

# PINNACLE WEST CAPITAL CORP

## FORM 8-K

(Current report filing)

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Address	400 NORTH FIFTH STREET MS8695 PHOENIX, AZ 85004
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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 8-K**

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

**Date of Report (Date of earliest event reported): June 30, 2010**

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

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

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

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

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**Item 2.02. Results of Operations and Financial Condition.**

On August 3, 2010, Pinnacle West Capital Corporation (the “Company” or “Pinnacle West”) issued a press release regarding its financial results for the fiscal quarter ended June 30, 2010 and its earnings outlook for 2010 and 2011. A copy of the press release is attached hereto as Exhibit 99.1.

The information referenced in Item 7.01 below contains Company operating results for the fiscal quarter ended June 30, 2010. This information is attached hereto as Exhibits 99.2 and 99.3.

**Item 7.01. Regulation FD Disclosure.**

The Company is providing a quarterly consolidated statistical summary and a copy of the slide presentation made in connection with the quarterly earnings conference call on August 3, 2010 (see Exhibits 99.2 and 99.3). This information is concurrently being posted to the Company’s website at [www.pinnaclewest.com](http://www.pinnaclewest.com), which also contains a glossary of relevant terms.

**Item 9.01. Financial Statements and Exhibits.**

**(d) Exhibits.**

<b>Exhibit No.</b>	<b>Registrant(s)</b>	<b>Description</b>
99.1	Pinnacle West APS	Earnings News Release issued on August 3, 2010.
99.2	Pinnacle West APS	Pinnacle West Capital Corporation quarterly consolidated statistical summary for the three-month and six-month periods ended June 30, 2010 and 2009.
99.3	Pinnacle West APS	Pinnacle West Capital Corporation Second Quarter 2010 slide presentation accompanying August 3, 2010 conference call.

SIGNATURES

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

PINNACLE WEST CAPITAL CORPORATION

(Registrant)

Dated: August 3, 2010

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

ARIZONA PUBLIC SERVICE COMPANY

(Registrant)

Dated: August 3, 2010

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

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## Exhibit Index

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# NEWS PINNACLE WEST CAPITAL CORPORATION

**FOR IMMEDIATE RELEASE**

August 3, 2010

Media Contact: Alan Bunnell, (602) 250-3376  
Analyst Contact: Rebecca Hickman, (602) 250-5668  
Website: [pinnaclewest.com](http://pinnaclewest.com)

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**PINNACLE WEST REPORTS SECOND-QUARTER RESULTS**

- *Focus on cost management helps offset effects of unusually mild weather*
- *Sale of non-core assets provides boost to net income*

PHOENIX — Pinnacle West Capital Corp. (NYSE: PNW) today reported consolidated net income attributable to common shareholders of \$114.8 million, or \$1.07 per diluted share of common stock, for the quarter ended June 30, 2010. This result compares with net income attributable to common shareholders of \$68.3 million, or \$0.68 per diluted share, for the same quarter in 2009.

Excluding results of discontinued operations related to the Company's real estate segment and its district cooling business, Pinnacle West's consolidated on-going earnings in the 2010 second quarter were \$89.8 million, or \$0.83 per share, compared with on-going earnings of \$76.4 million or \$0.75 per share, in the same period a year ago. A reconciliation of reported earnings to on-going earnings is provided at the end of this release.

"In spite of mild weather in the quarter, our emphases on controlling costs and focusing on a back-to-basics strategy helped us achieve strong operating and financial results," said Pinnacle West Chairman, President and Chief Executive Officer Don Brandt.

The second-quarter on-going results comparison was positively impacted by the following factors:

- *Higher revenues resulting from retail electricity rate increases* improved earnings by \$0.26 per share. Of this amount, \$0.21 was related to base rates and \$0.02 was related to line extension revenues, both implemented in January as a result of the Company's regulatory settlement. The balance was attributable to a retail transmission rate increase implemented in the 2009 third quarter.
  - *Lower operations and maintenance expenses* improved earnings by \$0.04 per share. The variance excludes costs associated with renewable energy and demand-side management programs, which are offset by comparable amounts of operating revenues.
  - *Higher retail electricity sales, excluding the effects of weather*, improved earnings by \$0.02 per share. Weather-normalized sales increased 0.6 percent in the current-year second quarter compared with the corresponding 2009 period, the first quarterly increase since the 2008 third quarter.
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These positive factors were offset in part by the following items:

- *Unusually mild weather*, especially in April and May (with the latter being the mildest May in more than 10 years), decreased the Company's earnings by \$0.15 per share during the quarter. There were 381 residential cooling-degree days (a proxy for the effects of weather) in the 2010 second quarter — 17 percent less than the year-ago second quarter, which was near normal.
- *Lower mark-to-market valuations of fuel contracts* as a result of changes in commodity prices reduced earnings by \$0.03 per share.
- *The net effect of other miscellaneous items*, including the effects of common shares issued in April 2010, decreased earnings \$0.06 per share.

Consolidated on-going earnings exclude results from discontinued operations. Income from discontinued operations was \$25.0 million, or \$0.24 per share, for the second quarter of 2010, which compared favorably with a loss from discontinued operations of \$8.0 million, or \$0.07 per share, for the same quarter a year earlier. The changes were primarily attributable to disposal of non-core assets:

- *The gain on the sale of subsidiary APS Energy Services' district cooling business* and related operating results contributed \$0.24 per share.
- *Lower net losses at the Company's real estate segment* improved quarter-over-quarter earnings by \$0.07 per share.

Arizona Public Service Co. (APS), the Company's principal subsidiary, reported 2010 second quarter net income attributable to common shareholder of \$90.2 million, versus earnings of \$78.5 million for the comparable 2009 quarter.

#### **2010 and 2011 Earnings Outlook**

The Company continues to expect its 2010 consolidated on-going earnings to be in the range of \$2.95 to \$3.10 per diluted share. Key factors and assumptions underlying the outlook remain unchanged, except for the following:

- Actual weather for the first half of the year and normal weather patterns for the remainder of the year;
  - Total electricity gross margin (operating revenues, net of fuel and purchased power expenses, excluding Renewable Energy Surcharge and similar rate adjusters) of about \$2.00 billion to \$2.05 billion, which was previously expected to be \$2.04 billion to \$2.09 billion; and
  - Operating expenses (operations and maintenance, excluding costs for Renewable Energy Standard and similar regulatory programs; depreciation and amortization; and taxes other than income taxes) of about \$1.26 billion to \$1.29 billion, which were previously expected to be \$1.30 billion to \$1.33 billion.
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The Company also continues to estimate its 2011 consolidated on-going earnings will be within the 2010 guidance range with some opportunity for modestly exceeding that range.

