenues on realized sales of electricity primarily due to higher electricity prices; and
- a \$25 million decrease from lower competitive retail sales volumes in California by APS Energy Services.

## **Other Revenues**

Other revenues were \$15 million higher for the twelve months ended December 31, 2004 compared with the prior-year period primarily due to higher non-commodity revenues at APS Energy Services.

## Discontinued Operations

In 2003, SunCor sold its water utility company, which resulted in an after-tax gain of \$8 million (\$14 million pretax). The amounts of the gain on the sale and operating income of the water utility company are classified as discontinued operations on our Condensed Consolidated Statements of Income.

In the fourth quarter of 2003, SunCor sold a retail center, which resulted in an after-tax gain of \$2 million (\$3 million pretax). The gain on the sale and the operating income related to this property in 2003 are classified as discontinued operations on our Condensed Consolidated Statements of Income.

In November 2004, we sold our investment in NAC Holding Inc. and NAC International Inc. ("NAC"). The transaction resulted in an after-tax gain of approximately \$2 million and is classified as discontinued operations. All revenues and expenses for NAC have been reclassified to discontinued operations on our Condensed Consolidated Statements of Income.

The following chart provides a summary of SunCor and NAC income from discontinued operations (after income taxes) for the three months and twelve months ended December 31, 2004 and the comparable prior periods (dollars in millions):

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2004	2003	2004	2003
SunCor	\$ 2	\$ 3	\$ 4	\$ 10
NAC	3	1	4	5
Total income from discontinued operations	<u>\$ 5</u>	<u>\$ 4</u>	<u>\$ 8</u>	<u>\$ 15</u>

**PINNACLE WEST CAPITAL CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(unaudited)

(in thousands, except per share amounts)

	THREE MONTHS ENDED		Increase (Decrease)		
	December 31,		Amount	Percent	
	2004	2003			
<b>Operating Revenues</b>					
Regulated electricity segment	\$429,295	\$432,246	\$ (2,951)	0.7%	W
Marketing and trading segment	129,684	91,447	38,237	41.8%	B
Real estate segment	165,827	188,718	(22,891)	12.1%	W
Other revenues	9,912	11,155	(1,243)	11.1%	W
Total	<u>734,718</u>	<u>723,566</u>	<u>11,152</u>	1.5%	B
<b>Operating Expenses</b>					
Regulated electricity segment purchased power and fuel	125,024	122,947	2,077	1.7%	W
Marketing and trading segment purchased power and fuel	112,886	81,661	31,225	38.2%	W
Operations and maintenance	159,431	140,244	19,187	13.7%	W
Real estate segment operations	112,526	148,677	(36,151)	24.3%	B
Depreciation and amortization	98,186	113,943	(15,757)	13.8%	B
Taxes other than income taxes	27,705	25,419	2,286	9.0%	W
Other expenses	8,215	10,809	(2,594)	24.0%	B
Total	<u>643,973</u>	<u>643,700</u>	<u>273</u>	0.0%	W
<b>Operating Income</b>	<u>90,745</u>	<u>79,866</u>	<u>10,879</u>	13.6%	B
<b>Other</b>					
Allowance for equity funds used during construction	2,026	3,046	(1,020)	33.5%	W
Other income	3,336	21,967	(18,631)	84.8%	W
Other expense	(7,066)	(5,785)	(1,281)	22.1%	W
Total	<u>(1,704)</u>	<u>19,228</u>	<u>(20,932)</u>	108.9%	W
<b>Interest Expense</b>					
Interest charges	51,214	53,007	(1,793)	3.4%	B
Capitalized interest	(2,774)	(5,383)	2,609	48.5%	W
Total	<u>48,440</u>	<u>47,624</u>	<u>816</u>	1.7%	W
<b>Income From Continuing Operations Before Income Taxes</b>	40,601	51,470	(10,869)	21.1%	W
<b>Income Taxes</b>	11,283	6,419	4,864	75.8%	W
<b>Income From Continuing Operations</b>	29,318	45,051	(15,733)	34.9%	W
<b>Income From Discontinued Operations Net of Income Tax Expense</b>	4,411	4,040	371	9.2%	B
<b>Net Income</b>	<u>\$ 33,729</u>	<u>\$ 49,091</u>	<u>\$(15,362)</u>	31.3%	W
<b>Weighted-Average Common Shares Outstanding — Basic</b>	91,620	91,273	347	0.4%	
<b>Weighted-Average Common Shares Outstanding — Diluted</b>	91,779	91,403	376	0.4%	
<b>Earnings Per Weighted-Average Common Share Outstanding</b>					
Income From Continuing Operations — Basic	\$ 0.32	\$ 0.49	\$ (0.17)	34.7%	W
Net Income — Basic	\$ 0.37	\$ 0.54	\$ (0.17)	31.5%	W
Income From Continuing Operations — Diluted	\$ 0.32	\$ 0.49	\$ (0.17)	34.7%	W
Net Income — Diluted	\$ 0.37	\$ 0.54	\$ (0.17)	31.5%	W

Certain prior year amounts have been reclassified to conform to the 2004 presentation.

