

PINNACLE WEST CAPITAL CORP

FORM S-8

(Securities Registration: Employee Benefit Plan)

Filed 07/05/00

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

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Filed 7/3/2000

Address	400 NORTH FIFTH STREET . PHOENIX, Arizona 85004
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CIK	0000764622
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Fiscal Year	12/31

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-8
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

PINNACLE WEST CAPITAL CORPORATION

(Exact name of Registrant as specified in its charter)

ARIZONA
(State or other jurisdiction
incorporation or organization)

86-0512431
(I.R.S. Employer)
Identification No.)

400 EAST VAN BUREN STREET
P.O. Box 52132,
Phoenix, Arizona 85072-2132
(Address of Principal Executive Offices) (Zip Code)

THE PINNACLE WEST CAPITAL CORPORATION 2000 DIRECTOR EQUITY PLAN

THE PINNACLE WEST CAPITAL CORPORATION AND ARIZONA PUBLIC SERVICE COMPANY

DIRECTORS' RETIREMENT PLAN
(Full title of the Plan)

Matthew P. Feeny
SNELL & WILMER L.L.P.
One Arizona Center
Phoenix, AZ 85004-0001
(Name and Address of Agent for Service)

(602) 382-6239
(Telephone number, including area code, of agent for service)

CALCULATION OF REGISTRATION FEE

TITLE OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER SHARE(1)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)	AMOUNT OF REGISTRATION FEE
Common Stock, No Par Value (2000 Director Equity Participation Plan)	200,000 shares	\$35.25	\$7,050,000	\$1,861.20
Common Stock, No Par Value (2000 Director Equity Plan)	14,800 shares	\$35.25	\$ 521,700	\$ 137.73
Total:	214,800 shares		\$7,571,700	\$1,998.93

(1) Estimated solely for the purpose of calculating the amount of the registration fee, pursuant to Rules 457(c) and 457(h) of the Securities Act of 1933, on the basis of the average of the high and low prices for shares of common stock on the New York Stock Exchange on June 27, 2000.



PART II

INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

ITEM 3. INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE.

The following documents have been filed by Pinnacle West with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934 and are incorporated by reference into this Registration Statement:

1. Annual Report on Form 10-K for the fiscal year ended December 31, 1999;
2. Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2000;
3. The description of Pinnacle West's common stock contained in its registration statement on Form 8-B, File No. 1-8962, as filed on July 25, 1985, except for the reference to transfer agents and registrars for the common stock contained therein and of Pinnacle West's Preferred Share Purchase Rights included in its registration statement on Form 8-A, File No. 1-8962, as filed on March 31, 1989, a Form 8 Amendment thereto as filed on August 29, 1991, and a Form 8A/A thereto as filed on April 19, 1999.

All documents subsequently filed by Pinnacle West pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Securities Exchange Act of 1934, prior to the filing of a post-effective amendment to this registration statement which indicates that all securities offered have been sold or which deregisters all securities then remaining unsold, shall be deemed to be incorporated by reference in this registration statement and to be a part hereof from the date of filing such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this registration statement to the extent that a statement contained herein or in any subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this registration statement.

ITEM 4. DESCRIPTION OF SECURITIES.

Not applicable.

ITEM 5. INTERESTS OF NAMED EXPERTS AND COUNSEL.

Not applicable.

ITEM 6. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

The Arizona Business Corporation Act (the "ABCA") permits extensive indemnification of present and former directors, officers, employees or agents of an Arizona corporation, whether or not authority for such indemnification is contained in the indemnifying corporation's articles of incorporation or bylaws. Specific authority for indemnification of present and former directors and officers, under certain circumstances, is contained in Article VII of Pinnacle West's bylaws.

Under the ABCA, in order for a corporation to provide indemnification, a majority of the corporation's disinterested directors, independent legal counsel, or the shareholders must find that the conduct of the individual to be indemnified was in good faith and that the individual reasonably believed that the conduct was in the corporation's best interests (in the case of conduct in an "official capacity" with the corporation) or that the conduct was at least not opposed to the corporation's best interests (in all other cases). In the case of any criminal proceeding, the finding must be to the effect that the individual had no reasonable cause to believe the conduct was unlawful. Indemnification is permitted with respect to expenses, judgments, fines, and amounts paid in settlement by such individuals.

Indemnification under the ABCA is permissive, except in the event of a successful defense, in which case a director, officer, employee, or agent must be indemnified against reasonable expenses, including attorneys' fees, incurred in connection with the proceeding. In addition, the ABCA requires Arizona corporations to indemnify any "outside director" (a director who, when serving as a director, was not an officer, employee or holder of five percent or more of any class of the corporation's stock or of any affiliate of the corporation, against liability unless (i) the corporation's articles of incorporation limit such indemnification, (ii) the outside director is adjudged liable in a proceeding by or in the right of the corporation or in any other proceeding charging improper personal benefit to the director, or (iii) a court determines, before payment to the outside director, that the director failed to meet the standards of conduct described in the preceding paragraph. A court may also order that an individual be indemnified if the court finds that the individual is fairly and reasonably entitled to indemnification in light of all of the relevant circumstances, whether or not the individual has met the standards of conduct in this and the preceding paragraph.

Insurance is maintained on a regular basis (and not specifically in connection with this offering) against liabilities arising on the part of directors and officers out of their performance in such capacities or arising on the part of Pinnacle West out of its foregoing indemnification provisions, subject to certain exclusions and to the policy limits.