#### Conference Call and Web Cast

Pinnacle West invites interested parties to listen to the live web cast of management's conference call to discuss the Company's 2010 second-quarter results, as well as recent developments at 12:00 noon (ET) today, August 3. The web cast can be accessed at [www.pinnaclewest.com/presentations](http://www.pinnaclewest.com/presentations) and will be available for replay on the web site for 30 days. To access the live conference call by telephone, dial (877) 356-3961 and enter Conference ID 82449914. A replay of the call also will be available until 11:55 p.m. (ET), Tuesday, August 10, 2010, by calling (800) 642-1687 in the U.S. and Canada or (706) 645-9291 internationally and entering the same Conference ID number as above.

#### General Information

Pinnacle West is a Phoenix-based company with consolidated assets of about \$12.2 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.

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

### PINNACLE WEST CAPITAL CORPORATION NON-GAAP FINANCIAL MEASURE RECONCILIATION

#### NET INCOME ATTRIBUTABLE TO COMMON SHAREHOLDERS (GAAP MEASURE) TO ON-GOING EARNINGS (NON-GAAP FINANCIAL MEASURE)

	Three Months Ended June 30, 2010		Three Months Ended June 30, 2009	
	Dollars in Millions	Diluted EPS	Dollars in Millions	Diluted EPS
Net Income Attributable to Common Shareholders	\$ 114.8	\$ 1.07	\$ 68.3	\$ 0.68
Adjustments:				
Real estate segment	1.3	0.01	8.8	0.08
District cooling business	(26.3)	(0.25)	(0.7)	(0.01)
On-going Earnings	<u>\$ 89.8</u>	<u>\$ 0.83</u>	<u>\$ 76.4</u>	<u>\$ 0.75</u>

### NON-GAAP FINANCIAL INFORMATION

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

### FORWARD-LOOKING STATEMENTS

This press release contains forward-looking statements regarding our 2010 and 2011 earnings outlook, and neither Pinnacle West nor APS assumes any obligation to update these statements, even if our internal estimates change, except as required by applicable law. These forward-looking statements are often identified by words such as “estimate,” “predict,” “may,” “believe,” “plan,” “expect,” “require,” “intend,” “assume” and similar words. Because actual results may differ materially from expectations, we caution you not to place undue reliance on these statements. A number of factors could cause future results to differ materially from historical results, or from outcomes currently expected or sought by Pinnacle West or APS. These factors include, but are not limited to:

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

- technological developments in the electric industry; and
- economic and other conditions affecting SunCor Development Company's ability to dispose of its remaining assets and satisfy its debt obligations.

These and other factors are discussed in Risk Factors described in Item 1A of the Pinnacle West/APS Annual Report on Form 10-K for the fiscal year ended December 31, 2009, which readers should review carefully before placing any reliance on our financial statements, disclosures or our earnings outlook.

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

(unaudited)

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

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2010	2009	2010	2009
<b>Operating Revenues</b>				
Regulated electricity segment	\$ 799,416	\$ 812,510	\$ 1,410,841	\$ 1,415,088
Other revenues	21,178	6,078	30,108	10,878
Total	<u>820,594</u>	<u>818,588</u>	<u>1,440,949</u>	<u>1,425,966</u>
<b>Operating Expenses</b>				
Regulated electricity segment fuel and purchased power	251,800	291,699	467,340	539,087
Operations and maintenance	215,104	215,545	422,946	412,371
Depreciation and amortization	103,017	100,980	203,670	201,058
Taxes other than income taxes	31,684	32,766	63,408	66,773
Other expenses	15,716	5,704	22,644	10,829
Total	<u>617,321</u>	<u>646,694</u>	<u>1,180,008</u>	<u>1,230,118</u>
<b>Operating Income</b>	<u>203,273</u>	<u>171,894</u>	<u>260,941</u>	<u>195,848</u>
<b>Other</b>				
Allowance for equity funds used during construction	5,504	4,730	10,893	9,722
Other income	933	6,252	1,819	3,292
Other expense	(5,660)	(4,187)	(7,134)	(10,529)
Total	<u>777</u>	<u>6,795</u>	<u>5,578</u>	<u>2,485</u>
<b>Interest Expense</b>				
Interest charges	60,741	59,884	121,446	117,148
Allowance for borrowed funds used during construction	(3,104)	(3,225)	(6,151)	(6,969)
Total	<u>57,637</u>	<u>56,659</u>	<u>115,295</u>	<u>110,179</u>
<b>Income From Continuing Operations Before Income Taxes</b>				
	146,413	122,030	151,224	88,154
<b>Income Taxes</b>	<u>51,829</u>	<u>41,000</u>	<u>44,657</u>	<u>27,816</u>
<b>Income From Continuing Operations</b>	94,584	81,030	106,567	60,338
<b>Income (Loss) From Discontinued Operations</b>				
Net of Income Taxes	<u>24,982</u>	<u>(8,184)</u>	<u>12,102</u>	<u>(153,562)</u>
<b>Net Income (Loss)</b>	119,566	72,846	118,669	(93,224)
Less: Net income (loss) attributable to noncontrolling interests	<u>4,769</u>	<u>4,499</u>	<u>9,886</u>	<u>(5,061)</u>
<b>Net Income (Loss) Attributable To Common Shareholders</b>	<u>\$ 114,797</u>	<u>\$ 68,347</u>	<u>\$ 108,783</u>	<u>\$ (88,163)</u>
<b>Weighted-Average Common Shares Outstanding — Basic</b>	107,355	101,109	104,431	101,048
<b>Weighted-Average Common Shares Outstanding — Diluted</b>	107,764	101,193	104,857	101,048
<b>Earnings Per Weighted-Average Common Share Outstanding</b>				
Income from continuing operations attributable to common shareholders — basic	\$ 0.84	\$ 0.76	\$ 0.93	\$ 0.51
Net income (loss) attributable to common shareholders — basic	\$ 1.07	\$ 0.68	\$ 1.04	\$ (0.87)

Income from continuing operations attributable to common shareholders — diluted	\$ 0.83	\$ 0.75	\$ 0.92	\$ 0.51
Net income (loss) attributable to common shareholders — diluted	\$ 1.07	\$ 0.68	\$ 1.04	\$ (0.87)
<b>Amounts Attributable To Common Shareholders</b>				
Income from continuing operations, net of tax	\$ 89,806	\$ 76,379	\$ 96,661	\$ 51,037
Discontinued operations, net of tax	24,991	(8,032)	12,122	(139,200)
Net income (loss) attributable to common shareholders	<u>\$ 114,797</u>	<u>\$ 68,347</u>	<u>\$ 108,783</u>	<u>\$ (88,163)</u>