B — Better

W — Worse

**PINNACLE WEST CAPITAL CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(unaudited)

(in thousands, except per share amounts)

	TWELVE MONTHS ENDED		Increase (Decrease)		
	December 31,		Amount	Percent	
	2004	2003			
<b>Operating Revenues</b>					
Regulated electricity segment	\$ 2,035,247	\$ 1,978,075	\$ 57,172	2.9%	B
Marketing and trading segment	461,870	391,886	69,984	17.9%	B
Real estate segment	359,792	361,604	(1,812)	0.5%	W
Other revenues	42,816	27,929	14,887	53.3%	B
Total	<u>2,899,725</u>	<u>2,759,494</u>	<u>140,231</u>	5.1%	B
<b>Operating Expenses</b>					
Regulated electricity segment purchased power and fuel	567,433	517,320	50,113	9.7%	W
Marketing and trading segment purchased power and fuel	382,147	344,862	37,285	10.8%	W
Operations and maintenance	596,557	548,732	47,825	8.7%	W
Real estate segment operations	289,900	305,974	(16,074)	5.3%	B
Depreciation and amortization	401,105	435,140	(34,035)	7.8%	B
Taxes other than income taxes	122,216	110,270	11,946	10.8%	W
Other expenses	34,108	23,254	10,854	46.7%	W
Total	<u>2,393,466</u>	<u>2,285,552</u>	<u>107,914</u>	4.7%	W
<b>Operating Income</b>	<u>506,259</u>	<u>473,942</u>	<u>32,317</u>	6.8%	B
<b>Other</b>					
Allowance for equity funds used during construction	4,885	14,240	(9,355)	65.7%	W
Other income	53,989	35,563	18,426	51.8%	B
Other expense	(21,510)	(20,574)	(936)	4.5%	W
Total	<u>37,364</u>	<u>29,229</u>	<u>8,135</u>	27.8%	B
<b>Interest Expense</b>					
Interest charges	195,859	204,339	(8,480)	4.1%	B
Capitalized interest	(16,311)	(29,444)	13,133	44.6%	W
Total	<u>179,548</u>	<u>174,895</u>	<u>4,653</u>	2.7%	W
<b>Income From Continuing Operations Before Income Taxes</b>	364,075	328,276	35,799	10.9%	B
<b>Income Taxes</b>	128,857	102,473	26,384	25.7%	W
<b>Income From Continuing Operations</b>	235,218	225,803	9,415	4.2%	B
<b>Income From Discontinued Operations</b>					
Net of Income Tax Expense	7,977	14,776	(6,799)	46.0%	W
<b>Net Income</b>	<u>\$ 243,195</u>	<u>\$ 240,579</u>	<u>\$ 2,616</u>	1.1%	B
<b>Weighted-Average Common Shares Outstanding — Basic</b>	91,397	91,265	132	0.1%	
<b>Weighted-Average Common Shares Outstanding — Diluted</b>	91,532	91,405	127	0.1%	
<b>Earnings Per Weighted-Average Common Share Outstanding</b>					
Income From Continuing Operations — Basic	\$ 2.57	\$ 2.47	\$ 0.10	4.0%	B
Net Income — Basic	\$ 2.66	\$ 2.64	\$ 0.02	0.8%	B
Income From Continuing Operations — Diluted	\$ 2.57	\$ 2.47	\$ 0.10	4.0%	B
Net Income — Diluted	\$ 2.66	\$ 2.63	\$ 0.03	1.1%	B

Certain prior year amounts have been reclassified to conform to the 2004 presentation.