ITEM 7. EXEMPTION FROM REGISTRATION CLAIMED.

Not applicable.

ITEM 8. EXHIBITS.

Exhibit Index located at Page 7.

ITEM 9. UNDERTAKINGS.

(a) The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

PROVIDED, HOWEVER, that paragraphs (i) and (ii) do not apply if the registration statement is on Form S-3, Form S-8 or Form F-3 and the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the Commission by the registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

The Registrant. Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Phoenix, State of Arizona, on June 21, 2000.

PINNACLE WEST CAPITAL CORPORATION

By: /s/ William J. Post

William J. Post, President and Chief Executive

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the date indicated. Each person whose signature appears below hereby authorizes Chris N. Froggatt, Barbara M. Gomez and Michael V. Palmeri, and each of them, as attorneys-in-fact, to sign in his or her name and behalf, individually and in each capacity designated below, and to file any amendments, including post-effective amendments, to this registration statement.

Signature -----	Title -----	Date ----
/s/ William J. Post ----- William J. Post	President, Chief Executive Officer and Director (Principal Executive Officer)	June 21, 2000
/s/ Michael V. Palmeri ----- Michael V. Palmeri	Vice President, Finance (Principal Financial Officer)	June 21, 2000
/s/ Chris N. Froggatt ----- Chris N. Froggatt	Vice President and Controller (Principal Accounting Officer)	June 21, 2000
/s/ Edward N. Basha, Jr. ----- Edward N. Basha, Jr.	Director	June 21, 2000
/s/ Michael L. Gallagher ----- Michael L. Gallagher	Director	June 21, 2000
/s/ Pamela Grant ----- Pamela Grant	Director	June 21, 2000
/s/ Roy A. Herberger, Jr. ----- Roy A. Herberger, Jr.	Director	June 21, 2000
----- Martha O. Hesse	Director	

/s/ William S. Jamieson, Jr. ----- William S. Jamieson, Jr.	Director	June 21, 2000
/s/ Humberto S. Lopez ----- Humberto S. Lopez	Director	June 21, 2000
/s/ Robert G. Matlock ----- Robert G. Matlock	Director	June 21, 2000
/s/ Kathryn L. Munro ----- Kathryn L. Munro	Director	June 21, 2000
/s/ Bruce J. Nordstrom ----- Bruce J. Nordstrom	Director	June 21, 2000
/s/ Richard Snell ----- Richard Snell	Chairman of the Board of Directors	June 21, 2000

EXHIBIT INDEX

Exhibit No. -----	Description -----
5.1	Opinion of Snell & Wilmer L.L.P.
23.1	Consent of Deloitte & Touche L.L.P.
99.1	The Pinnacle West Capital Corporation 2000 Director Equity Plan
99.2	The Pinnacle West Capital Corporation and Arizona Public Service Company Directors' Retirement Plan (as Amended and Restated)

In addition to those Exhibits shown above, the registrant hereby incorporates the following Exhibits pursuant to Rule 411 of Regulation C promulgated under the Securities Act of 1933 by reference to the filings set forth below:

Exhibit No. -----	Description -----	Previously Filed as Exhibit -----	File No. -----	Date Effective -----
4.1	Articles of Incorporation, restated as of July 29, 1988	19.1 to the Company's September 1988 Form 10-Q Report	1-8962	11-14-88
4.2	Bylaws, amended as of December 15, 1999	4.1 to the Company's Registration Statement on Form S-8 No. 333-95035	1-8962	1-20-00
4.3	Rights Agreement	4.1 to Form 8-K Report dated March 22, 1999	1-8962	4-19-99

June 30, 2000

VIA EDGAR

Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

Re: Pinnacle West Capital Corporation 2000 Director Equity Plan

Ladies and Gentlemen:

We have acted as counsel to Pinnacle West Capital Corporation, an Arizona corporation (the "Company"), in connection with its Registration Statement on Form S-8 (the "Registration Statement") filed under the Securities Act of 1933, relating to the registration of 200,000 shares of its Common Stock, no par value (the "Shares"), issuable pursuant to the Pinnacle West Capital Corporation 2000 Director Equity Plan (the "Plan").

In that connection, we have examined such documents, corporate records, and other instruments as we have deemed necessary or appropriate for purposes of this opinion, including the Articles of Incorporation and Bylaws of the Company. Although, we have been informed by the Company that treasury shares may be used to fulfill the Company's obligations under the Plan, there is a possibility that the Company will issue original shares of its common stock to fulfill its obligations under the Plan.

Based upon the foregoing, it is our opinion that the Shares, if and when issued in accordance with the terms of the Plan, will be validly issued, fully paid, and nonassessable.

We hereby consent to the use of this opinion as an exhibit to the Registration Statement and to the use of our name wherever it appears in the Registration Statement.

Very truly yours,

/s/ Snell & Wilmer L.L.P.

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in this Registration Statement of Pinnacle West Capital Corporation on Form S-8 of our report dated February 18, 2000, appearing in the Annual Report on Form 10-K of Pinnacle West Capital Corporation for the year ended December 31, 1999.