**Pinnacle West Capital Corporation**  
**Quarterly Consolidated Statistical Summary**  
**Periods Ended June 30, 2010 and 2009**

Line		3 Months Ended June			6 Months Ended June		
		2010	2009	Incr (Decr)	2010	2009	Incr (Decr)
<b>EARNINGS CONTRIBUTION BY SUBSIDIARY (\$ Millions)</b>							
1	Arizona Public Service	\$ 95	\$ 83	\$ 12	\$ 111	\$ 72	\$ 39
2	APS Energy Services	1	(1)	2	1	(2)	3
3	SunCor	—	—	—	—	—	—
4	El Dorado	—	—	—	—	(6)	6
5	Parent Company	(1)	(1)	—	(5)	(4)	(1)
6	<b>Income From Continuing Operations</b>	<b>95</b>	<b>81</b>	<b>14</b>	<b>107</b>	<b>60</b>	<b>47</b>
	Income (Loss) From Discontinued Operations — Net of Tax						
7	SunCor	(2)	(19)	17	(23)	(247)	224
8	Other	27	11	16	35	94	(59)
9	<b>Total</b>	<b>25</b>	<b>(8)</b>	<b>33</b>	<b>12</b>	<b>(153)</b>	<b>165</b>
10	<b>Net Income</b>	<b>120</b>	<b>73</b>	<b>47</b>	<b>119</b>	<b>(93)</b>	<b>212</b>
11	Less: Net Income (Loss) Attributable to Noncontrolling Interests	5	5	—	10	(5)	15
12	<b>Net Income Attributable to Common Shareholders</b>	<b>\$ 115</b>	<b>\$ 68</b>	<b>\$ 47</b>	<b>\$ 109</b>	<b>\$ (88)</b>	<b>\$ 197</b>
<b>EARNINGS PER SHARE BY SUBSIDIARY — DILUTED</b>							
13	Arizona Public Service	\$ 0.88	\$ 0.82	\$ 0.06	\$ 1.06	\$ 0.72	\$ 0.34
14	APS Energy Services	0.01	(0.01)	0.02	0.01	(0.02)	0.03
15	SunCor	—	—	—	—	—	—
16	El Dorado	—	—	—	—	(0.06)	0.06
17	Parent Company	(0.02)	(0.01)	(0.01)	(0.06)	(0.04)	(0.02)
18	<b>Income From Continuing Operations</b>	<b>0.87</b>	<b>0.80</b>	<b>0.07</b>	<b>1.01</b>	<b>0.60</b>	<b>0.41</b>
	Income (Loss) From Discontinued Operations — Net of Tax						
19	SunCor	(0.02)	(0.18)	0.16	(0.22)	(2.45)	2.23
20	Other	0.26	0.11	0.15	0.34	0.93	(0.59)
21	<b>Total</b>	<b>0.24</b>	<b>(0.07)</b>	<b>0.31</b>	<b>0.12</b>	<b>(1.52)</b>	<b>1.64</b>
22	<b>Net Income</b>	<b>1.11</b>	<b>0.73</b>	<b>0.38</b>	<b>1.13</b>	<b>(0.92)</b>	<b>2.05</b>
23	Less: Net Income (Loss) Attributable to Noncontrolling Interests	0.04	0.05	(0.01)	0.09	(0.05)	0.14
24	<b>Net Income Attributable to Common Shareholders</b>	<b>\$ 1.07</b>	<b>\$ 0.68</b>	<b>\$ 0.39</b>	<b>\$ 1.04</b>	<b>\$ (0.87)</b>	<b>\$ 1.91</b>
25	<b>BOOK VALUE PER SHARE</b>	<b>\$ 32.07</b>	<b>\$ 31.70</b>	<b>\$ 0.37</b>	<b>\$ 32.07</b>	<b>\$ 31.70</b>	<b>\$ 0.37</b>
<b>COMMON SHARES OUTSTANDING (Thousands)</b>							
26	Average — Diluted	107,764	101,193	6,571	104,857	101,048	3,809
27	End of Period	108,511	101,171	7,340	108,511	101,071	7,440



**Pinnacle West Capital Corporation**  
**Quarterly Consolidated Statistical Summary**  
**Periods Ended June 30, 2010 and 2009**

Line	3 Months Ended June			6 Months Ended June			
	2010	2009	Incr (Decr)	2010	2009	Incr (Decr)	
<b>ELECTRIC OPERATING REVENUES</b> (Dollars in Millions)							
<b>REGULATED ELECTRICITY</b>							
<b>SEGMENT</b>							
<b>Retail</b>							
28	Residential	\$ 360	\$ 377	\$ (17)	\$ 627	\$ 633	\$ (6)
29	Business	382	389	(7)	672	687	(15)
30	Total retail	742	766	(24)	1,299	1,320	(21)
<b>Wholesale revenue on delivered electricity</b>							
31	Traditional contracts	16	17	(1)	34	28	6
32	Off-system sales	19	12	7	36	34	2
33	Transmission for others	9	8	1	17	15	2
34	Other miscellaneous services	13	9	4	26	18	8
35	Total regulated operating electricity revenues	799	812	(13)	1,411	1,415	(4)
<b>MARKETING AND TRADING</b>							
36	Electricity and other commodity sales	2	—	2	1	—	1
37	Total operating electric revenues	\$ 801	\$ 812	\$ (11)	\$ 1,412	\$ 1,415	\$ (3)
<b>ELECTRIC SALES (GWH)</b>							
<b>REGULATED ELECTRICITY</b>							
<b>SEGMENT</b>							
<b>Retail sales</b>							
38	Residential	2,957	3,180	(223)	5,532	5,679	(147)
39	Business	3,719	3,842	(123)	6,886	7,102	(216)
40	Total retail	6,676	7,022	(346)	12,418	12,781	(363)
<b>Wholesale electricity delivered</b>							
41	Traditional contracts	206	232	(26)	361	397	(36)
42	Off-system sales	674	720	(46)	1,283	1,417	(134)
43	Retail load hedge management	98	225	(127)	299	377	(78)
44	Total regulated electricity	7,654	8,199	(545)	14,361	14,972	(611)
<b>MARKETING AND TRADING</b>							
45	Wholesale sales of electricity	—	—	—	—	—	—
46	Total electric sales	7,654	8,199	(545)	14,361	14,972	(611)
<b>POWER SUPPLY ADJUSTOR</b> (“PSA”) — REGULATED ELECTRICITY SEGMENT (Dollars in Millions)							
47	Deferred fuel and purchased power regulatory asset — beginning balance	\$ (105)	\$ (49)	\$ (56)	\$ (87)	\$ 8	\$ (95)
48	Deferred fuel and purchased power costs — current period	(21)	15	(36)	(65)	(13)	(52)
49	Interest on deferred fuel	—	—	—	—	—	—
50	Amounts recovered through revenues	29	(37)	66	56	(66)	122
51	Deferred fuel and purchased power regulatory asset — ending balance	\$ (97)	\$ (71)	\$ (26)	\$ (97)	\$ (71)	\$ (26)