B — Better

W — Worse

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

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

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Electricity Marketing and Trading – Delivered	All wholesale sales of electricity not accounted for in sales under traditional contracts or retail load hedge management. These sales are made to other electric companies, power marketers, or public entities for the purpose of resale. Measured in gigawatt-hours.
Electricity Spot Prices —Palo Verde – Off-Peak	Electricity average daily spot prices at Palo Verde substation during off-peak hours. It measures electric prices at the producer level and is the result of real time prices used for benchmarking, price comparisons, and establishing price contracts. Measured in dollars per megawatt-hour.
Electricity Spot Prices — Palo Verde – On-Peak	Electricity average daily spot prices at Palo Verde substation during on-peak hours. It measures electric prices at the producer level and is the result of real time prices used for benchmarking, price comparisons, and establishing price contracts. Measured in dollars per megawatt-hour.
Electricity Spot Prices — SP15 – Off-Peak	Electricity average daily spot prices at SP15, a region of California substations, during off-peak hours. It measures electric prices at the producer level and is the result of real time prices used for benchmarking, price comparisons, and establishing price contracts. Measured in dollars per megawatt-hour.
Electricity Spot Prices — SP15 – On-Peak	Electricity average daily spot prices at SP15, a region of California substations, during on-peak hours. It measures electric prices at the producer level and is the result of real time prices used for benchmarking, price comparisons, and establishing price contracts. Measured in dollars per megawatt-hour.
Generation Capacity Out of Service and Replaced for Native Load	Total capacity required and economic, yet unavailable for retail customers and traditional wholesale contracts due to scheduled or unscheduled outages. Measured in megawatts per day.
Generation Sales Other Than Native Load	Sales of electricity from generation owned by the company that is over and above the amount required to serve retail customers and traditional wholesale contracts.
Generation Production — Coal	Amount of net energy produced by coal-fueled generators. Measured in gigawatt-hours.

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

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



System Peak Demand

The demand for electricity during the one hour of highest use each month. Measured in megawatts.

Traditional Contracts

Wholesale sales resulting from unique cost-based, long-term contracts held by the company with various entities for the supply of electricity at agreed-upon prices.

Weather Normalized

Adjusted to exclude the effects of abnormal weather patterns.



**FOR IMMEDIATE  
RELEASE**

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**January 28, 2005  
Page 1 of 2**

**PINNACLE WEST REPORTS 2004 RESULTS**

*Retail Service Territory Remains Among Fastest Growing in U.S.*

PHOENIX – Pinnacle West Capital Corporation (NYSE: PNW) today reported consolidated net income for the year 2004 of \$243.2 million, or \$2.66 per diluted share of common stock. This result compares with \$240.6 million, or \$2.63 per share, for the year 2003.

On-going consolidated earnings in 2004 were \$218.3 million, or \$2.39 per share, compared with \$218.6 million, or \$2.39 per share, for the prior year. On-going earnings for 2004 exclude income after income taxes of \$24.9 million, or \$0.27 per share, related to the sale of the Company's interests in the Phoenix Suns professional basketball team and NAC International. For 2003, on-going earnings exclude income tax credits related to prior years and recorded in 2003 of \$17.2 million, or \$0.19 per share, and income after income taxes of \$4.8 million, or \$0.05 per share, related to NAC International.

"Our employees' steadfast focus on customer satisfaction and operational excellence has allowed us to reliably serve one of the fastest growing markets in the U.S.," said Chairman Bill Post. "Our fundamental growth provides a solid foundation for long-term performance."

Post said that in 2005, resolution of the Company's pending rate case is the top priority. "As Arizona's economy continues to surge, it's more important than ever for us to achieve a constructive regulatory outcome that recognizes our infrastructure investments and covers the costs of providing reliable service for our fast-growing customer base."

In 2004, APS set more meters than in any other year in the Company's 118-year history. More than 40,000 meters were installed, reflecting retail customer growth rate of about 4 percent, more than three times the U.S. average.

The year-to-year comparison was favorably affected by higher retail sales volumes; lower regulatory asset amortization; and improved wholesale power marketing results.

These favorable factors were substantially offset by a net increase in costs related to new plants placed into service in 2003 and 2004; an increase in customer service and other operating costs; an increase in depreciation for delivery and other assets; the effects of milder weather in 2004 versus 2003; a retail rate decrease in mid-2003; and, as previously forecast, lower contributions from the Company's unregulated operations.

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APS reported net income for 2004 of \$199.6 million, compared with \$180.9 million for 2003. SunCor Development Co., Pinnacle West's real estate subsidiary, delivered solid performance, reporting 2004 net income of \$44.7 million, compared with its net contribution of \$56.1 million in 2003. APS Energy Services, the Company's competitive retail energy subsidiary, reported net income of \$2.9 million for 2004, compared with \$16.0 million in 2003, reflecting the dynamics of California's competitive energy market.

For the 2004 fourth quarter, the Company reported consolidated net income of \$33.7 million, or \$0.37 per diluted share of common stock. This result compares with consolidated net income of \$49.1 million, or \$0.54 per share, in last year's corresponding period. On-going consolidated earnings in the 2004 fourth quarter, excluding the sale of NAC, were \$31.0 million, or \$0.34 per share, compared with \$37.5 million, or \$0.41 per share. On-going earnings for 2003's fourth quarter exclude \$11.6 million, or \$0.13 per share, related to NAC and income tax credits for prior years and recorded in 2003's fourth quarter.