*/s/ DELOITTE & TOUCHE LLP
Phoenix, Arizona*

June 29, 2000

**PINNACLE WEST CAPITAL CORPORATION
2000 DIRECTOR EQUITY PLAN**

ARTICLE 1

ESTABLISHMENT, PURPOSE, AND DURATION

1.1 **ESTABLISHMENT OF THE PLAN.** Pinnacle West Capital Corporation hereby establishes the Pinnacle West Capital Corporation 2000 Director Equity Plan (the "Plan") for the benefit of its Nonemployee Directors. The Plan sets forth the terms of grants of unrestricted Stock and Nonqualified Stock Options to Nonemployee Directors. All such grants are subject to the terms and provisions set forth in this Plan.

1.2 **PURPOSE OF THE PLAN.** The purpose of the Plan is to encourage ownership in the Company by Nonemployee Directors, to strengthen the ability of the Company to attract and retain the services of experienced and knowledgeable individuals as Nonemployee Directors of the Company, and to provide Nonemployee Directors with a further incentive to work for the best interests of the Company and its shareholders. The Plan is intended to replace the Pinnacle West Capital Corporation Director Equity Participation Plan and the Arizona Public Service Company Director Equity Plan, which have been terminated effective July 1, 2000.

1.3 **EFFECTIVE DATE.** The Plan is effective as of July 1, 2000 (the "Effective Date"). Pursuant to New York Stock Exchange Rule 312.03(a) (4), shareholder approval of the Plan is not required.

1.4 **DURATION OF THE PLAN.** The Plan will remain in effect until the earlier of (a) June 30, 2010 or (b) such time as the Plan is terminated by the Board of Directors pursuant to Article 8 or Section 9.4.

ARTICLE 2

DEFINITIONS AND CONSTRUCTION

2.1 **DEFINITIONS.** For purposes of the Plan, the following terms will have the meanings set forth below:

(a) "Award" means a grant of Stock or Nonqualified Stock Options under the Plan.

(b) "Award Agreement" means any written instrument, contract, or other instrument or document evidencing an Award.

(c) "Board" or "Board of Directors" means the Board of Directors of the Company, and includes any committee of the Board of Directors designated by the Board to administer this Plan.

(d) "Code" means the Internal Revenue Code of 1986, as amended from time to time.

(e) "Committee" means the committee appointed by the Board to administer the Plan. Unless otherwise determined by the Board, the Committee will consist of the members of the Board's Human Resources Committee, excluding those members who do not qualify as "Non-Employee Directors," as such term is defined in Rule 16b-3(b)(3) promulgated by the Securities and Exchange Commission, or any successor provision.

(f) "Company" means Pinnacle West Capital Corporation, or any successor as provided in Section 9.3.

(g) "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, or any successor provision.

(h) "Fair Market Value" means, as of any given date, the fair market value of Stock on a particular date determined by such methods or procedures as may be established from time to time by the Committee. Unless otherwise determined by the Committee, the Fair Market Value of Stock as of the date an Option is awarded to a Participant under the Plan will be the average closing price of the Stock on the New York Stock Exchange for the ten (10) trading days ending on and including the trading date immediately preceding the date of grant.

(i) "Nonemployee Director" means any individual who is a member of the Board of Directors of the Company and who is not also an employee of the Company or a Subsidiary.

(j) "Nonqualified Stock Option" means an option to purchase Stock, granted under Article 7, that is not intended to be an incentive stock option qualifying under Section 422 of the Code.

(k) "Option" means a Nonqualified Stock Option granted under the Plan.

(l) "Participant" means a Nonemployee Director of the Company who has been granted an Award under the Plan.

(m) "Plan Year" means the twelve (12) consecutive month period beginning on January 1 and ending on December 31.

(n) "Stock" means the shares of the Company's Common Stock.

(o) "Subsidiary" means any entity or association of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are directly or indirectly owned by the Company.

2.2 GENDER AND NUMBER. Except as indicated by the context, any masculine term also includes the feminine, the plural includes the singular, and the singular includes the plural.

2.3 SEVERABILITY OF PROVISIONS. With respect to persons subject to Section 16 of the Exchange Act, transactions under this Plan are intended to comply with all applicable conditions of Rule 16b-3 or its successors under the Exchange Act. To the extent any provision of the Plan or action by the Board fails to so comply, it will be deemed null and void, to the extent permitted by law and deemed advisable by the Board, and the remaining provisions of the Plan or actions by Board will be construed and enforced as if the invalid provision or action had not been included or undertaken.

2.4 INCORPORATION BY REFERENCE. In the event this Plan does not include a provision required by Rule 16b-3 to be stated herein, such provision (other than one relating to eligibility requirements or the price and amount of Awards) will be deemed automatically to be incorporated by reference herein, insofar as Participants subject to Section 16 of the Exchange Act are concerned.

ARTICLE 3

ADMINISTRATION

3.1 ADMINISTRATION BY THE COMMITTEE. The Committee has the full power, discretion, and authority to interpret and administer the Plan in a manner that is consistent with the Plan's provisions.