**Pinnacle West Capital Corporation**  
**Quarterly Consolidated Statistical Summary**  
**Periods Ended June 30, 2010 and 2009**

Line		3 Months Ended June			6 Months Ended June		
		2010	2009	Incr (Decr)	2010	2009	Incr (Decr)
<b>AVERAGE ELECTRIC CUSTOMERS</b>							
<b>Retail customers</b>							
52	Residential	989,122	981,749	7,373	992,088	985,212	6,876
53	Business	125,533	125,245	288	125,465	125,178	287
54	Total	1,114,655	1,106,994	7,661	1,117,553	1,110,390	7,163
55	Wholesale customers	51	44	7	51	47	4
56	Total customers	1,114,706	1,107,038	7,668	1,117,604	1,110,437	7,167
57	Customer growth (% over prior year)	0.7%	0.7%	0.0%	0.6%	0.7%	(0.1)%
<b>RETAIL SALES (GWH) — WEATHER NORMALIZED</b>							
58	Residential	3,196	3,150	46	5,751	5,736	15
59	Business	3,813	3,818	(5)	7,009	7,078	(69)
60	Total	7,009	6,968	41	12,760	12,814	(54)
<b>RETAIL USAGE (KWh/Average Customer)</b>							
61	Residential	2,989	3,239	(250)	5,576	5,764	(188)
62	Business	29,628	30,678	(1,083)	54,886	56,738	(1,852)
<b>RETAIL USAGE - WEATHER NORMALIZED (KWh/Average Customer)</b>							
63	Residential	3,231	3,209	22	5,796	5,822	(26)
64	Business	30,374	30,513	(139)	55,865	56,550	(685)
<b>ELECTRICITY DEMAND (MW)</b>							
65	Native load peak demand	6,463	6,443	20	6,463	6,443	20
<b>WEATHER INDICATORS</b>							
<b>Actual</b>							
66	Cooling degree-days	381	461	(80)	381	461	(80)
67	Heating degree-days	19	24	(5)	520	407	113
68	Average humidity	19%	20%	(1)%	32%	28%	4%
<b>10-Year Averages</b>							
69	Cooling degree-days	511	501	10	511	501	10
70	Heating degree-days	20	20	—	522	522	—
71	Average humidity	20%	20%	—	28%	31%	(3)%

See Glossary of Terms.

**Pinnacle West Capital Corporation**  
**Quarterly Consolidated Statistical Summary**  
**Periods Ended June 30, 2010 and 2009**

Line	3 Months Ended June			6 Months Ended June			
	2010	2009	Incr (Decr)	2010	2009	Incr (Decr)	
<b>ENERGY SOURCES (GWH)</b>							
<b>Generation production</b>							
72	Nuclear	2,011	2,014	(3)	4,376	4,507	(131)
73	Coal	3,116	2,857	259	6,123	5,808	315
74	Gas, oil and other	1,196	1,283	(87)	2,012	2,308	(296)
75	Total generation production	6,323	6,154	169	12,511	12,623	(112)
<b>Purchased power</b>							
76	Firm load	1,356	1,890	(534)	1,828	2,398	(570)
77	Marketing and trading	423	726	(303)	844	986	(142)
78	Total purchased power	1,779	2,616	(837)	2,672	3,384	(712)
79	Total energy sources	8,102	8,770	(668)	15,183	16,007	(824)
<b>POWER PLANT PERFORMANCE</b>							
<b>Capacity Factors</b>							
80	Nuclear	80%	81%	(1)%	88%	31%	57%
81	Coal	81%	75%	6%	81%	77%	4%
82	Gas, oil and other	20%	21%	(1)%	15%	19%	(4)%
83	System average	48%	45%	3%	47%	46%	1%
<b>ECONOMIC INDICATORS</b>							
<b>Building Permits — Metro Phoenix (a)</b>							
84	Single-family	935	1,007	(72)	2,861	1,844	1,017
85	Multi-family	135	317	(182)	404	856	(452)
86	Total	1,070	1,324	(254)	3,265	2,700	565
<b>Arizona Job Growth (b)</b>							
87	Payroll job growth (% over prior year)	(0.8)%	(7.9)%	7.1%	(2.4)%	(7.2)%	4.8%
88	Unemployment rate (% , seasonally adjusted)	9.6%	9.2%	0.4%	9.5%	8.8%	0.7%

Sources:

- (a) Arizona Real Estate Center, Arizona State University W.P. Carey College of Business  
(b) Arizona Department of Economic Security

See Glossary of Terms.



**PINNACLE WEST**  
CAPITAL CORPORATION

**2<sup>nd</sup> Quarter 2010 Results**



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# Forward-Looking Statements



This presentation contains forward-looking statements based on our current expectations, and neither Pinnacle West nor APS assumes any obligation to update these statements, even if our internal estimates change, except as required by applicable law. These forward-looking statements are often identified by words such as “estimate,” “predict,” “may,” “believe,” “plan,” “expect,” “require,” “intend,” “assume” and similar words. Because actual results may differ materially from expectations, we caution you not to place undue reliance on these statements. A number of factors could cause future results to differ materially from historical results, or from outcomes currently expected or sought by Pinnacle West or APS. In addition to the Risk Factors described in Item 1A of the Pinnacle West/APS Annual Report on Form 10-K for the fiscal year ended December 31, 2009, these factors include, but are not limited to: regulatory and judicial decisions, developments and proceedings; our ability to achieve timely and adequate rate recovery of our costs; our ability to reduce capital expenditures and other costs while maintaining reliability and customer service levels; variations in demand for electricity, including those due to weather, the general economy, customer and sales growth (or decline), and the effects of energy conservation measures; power plant performance and outages; volatile fuel and purchased power costs; fuel and water supply availability; new legislation or regulation relating to greenhouse gas emissions, renewable energy mandates and energy efficiency standards; our ability to meet renewable energy requirements and recover related costs, including returns on debt and equity capital; risks inherent in the operation of nuclear facilities, including spent fuel disposal uncertainty; competition in retail and wholesale power markets; the duration and severity of the economic decline in Arizona and current credit, financial and real estate market conditions; the cost of debt and equity capital and the ability to access capital markets when required; restrictions on dividends or other burdensome provisions in our credit agreements and Arizona Corporation Commission orders; our ability, or the ability of our subsidiaries, to meet debt service obligations; changes to our credit ratings; the investment performance of the assets of our nuclear decommissioning trust, pension, and other postretirement benefit plans and the resulting impact on future funding requirements; the liquidity of wholesale power markets and the use of derivative contracts in our business; potential shortfalls in insurance coverage; new accounting requirements or new interpretations of existing requirements; transmission and distribution system conditions and operating costs; the ability to meet the anticipated future need for additional baseload generation and associated transmission facilities in our region; the ability of our counterparties and power plant participants to meet contractual or other obligations; technological developments in the electric industry; and economic and other conditions affecting SunCor Development Company’s ability to dispose of its remaining assets and satisfy its debt obligations.