All dollar amounts included in this release are reported after income tax effects. For more information on Pinnacle West's operating statistics and earnings, please visit <http://www.pinnaclewest.com/main/pnw/investors/default.html>.

Pinnacle West is a Phoenix-based company with consolidated assets of approximately \$9.9 billion. Through its subsidiaries, the Company generates, sells and delivers electricity and sells energy-related products and services to retail and wholesale customers in the western United States. It also develops residential, commercial, and industrial real estate projects.

**Webcast and Conference Call**

The Company will hold a conference call and live webcast at 11:00 a.m. (ET) today, Friday, January 28 to discuss its earnings and recent events. The webcast can be accessed at <http://www.pinnaclewest.com/main/pnw/investors/presentations/default.html> and will be available for replay on the website for 30 days. To access the conference call by telephone, dial (877) 356-3961 and enter reservation number 3179339. A replay of the call also will be available until 11:55 p.m. (ET), Friday, February 4, 2005, by calling (800) 642-1687 in the U.S. and Canada or (706) 645-9291 internationally and entering the same reservation number.

**PINNACLE WEST CAPITAL CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(unaudited)

( in thousands, except per share amounts)

	THREE MONTHS ENDED		TWELVE MONTHS ENDED	
	December 31,		December 31,	
	2004	2003	2004	2003
<b>Operating Revenues</b>				
Regulated electricity segment	\$429,295	\$432,246	\$2,035,247	\$1,978,075
Marketing and trading segment	129,684	91,447	461,870	391,886
Real estate segment	165,827	188,718	359,792	361,604
Other revenues	9,912	11,155	42,816	27,929
Total	<u>734,718</u>	<u>723,566</u>	<u>2,899,725</u>	<u>2,759,494</u>
<b>Operating Expenses</b>				
Regulated electricity segment purchased power and fuel	125,024	122,947	567,433	517,320
Marketing and trading segment purchased power and fuel	112,886	81,661	382,147	344,862
Operations and maintenance	159,431	140,244	596,557	548,732
Real estate segment operations	112,526	148,677	289,900	305,974
Depreciation and amortization	98,186	113,943	401,105	435,140
Taxes other than income taxes	27,705	25,419	122,216	110,270
Other expenses	8,215	10,809	34,108	23,254
Total	<u>643,973</u>	<u>643,700</u>	<u>2,393,466</u>	<u>2,285,552</u>
<b>Operating Income</b>	<u>90,745</u>	<u>79,866</u>	<u>506,259</u>	<u>473,942</u>
<b>Other</b>				
Allowance for equity funds used during construction	2,026	3,046	4,885	14,240
Other income	3,336	21,967	53,989	35,563
Other expense	(7,066)	(5,785)	(21,510)	(20,574)
Total	<u>(1,704)</u>	<u>19,228</u>	<u>37,364</u>	<u>29,229</u>
<b>Interest Expense</b>				
Interest charges	51,214	53,007	195,859	204,339
Capitalized interest	(2,774)	(5,383)	(16,311)	(29,444)
Total	<u>48,440</u>	<u>47,624</u>	<u>179,548</u>	<u>174,895</u>
<b>Income From Continuing Operations Before Income Taxes</b>	40,601	51,470	364,075	328,276
<b>Income Taxes</b>	11,283	6,419	128,857	102,473
<b>Income From Continuing Operations</b>	29,318	45,051	235,218	225,803
<b>Income From Discontinued Operations</b>				
Net of Income Tax Expense	4,411	4,040	7,977	14,776
<b>Net Income</b>	<u>\$ 33,729</u>	<u>\$ 49,091</u>	<u>\$ 243,195</u>	<u>\$ 240,579</u>
<b>Weighted-Average Common Shares Outstanding — Basic</b>	91,620	91,273	91,397	91,265
<b>Weighted-Average Common Shares Outstanding — Diluted</b>	91,779	91,403	91,532	91,405
<b>Earnings Per Weighted-Average Common Share Outstanding</b>				
Income From Continuing Operations — Basic	\$ 0.32	\$ 0.49	\$ 2.57	\$ 2.47
Net Income — Basic	\$ 0.37	\$ 0.54	\$ 2.66	\$ 2.64
Income From Continuing Operations — Diluted	\$ 0.32	\$ 0.49	\$ 2.57	\$ 2.47
Net Income — Diluted	\$ 0.37	\$ 0.54	\$ 2.66	\$ 2.63

Certain prior year amounts have been reclassified to conform to the 2004 presentation.

**End of Filing**

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