3.2 AUTHORITY OF THE COMMITTEE. Subject to any specific designation in the Plan, the Committee has the exclusive power, authority and discretion to:

- (a) Designate Participants to receive Awards;
- (b) Determine the type or types of Awards to be granted to each Participant;
- (c) Determine the number of Awards to be granted and the number of shares of Stock to which an Award will relate;
- (d) Determine the terms and conditions of any Award granted under the Plan including but not limited to, the exercise price, grant price, or purchase price, any restrictions or limitations on the Award, any schedule for lapse of forfeiture restrictions or restrictions on the exercisability of an Award, and accelerations or waivers thereof, based in each case on such considerations as the Committee in its sole discretion determines;
- (e) Amend, modify, or terminate any outstanding Award, with the Participant's consent, unless the Committee has the authority to amend, modify, or terminate an Award without the Participant's consent under any other provision of the Plan or the relevant Award Agreement.
- (f) Determine whether, to what extent, and under what circumstances an Award may be settled in, or the exercise price of an Award may be paid in, cash, Stock, other Awards, or other property, or an Award may be canceled, forfeited, or surrendered;

- (g) Prescribe the form of each Award Agreement, which need not be identical for each Participant;
- (h) Decide all other matters that must be determined in connection with an Award;
- (i) Establish, adopt, or revise any rules and regulations as it may deem necessary or advisable to administer the Plan; and
- (j) Interpret the terms of, and any matter arising under, the Plan or any Award Agreement;
- (k) Make all other decisions and determinations that may be required under the Plan or as the Committee deems necessary or advisable to administer the Plan.

3.3 DECISIONS BINDING. The Committee's determinations and decisions under the Plan, and all related orders or resolutions of the Board will be final, conclusive, and binding on all persons, including the Company, its shareholders, employees, Participants, and their estates and beneficiaries.

ARTICLE 4

SHARES SUBJECT TO THE PLAN

4.1 NUMBER OF SHARES. The total number of shares of Stock available for grant under the Plan may not exceed 200,000, subject to adjustment as provided in Section 4.4. The shares issued under the Plan may be authorized and unissued Stock, treasury stock or Stock reacquired by the Company, including shares purchased on the open market.

4.2 LAPSED AWARDS. If any Award granted under the Plan terminates, expires, or lapses for any reason, any shares subject to purchase pursuant to such Award again will be available for grant under the Plan.

4.3 LIMITATION ON NUMBER OF SHARES SUBJECT TO AWARDS. Notwithstanding any provision in the Plan to the contrary, and subject to the adjustment in Section 4.4, the maximum aggregate number of shares of Stock with respect to the Awards that may be granted to any one Participant may not exceed one percent (1%) of the Company's outstanding Stock.

4.4 ADJUSTMENTS IN AUTHORIZED SHARES. In the event a stock split or stock dividend is declared upon the Stock: (a) the shares of Stock available for grant under the Plan, the shares of Stock to be awarded under Article 6, and the shares of Stock required to be beneficially owned under Section 6.1(b) will be increased proportionately and (b) the shares of Stock subject to each Option that has been awarded under Article 7 will be increased proportionately, without any change in the aggregate purchase price therefor. In the event the Stock is changed into or exchanged for a different number or class of shares of Stock or of shares of another corporation, whether through reorganization, recapitalization, stock split-up or combination of shares: (a) there will be substituted for each such share of Stock available for grant under the Plan, the

shares of Stock to be awarded under Article 6, and the shares of Stock required to be beneficially owned under Section 6.1(b) the number and class of shares of Stock into which each outstanding share of Stock is changed into or exchanged and (b) there will be substituted for each such share of Stock then subject to each outstanding Option the number and class of shares of Stock into which each outstanding share of Stock is changed into or exchanged, all without any change in the aggregate purchase price for the shares then subject to each Option.

ARTICLE 5

ELIGIBILITY AND PARTICIPATION

5.1 **ELIGIBILITY.** Eligibility to participate in the Plan is limited to Nonemployee Directors.

5.2 **ACTUAL PARTICIPATION.** All eligible Nonemployee Directors will receive grants of Stock pursuant to Section 6.1. Subject to the provisions of the Plan, the Committee may, from time to time, select from among all eligible Nonemployee Directors, those to whom Awards of Stock or Options will be granted pursuant to Section 6.2 and Article 7 and will determine the nature and amount of each Award. No individual will have any right to be granted Stock or an Option under Section 6.2 or Article 7 of this Plan.

ARTICLE 6

GRANT OF STOCK

6.1 **ANNUAL GRANT OF STOCK.**

(a) **AMOUNT OF GRANT.** Subject to the limitation on the number of shares that may be awarded under this Plan, each individual who is a Nonemployee Director as of July 1 of each Plan Year and who meets the stock ownership requirements described in subparagraph (b) will receive Nine Hundred (900) shares of Stock.

(b) **STOCK OWNERSHIP REQUIREMENTS.** During the first Plan Year in which a Nonemployee Director is eligible to receive an annual grant of Stock, the Nonemployee Director: (a) must beneficially own at least Nine Hundred (900) shares of Stock as of June 30 of the same Plan Year; or (b) must beneficially own at least Nine-Hundred (900) shares of Stock on or before December 31 of the same Plan Year. In subsequent Plan Years, the number of shares of Stock the Nonemployee Director must beneficially own to receive an annual grant of Stock under this Section 6.1 will increase by Nine Hundred (900) shares of Stock each Plan Year until reaching a maximum of 4,500 shares. In each of the Plan Years following the first Plan Year in which a Nonemployee Director is eligible to receive an annual grant of Stock, the Nonemployee Director must beneficially own the requisite number of shares of Stock as of June 30 to receive the grant of Stock. The Nonemployee Director may acquire beneficial ownership directly or indirectly. Shares of Stock subject to an option granted under or outside of the Plan will not be considered to be beneficially owned by a Nonemployee Director until the option is exercised.

(c) ISSUANCE OF SHARES.