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# Amounts Attributable to Common Shareholders and Non-GAAP Financial Measures



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

We present “regulated electricity segment gross margin” per diluted share of common stock. Regulated electricity segment gross margin refers to regulated electricity segment revenues less regulated electricity segment fuel and purchased power expenses. Regulated electricity segment gross margin is a “non-GAAP financial measure,” as defined in accordance with SEC rules. The Appendix contains a reconciliation of this non-GAAP financial measure to the referenced revenue and expense line items on our Condensed Consolidated Statements of Income, which are the most directly comparable financial measures calculated and presented in accordance with GAAP. We view regulated electricity segment gross margin as an important performance measure of the core profitability of our operations.

We refer to “on-going earnings” in this presentation, which is also a non-GAAP financial measure. We believe on-going earnings provide investors with a useful indicator of our results that is comparable among periods because it excludes the effects of unusual items that may occur on an irregular basis. Slide 6 provides a reconciliation of on-going earnings to our reported earnings.

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

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# CFO Agenda



- 
- **2<sup>nd</sup> Quarter Results**
  - **Arizona Economic Outlook**
  - **Earnings Guidance**
  - **Liquidity and Financing Update**

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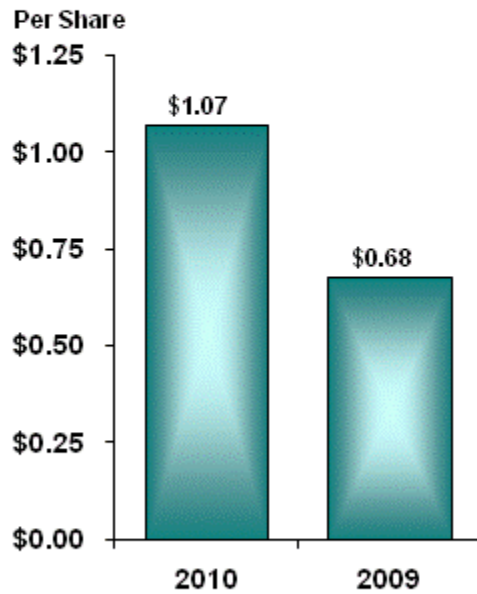
# Consolidated EPS Comparisons

## 2<sup>nd</sup> Quarter 2010 vs. 2<sup>nd</sup> Quarter 2009

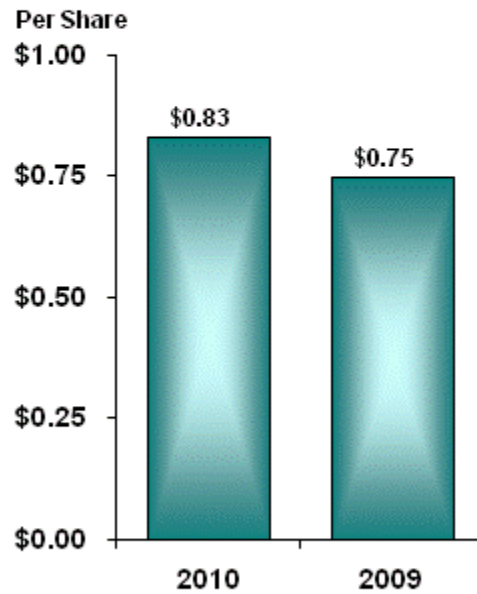
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**Net Income**



**On-Going Earnings**





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## Non-GAAP EPS Reconciliation

2<sup>nd</sup> Quarter 2010 vs. 2<sup>nd</sup> Quarter 2009



	2 <sup>nd</sup> Qtr 2010	2 <sup>nd</sup> Qtr 2009	Change
<b>EPS as reported</b>	<b>\$ 1.07</b>	<b>\$ 0.68</b>	<b>\$ 0.39</b>
<b>Adjustments:</b>			
<b>Real Estate Segment</b>	<b>0.01</b>	<b>0.08</b>	<b>(0.07)</b>
<b>District Cooling Business</b>	<b>(0.25)</b>	<b>(0.01)</b>	<b>(0.24)</b>
<b>Total</b>	<b>(0.24)</b>	<b>0.07</b>	<b>(0.31)</b>
<b>On-Going EPS</b>	<b>\$ 0.83</b>	<b>\$ 0.75</b>	<b>\$ 0.08</b>

Second Quarter 2010

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# Discontinued Operations Overview

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## SunCor

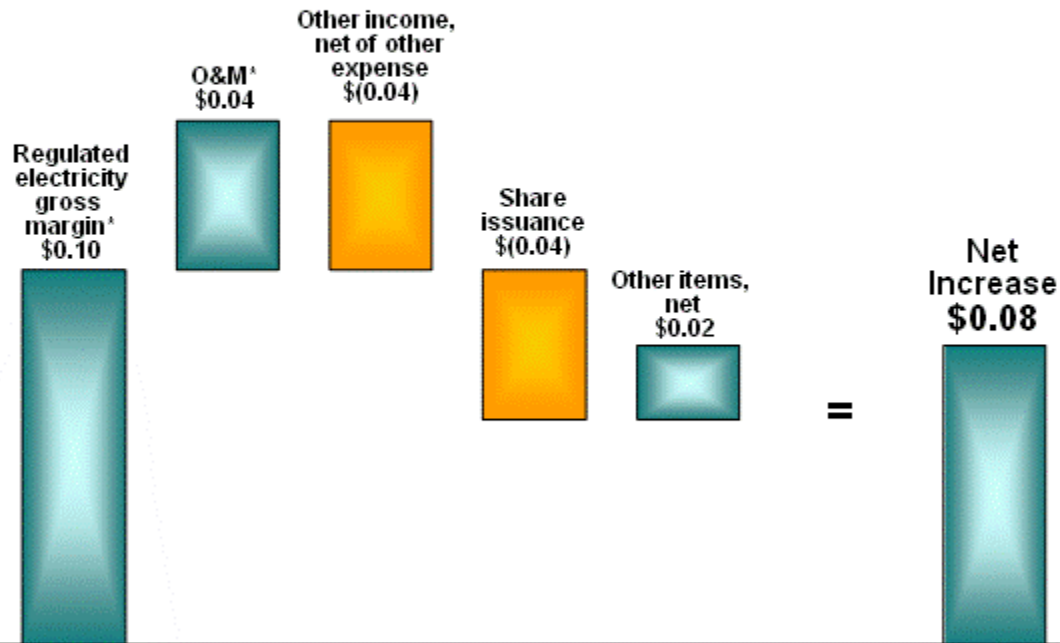
- Property sales closed in July; debt reduced to \$6 million
- All now classified as discontinued operations