(1) First Plan Year. If the Nonemployee Director beneficially owns Nine Hundred (900) shares of Stock as of June 30, the Nonemployee Director will receive a grant of Nine Hundred (900) shares of Stock as of July 1 of the same Plan Year. If the Nonemployee Director does not beneficially own Nine Hundred (900) shares of Stock as of June 30, the Nonemployee Director has until December 31 of the same Plan Year to acquire the requisite number of shares of Stock. If the Nonemployee Director acquires Nine Hundred (900) shares of Stock on or before December 31 of the same Plan Year, the Nonemployee Director will receive Nine Hundred (900) shares of Stock within a reasonable time after the Company verifies the Nonemployee Director's acquisition of the requisite number of shares of Stock.

(2) Subsequent Plan Years. Each Nonemployee Director who beneficially owns the requisite number of shares of Stock as of June 30 of a Plan Year will receive Nine Hundred (900) shares of Stock as of July 1 of the same Plan Year.

6.2 DISCRETIONARY GRANT OF STOCK. Subject to the limitation on the number of shares that may be awarded under this Plan, the Committee may, from time to time, select from among all eligible Nonemployee Directors, those to whom discretionary awards of Stock are given and will determine the amount of each Award. No individual will have any right to a discretionary award of Stock under this Plan.

ARTICLE 7

GRANT OF OPTIONS

7.1 GENERAL. The Committee is authorized to grant options to Nonemployee Directors on the following terms and conditions.

7.2 EXERCISE PRICE. The exercise price per share of Stock under an Option may not be less than Fair Market Value on the date of grant.

7.3 TIME AND CONDITIONS OF EXERCISE. The Committee will determine the time or times at which an Option may be exercised in whole or in part. The Committee will also determine the performance or other conditions, if any, that must be satisfied before all or part of an Option may be exercised.

7.4 EVIDENCE OF GRANT. All Options will be evidenced by a written Option Agreement between the Company and the Participant that will not include any terms or conditions that are inconsistent with the terms and conditions of this Plan.

7.5 DURATION OF OPTIONS. Each Option granted to a Participant under this Article 7 will expire on the tenth anniversary date of the date of grant, unless the Option is earlier terminated, forfeited, or surrendered pursuant to a provision of this Plan or the applicable Award Agreement. Notwithstanding the foregoing, if a Participant ceases to be a Company director for any reason, including death or disability, any Options held by that Participant will expire

on the second anniversary of the date on which the Participant ceased to be a Company director, unless otherwise provided in the applicable Award Agreement.

7.6 PAYMENT. The Committee will determine the methods by which the exercise price of an Option may be paid, the form of payment, including, without limitation, cash, shares of Stock, or other property (including broker-assisted arrangements), and the methods by which shares of Stock will be delivered or deemed to be delivered to Participants.

7.7 NO SHAREHOLDERS RIGHTS. The Participant does not have any of the rights of a shareholder of the Company until shares of Stock are issued to the Participant in connection with such Option.

7.8 LIMITATIONS ON THE TRANSFERABILITY OF OPTIONS. Unless the Committee provides otherwise, no Option granted under this Article 7 may be sold, transferred, pledged, assigned, or otherwise alienated, other than by will, the laws of descent and distribution, or under any other circumstances allowed by the Committee.

ARTICLE 8

AMENDMENT, MODIFICATION, AND TERMINATION

8.1 AMENDMENT, MODIFICATION, AND TERMINATION. Subject to the terms set forth in Section 8.2, the Board may terminate, amend, or modify the Plan at any time.

8.2 AWARDS PREVIOUSLY GRANTED. Unless required by law, no termination, amendment, or modification of the Plan will in any manner adversely affect any Award previously granted under the Plan without the written consent of the Participant holding the Award.

ARTICLE 9

MISCELLANEOUS

9.1 INDEMNIFICATION. Each individual who is or was a member of the Board or the Committee will be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under this Plan and against and from any and all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of any judgment in any such action, suit, or proceeding against him or her, provided he or she gives the Company an opportunity, at its own expense, to assume and defend the same before he or she undertakes to defend it on his or her own behalf. The foregoing right of indemnification will not be exclusive of any other rights of indemnification to which such individuals may be entitled under the Company's Certificate of Incorporation or Bylaws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

9.2 **BENEFICIARY DESIGNATION.** Each Participant under the Plan may name any beneficiary or beneficiaries to whom any benefit under the Plan is to be paid in the event of his or her death. Each designation will revoke all prior designations by the same Participant, will be in a form prescribed by the Committee, and will be effective only when filed by the Participant in writing with the Committee during his or her lifetime. In the absence of any such designation, benefits remaining unpaid at the Participant's death will be paid to the Participant's estate.

9.3 **SUCCESSORS.** All obligations of the Company under the Plan, with respect to Awards granted hereunder, will be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

9.4 **REQUIREMENTS OF LAW.** The granting of Awards under the Plan will be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required. Notwithstanding any other provision of the Plan, the Committee may, in its sole discretion, terminate, amend, or modify the Plan in any way necessary to comply with the applicable requirements of Rule 16b-3 promulgated by the Securities and Exchange Commission as interpreted pursuant to no-action letters and interpretive releases.

9.5 **FRACTIONAL SHARES.** No fractional shares of stock will be issued and the Board will determine, in its discretion, whether cash will be given in lieu of fractional shares or whether such fractional shares will be eliminated by rounding up.

9.6 **NO RIGHT TO CONTINUED SERVICE.** Nothing in the Plan or in any instrument executed pursuant to the Plan will confer upon any Participant any right to continue to serve as a Nonemployee Director of the Company, nor will it affect the right of the Company and its shareholders to terminate the services of any Participant as a Nonemployee Director as provided in the Company's Bylaws or otherwise.

9.7 **EXPENSES.** The expenses of administering the Plan will be borne by the Company.

9.8 **GOVERNING LAW.** To the extent not preempted by Federal law, the Plan, and all agreements hereunder, will be construed in accordance with and governed by the laws of the State of Arizona.

PINNACLE WEST CAPITAL CORPORATION
AND ARIZONA PUBLIC SERVICE COMPANY
DIRECTORS' RETIREMENT PLAN

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PINNACLE WEST CAPITAL CORPORATION
AND ARIZONA PUBLIC SERVICE COMPANY
DIRECTORS' RETIREMENT PLAN

PREAMBLE

Effective January 1, 1995, PINNACLE WEST CAPITAL CORPORATION (the "Company") adopted the PINNACLE WEST CAPITAL CORPORATION AND ARIZONA PUBLIC SERVICE COMPANY DIRECTORS' RETIREMENT PLAN (the "Plan") to provide retirement benefits to those members of the Boards of Directors of the Company and Arizona Public Service Company ("APS") who are not employees of the Company, APS or their subsidiaries. By this amendment and restatement of this Plan in its entirety, the Company intends to amend the Plan to cease future benefit accruals, increase the benefits of all directors, authorize the Company to pay the benefits accrued by active directors in a lump sum in Company stock, and grant the Company the discretion to pay the benefits accrued by former directors in a lump sum, in cash or stock at any time in the future.

ARTICLE ONE

DEFINITIONS AND CONSTRUCTION

1.1 DEFINITIONS. When a word or phrase shall appear in this Plan with the initial letter capitalized, and the word or phrase does not commence a sentence, the word or phrase shall generally be a term defined in this Section 1.1. The following words and phrases with the initial letter capitalized shall have the meanings set forth in this Section 1.1, unless a clearly different meaning is required by the context in which the word or phrase is used:

(a) "Actuarially Equivalent" - Of equal value when computed on the basis of the actuarial assumptions and tables used for purposes of determining actuarial equivalency at the time the benefit is computed. Actuarial Equivalence shall be determined on the basis of the factors and assumptions set forth below:

(i) an interest rate of six percent (6%) per annum;

(ii) the 1983 Group Annuity Mortality Table (50/50 Blend); and

(iii) a retirement age of sixty-five (65) unless the Participant had attained age sixty-five (65) prior to January 1, 1995, in which case the retirement age shall be age seventy (70).

(b) "APS" - Arizona Public Service Company and each corporation that succeeds to substantially all of its assets and elects to continue its participation in this Plan.

(c) "Board" - The Boards of Directors of the Company or APS.

(d) "Code" - The Internal Revenue Code of 1986, as the same may hereafter be amended from time to time.

(e) "Company" - PINNACLE WEST CAPITAL CORPORATION and each corporation that succeeds to substantially all of its assets and elects to continue its participation in this Plan.

(f) "Director" - An individual serving on the Boards of Directors of the Company or APS.

(g) "Effective Date" - June 21, 2000.

(h) "Participant" - A Director who has satisfied the eligibility requirements set forth in Section 2.1 prior to the Effective Date.

(i) "Plan" - The PINNACLE WEST CAPITAL CORPORATION AND ARIZONA PUBLIC SERVICE COMPANY DIRECTORS' RETIREMENT PLAN, as set forth in this instrument, and as it may hereafter be amended from time to time.

(j) "Plan Administrator" - The person or committee appointed by the Board of Directors of the Company to administer the Plan. Unless otherwise determined by the Company's Board of Directors, on and after the Effective Date, the Plan Administrator shall be the Vice President and Secretary of the Company.

(k) "Retirement Plan" - The Pinnacle West Capital Corporation Retirement Plan or any other defined benefit pension plan within the meaning of Section 414(j) of the Code maintained by the Company, APS or their subsidiaries.

(l) "Year of Service" - Each twelve (12) consecutive month period during which the Director served as a member of the Board, commencing on the date on which the Director is or was first elected to the Board of either the Company or APS. If a Director ceases to serve on the Board and is later reelected as a member of the Board, for purposes of measuring Years of Service following reelection, the twelve (12) consecutive month period shall be measured from the date of the Director's re-election to the Board and from each anniversary thereof, and shall be aggregated with such Director's prior Years of Service. In the event that a Director's term on the Board ends, or the Director reaches age sixty-five (65), other than on the date of the Director's anniversary, Years of Service shall include the entirety of such partial year, through the next anniversary date, only if more than six (6) months have elapsed since the last anniversary of the Director's election or reelection to the Board.

1.2 CONSTRUCTION. The masculine gender, where appearing in this Plan, shall include the feminine gender, and vice-versa, and the singular may include the plural, unless the context clearly indicates to the contrary. Headings and subheadings are for the purpose of reference only and are not to be considered in the construction of this

Plan. The term "delivered to the Plan Administrator," as used in this Plan, shall include delivery to a person or persons designated by the Plan Administrator for the disbursement and receipt of administrative forms. Delivery shall be deemed to have occurred only when the form or other communication is actually received. If any provision of this Plan is determined to be for any reason invalid or unenforceable, the remaining provisions shall continue in full force and effect. All of the provisions of this Plan shall be construed and enforced according to the laws of the State of Arizona and shall be administered according to the laws of such state, except as otherwise required by law.