## District Cooling Business

- Sold June 22, 2010
- Gain on sale: \$25 million after-tax

# On-Going EPS Variances

## 2<sup>nd</sup> Quarter 2010 vs. 2<sup>nd</sup> Quarter 2009



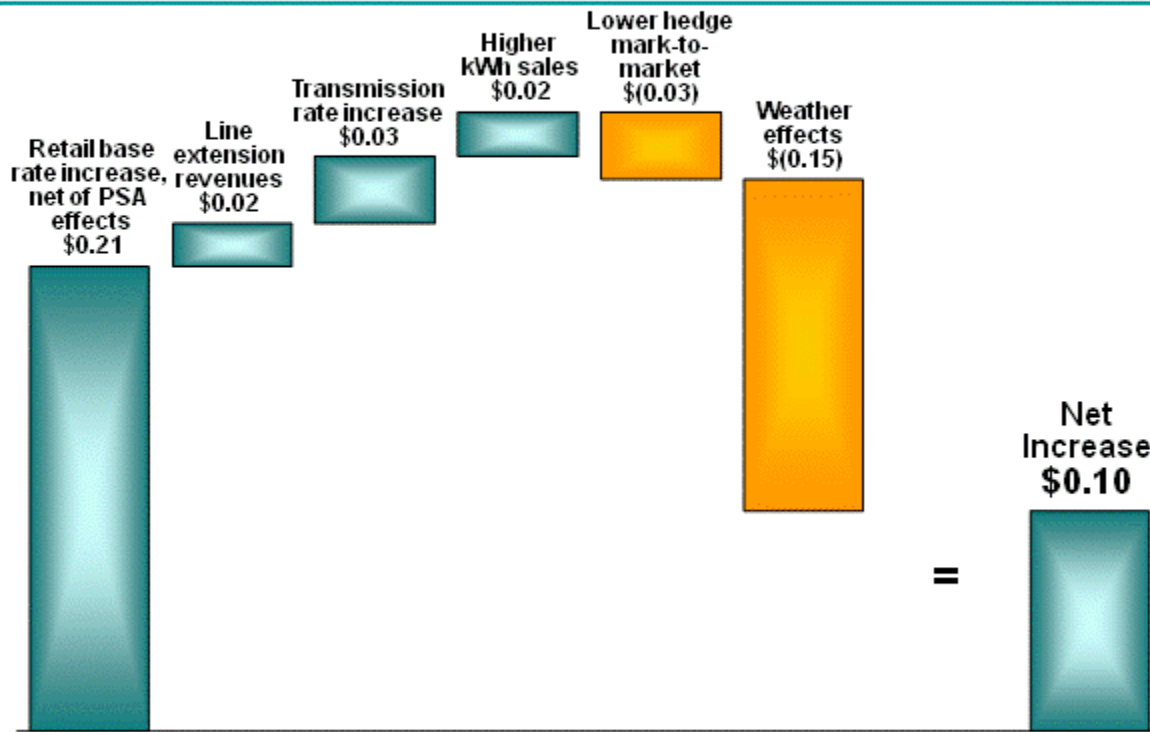
\* Excluding renewable energy and demand-side management revenue increases and offsetting O&M increases, respectively. See non-GAAP reconciliation for regulated electricity gross margin in Appendix.

# Regulated Electricity Gross Margin Drivers\*

2<sup>nd</sup> Quarter 2010 vs. 2<sup>nd</sup> Quarter 2009



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\* See non-GAAP reconciliation in Appendix.

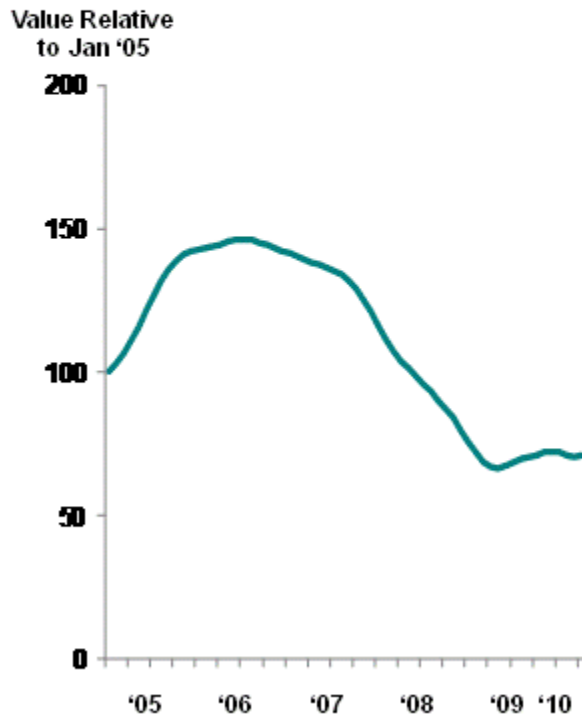
Second Quarter 2010

# Arizona Economic Indicators

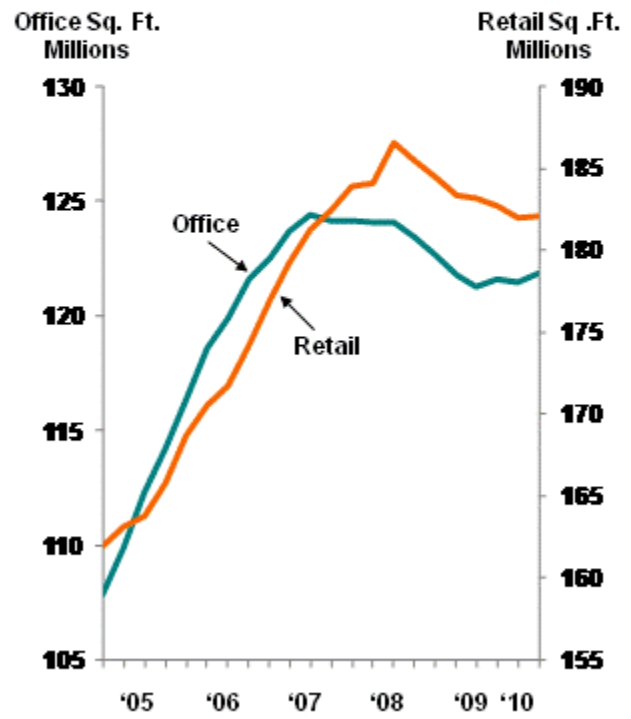
## Metro Phoenix Housing & Commercial Real Estate