ARTICLE TWO

PARTICIPATION AND SERVICE

2.1 **PARTICIPATION.** Each Director who is serving on the Board of Directors of the Company or APS who is not at the same time an employee of the Company, APS or their subsidiaries on the Effective Date, shall be a Participant as of the Effective Date. Each Director who is not a Participant as of the Effective Date shall become a Participant as of the date he or she first becomes a member of the Board of Directors of the Company or APS; provided, however, that if such person is an employee of the Company, APS or their subsidiaries, such person shall become a Participant on the day that such employee status ceases. Notwithstanding the foregoing, (a) a Director who is receiving or entitled to receive a pension from the Retirement Plan shall not be eligible to participate in this Plan, and (b) a Director who becomes a member of the Board on or after the Effective Date shall not be eligible to participate in the Plan.

2.2 **LIMITATION ON YEARS OF SERVICE.** The following Years of Service shall be disregarded for purposes of this Plan: (a) Years of Service completed by a Participant while he or she was an employee of the Company, APS or their subsidiaries, (b) subject to Section 1.1(l), Years of Service completed by a Participant after attaining age sixty-five (65), provided that Years of Service for a Participant who was a Director as of January 1, 1995, and who first became a Director after attaining age sixty-five (65), shall include such Participant's actual Years of Service, and (c) Years of Service completed on or after the Effective Date.

ARTICLE THREE

REQUIREMENTS FOR BENEFITS

3.1 **PENSION ENTITLEMENT.** Subject to Sections 3.2 and 3.3, a Participant shall have a non-forfeitable right to a pension benefit under this Plan upon the completion of one Year of Service or if he or she is serving as a Director on the Effective Date.

3.2 **DEATH OF A PARTICIPANT.** Except as otherwise provided in Section 4.2(e), no death benefits shall be paid from this Plan on account of a Participant who dies prior to the commencement of benefits or prior to receiving all of the benefits to which he or she would otherwise be entitled under this Plan.

3.3 PENSION FORFEITURE. Notwithstanding any provision to the contrary in the Plan, a Participant shall not receive any pension under this Plan if he or she is receiving, or is entitled to receive, a pension from the Retirement Plan, or if the Participant has been found by a unanimous vote of the Company's Board of Directors (but excluding that Participant) to have acted in bad faith in the performance of his or her duties as a Director.

3.4 NON-DUPLICATION OF BENEFITS. A Participant who serves on the Board of Directors of both the Company and APS shall be entitled to only one pension under the Plan, with such pension to be attributable to, and paid by, whichever company with respect to which the Participant had accumulated the greatest number of Years of Service as a Director.

ARTICLE FOUR

DETERMINATION OF BENEFITS

4.1 AMOUNT OF BENEFIT PAYMENT. (a) The benefits accrued by each Participant who is serving as a Director as of the Effective Date shall be equal to the amount reflected on Exhibit A to this Plan.

(b) Except as otherwise provided in Section 4.2, the benefits payable to each Participant who is not serving as a Director as of the Effective Date shall be equal to the benefit accrued by such Participant under the terms of the Plan as in effect prior to the Effective Date.

4.2 COMMENCEMENT AND FORM OF BENEFITS. (a) For a Participant who is serving as a Director as of the Effective Date, the benefits accrued by that Participant under Section 4.1(a) shall be paid to the Participant in a lump-sum in Common Stock of the Company. Such lump sum payment shall be paid as soon as practicable following the Effective Date.

(b) For a Participant who is not serving as a Director as of the Effective Date, the benefit accrued by that Participant, as determined under Section 4.1(b), shall be paid to the Participant in the form of a monthly annuity on the first business day of each month, commencing on the first business day of the month following the later of (a) the month in which the Participant is no longer serving as a member of the Board, or (b) the month in which the Participant attains age sixty-five (65). Upon retirement from the Board, a Participant's benefits shall be determined as of the last day of the month in which he or she attains age sixty-five (65).

(c) Notwithstanding the foregoing, the President and Chief Executive Officer of the Company may, in his discretion, direct the Company, at any time following the Effective Date, to pay a Participant entitled to benefits under Section 4.2(b) a lump sum in lieu of the monthly annuity otherwise payable to that Participant. Each Participant's lump sum payment shall be equal to the sum of (i) an amount which is Actuarially Equivalent to his or her monthly annuity (adjusted to take into account amounts previ-

ously paid to the Participant under this Plan), and (ii) an amount equal to twenty percent (20%) of the amount determined under Section 4.2(c) (i). The President and Chief Executive Officer of the Company may, in his discretion, direct the Company to pay such lump sum payment in cash or Common Stock of the Company.