**Home Prices**



**Commercial Building Occupancy**



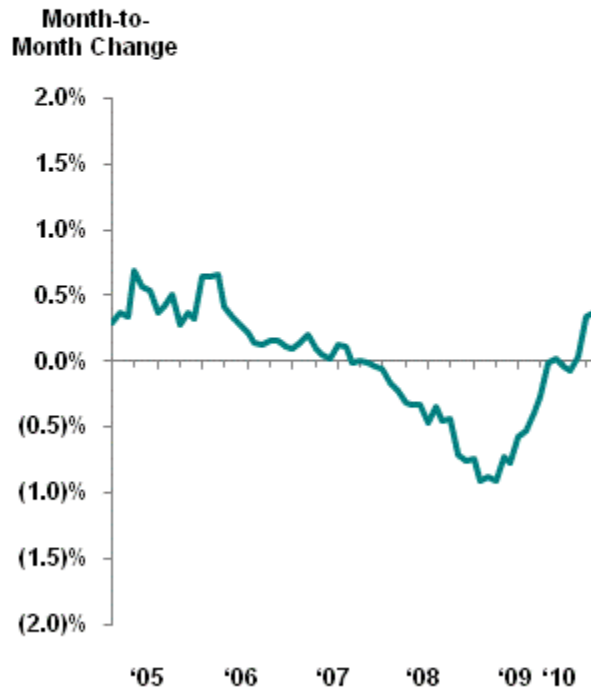
Second Quarter 2010

# Arizona Economic Indicators

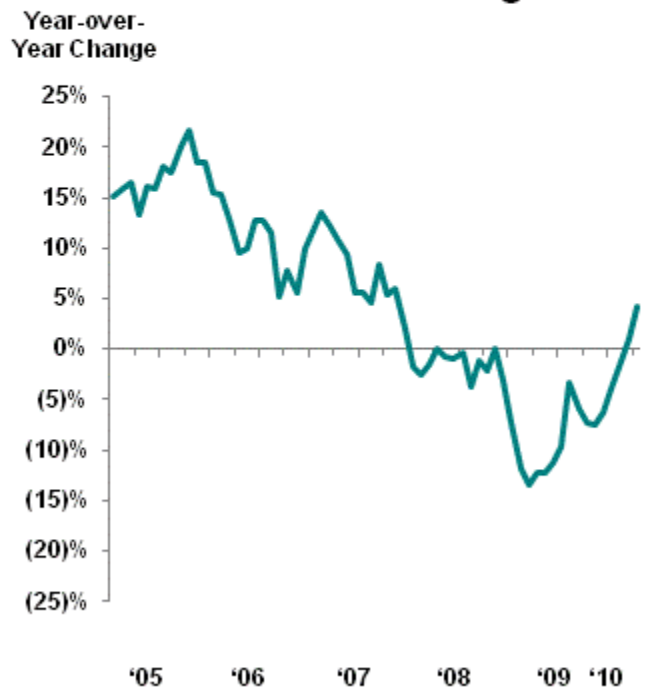
## Employment & Payroll Taxes



### Non-Farm Job Growth

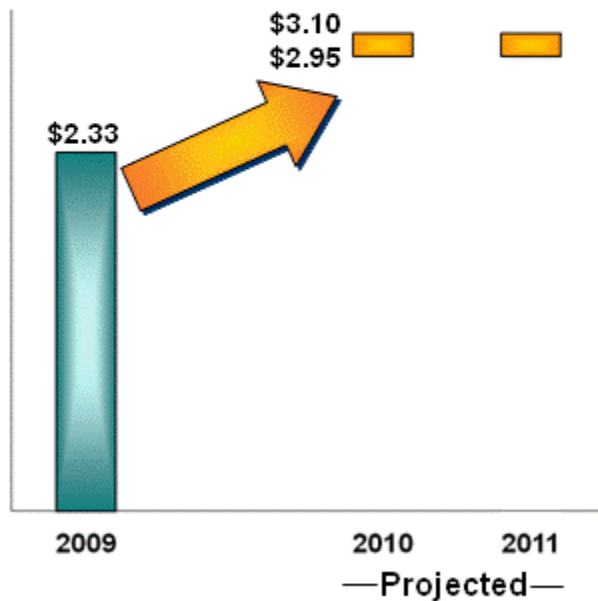


### Personal Income Tax Withholdings



Second Quarter 2010

# Consolidated On-Going EPS Outlook



2009 Actual: \$2.33 per share

Guidance as of August 3, 2010

- 2010 \$2.95 - \$3.10 per share
- 2011 Estimated to be within guidance range provided for 2010, with some opportunity for modestly exceeding the range

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## CEO Discussion



- 
- **Arizona Regulatory Update**
  - **Renewable Resources**
  - **Operations Update**
  - **Looking Ahead**



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## APS AZ Sun Program



- **100 MW photovoltaic solar plants owned by APS**
- **Up to \$500 million capital investment**
- **In service 2011 through 2014**
- **Rate recovery**
  - **First 50 MW: Renewable Energy Surcharge adjustor**
  - **Second 50 MW: Adjustor to be determined in 2012 rate case decision**

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# CEO Discussion

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- Arizona Regulatory Update
- Renewable Resources
- **Operations Update**
- Looking Ahead

# Appendix

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# 2010 On-Going EPS Guidance

## Key Factors and Assumptions

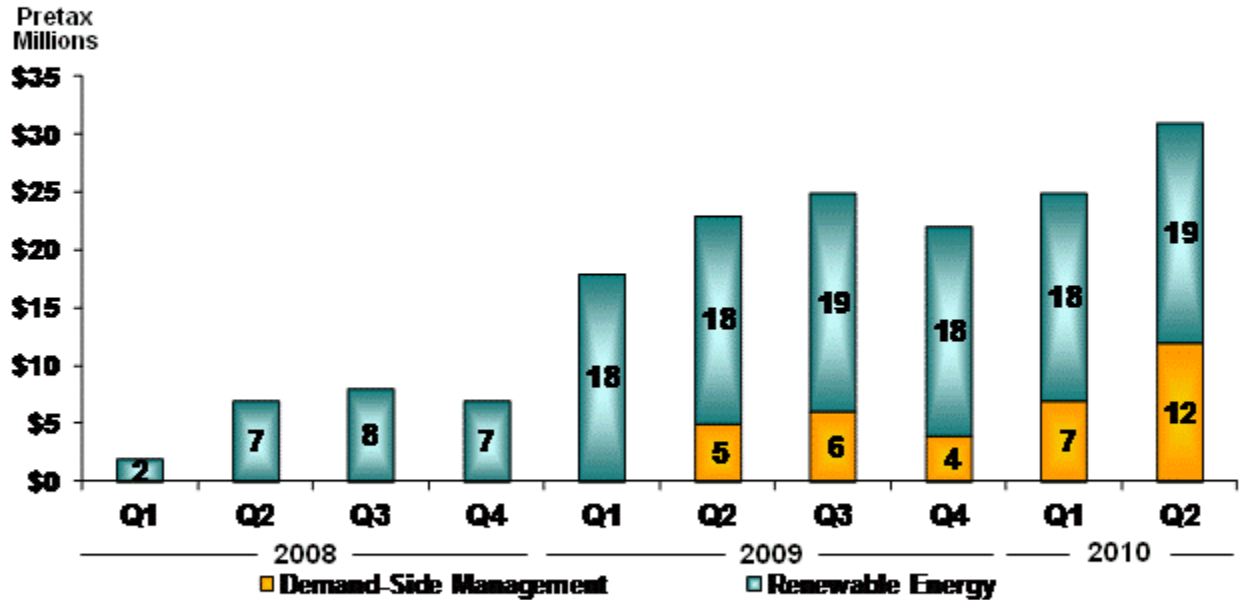
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- **APS earnings to comprise nearly all of consolidated on-going earnings;**
- **Actual weather for the first half of the year and normal weather patterns for remainder of year;**
- **Retail customer growth of about 1% ;**
- **Weather-normalized retail electricity sales volumes to be slightly below the prior year, in part due to the Company's energy efficiency initiatives and reflecting weak first-quarter results;**
- **Total electricity gross margin (operating revenues, net of fuel and purchased power expenses, excluding Renewable Energy Surcharge and similar rate adjustors\*) of about \$2.00 billion to \$2.05 billion;**
- **Operating expenses (operations and maintenance, excluding costs for Renewable Energy Standard and similar regulatory programs\*; depreciation and amortization; and taxes other than income taxes) of about \$1.26 billion to \$1.29 billion;**
- **Interest expense, net of allowances for borrowed and equity funds used for construction, of about \$210 million to \$220 million; and**
- **Effective income tax rate related to consolidated on-going earnings to be about 35% .**

\* Revenues and O&M expenses related to Renewable Energy Standard and similar regulatory programs estimated to be \$137 million.

# Renewable Energy and Demand-Side Management Surcharges\*

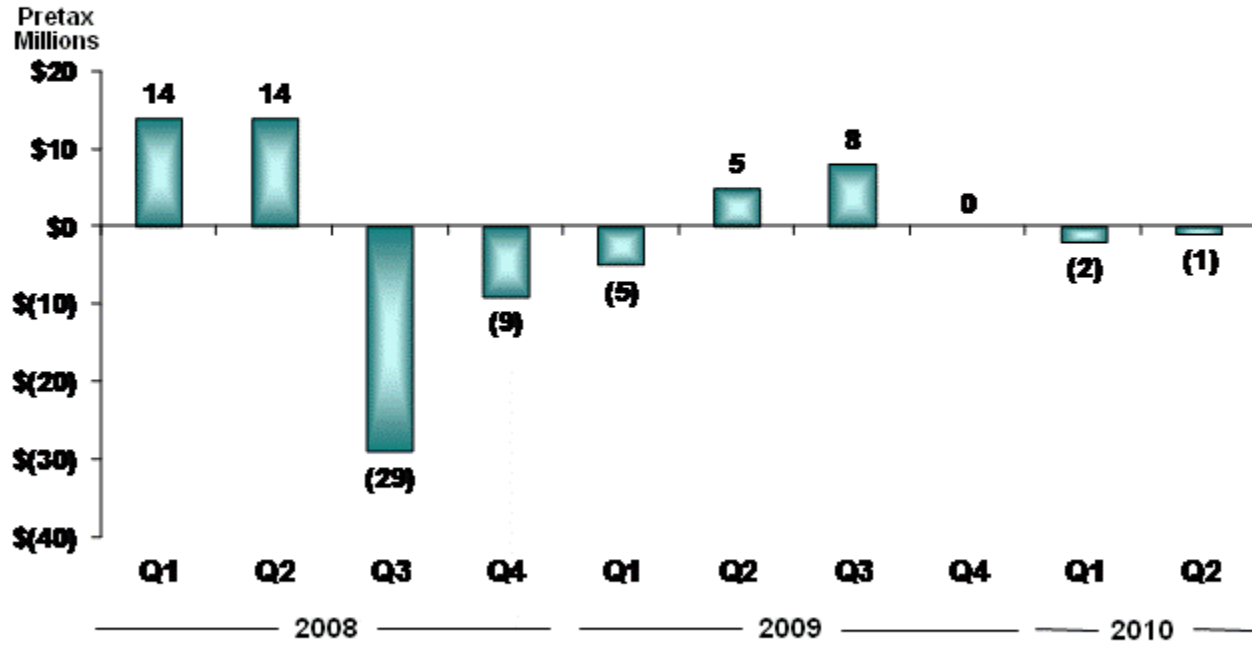


\* Revenues associated with these surcharges were offset substantially by comparable amounts of O&M expense.

# Quarterly Mark-to-Market on Hedge Contracts\*



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\* APS 10% share under Power Supply Adjustor (PSA), net of related deferrals.

Appendix-2Q '10

# Non-GAAP Measure Reconciliation

## Regulated Electricity Segment Gross Margin



	Three Months Ended June 30,		EPS Change
	2010	2009	
\$ millions, except per share amounts			
<b>Reconciliation of Regulated Electricity Segment Gross Margin</b>			
Regulated electricity segment revenue*	\$ 800	\$ 813	
Regulated electricity segment fuel and purchased power expenses*	(252)	(292)	
Regulated electricity segment gross margin including RES and DSM revenues**	548	521	\$ 0.15
Less:			
RES and DSM revenues	(31)	(23)	(0.05)
Regulated electricity segment gross margin excluding RES and DSM revenues	<u>\$ 517</u>	<u>\$ 498</u>	<u>\$ 0.10</u>

\* Line items from Consolidated Statements of Income

\*\* RES, Renewable Energy Standard; DSM, Demand-Side Management