(d) For purposes of this Section 4.2, the value of the Company Common Stock distributed to a Participant under this ARTICLE FOUR shall be equal to (i) for Participants who are described in Section 4.2(a), the lesser of (A) the closing price of such stock on the New York Stock Exchange on the Effective Date, or (B) the average closing price of such stock on the New York Stock Exchange for the five (5) trading days immediately preceding the Effective Date, and (ii) for Participants described in Section 4.2(b), the lesser of (A) the date specified by the President and Chief Executive Officer of the Company as the date on which the lump sum payable to such Participant shall be determined (the "conversion date"), or (B) the average closing price of such stock on the New York Stock Exchange for the five (5) trading days immediately preceding the conversion date. If the number of shares to be paid to a Participant, determined by dividing the share price (as determined above) by the Participant's lump sum amount, would result in the Participant being entitled to a number of shares which is not divisible by ten (10), that number shall be rounded up to the next whole number which is divisible by ten (10), and the Participant shall receive that number of shares.

(e) If a Participant entitled to a lump sum payment under Section 4.2(a) or (c) dies prior to receipt of that payment, the amount payable shall be paid to the Participant's estate.

ARTICLE FIVE

INALIENABILITY OF BENEFITS

5.1 No Assignment Permitted. No Participant and no creditor of a Participant shall have any right to assign, pledge, hypothecate, anticipate or in any way create a lien upon the benefits payable under this Plan. Except as provided in Section 4.2(e), all payments to be made to Participants, excepting persons under legal disability, shall be made only upon their personal receipts or endorsements, and no interest in the Plan shall be subject to assignment or transfer or otherwise be alienable, either by voluntary or involuntary act or by operation of law or equity, or subject to attachment, execution, garnishment, sequestration, levy or other seizure under any legal, equitable or other process, or be liable in any way for the debts or defaults of Participants. This Section 5.1 shall, however, not preclude assignments or alterations pursuant to a court order for purposes of satisfying the Participant's family support obligations.

ARTICLE SIX

PLAN ADMINISTRATION

6.1 APPOINTMENT. The Board of Directors of the Company shall appoint the Plan Administrator. Members of the Board and officers and employees of the Company and its subsidiaries may serve as the Plan Administrator.

6.2 POWERS. The Plan Administrator shall have the discretionary power and authority to perform the administrative duties of the Plan Administrator as described in the Plan or required for proper administration of the Plan, and shall have all powers necessary to enable it to properly carry out such duties. Without limiting the generality of the foregoing, the Plan Administrator shall have the power and discretion to construe and interpret the Plan, to determine all questions of meaning or interpretation that shall arise under the Plan, to hear and determine claims relating to the Plan as provided in Section 6.4 of the Plan, and to decide all questions relating to the eligibility to participate in the Plan, to decide all questions relative to the determination of Years of Service, status, and rights of a Participant, and to determine the manner and time of payment of benefits under the Plan. All benefit disbursements shall be made upon the written instructions of the Plan Administrator. The decisions of the Plan Administrator shall be binding and conclusive upon all persons. The Plan Administrator shall file all reports and forms lawfully required to be filed and shall distribute any forms, reports, statements or plan descriptions lawfully required to be distributed to Participants and others.

6.3 INDEMNIFICATION. To the extent permitted by law, the Company may, but shall not be required to, indemnify and agree to hold harmless its employees, agents and the Plan Administrator from all loss, damage, or liability, joint or several, including payment of expenses in connection with defense against any such claim, for their acts, omissions and conduct, and for the acts, omissions and conduct of their duly appointed agents, which acts, omissions, or conduct constitutes or is alleged to constitute a breach of such individual's fiduciary or other responsibilities under any law, except for those acts, omissions, or conduct resulting from his or her own willful misconduct, willful failure to act, or gross negligence; provided, however, that if any party would otherwise be entitled to indemnification hereunder with respect to any liability and such party shall be insured against loss as a result of such liability by any insurance contract or contracts, such party shall be entitled to indemnification hereunder only to the extent by which the amount of such liability shall exceed the amount thereof payable under such insurance contract or contracts. The Company may obtain insurance covering itself and others for breaches of fiduciary obligations under the Plan to the extent permitted by law, and nothing in this Plan shall restrict the right of any person to obtain such insurance for himself in connection with the performance of his or her duties under the Plan.

6.4 CLAIMS PROCEDURE. If a Participant disagrees with the Plan Administrator's determination regarding his or her eligibility for a pension or the amount of such pension, the affected Participant may, within thirty (30) days after receiving the Plan Administrator's written notice of that decision, request in writing a review of his or her claim by the Plan Administrator. The written statement requesting that review should set forth

the Participant's reasons supporting the claim. If the claimant does not request a review meeting within thirty (30) days after receiving written notice of the Plan Administrator's decision, the Participant shall be deemed to have accepted the Plan Administrator's decision. A decision on review shall be rendered in writing by the Plan Administrator not later than sixty (60) days after review, and a written copy of such decision shall be delivered to the Participant. To the extent permitted by law, a decision on review by the Plan Administrator shall be binding and conclusive upon all persons whomsoever. To the extent permitted by law, the claims procedures described in this Section 6.4 shall be a mandatory precondition that must be complied with prior to commencement of a legal or equitable action in connection with the Plan by a Participant or a person claiming rights through a Participant. The Plan Administrator may, in his or her sole discretion, waive these procedures as a mandatory precondition to such an action.

ARTICLE SEVEN

AMENDMENT AND TERMINATION

7.1 AMENDMENT. The Company shall have the right at any time to modify, alter or amend this Plan. An amendment shall be in writing, approved by the Board of Directors of the Company, and executed by a duly authorized officer of the Company. Any such modification, alteration or amendment may be in whole or in part and may be prospective or retroactive; provided that no amendment shall reduce any Participant's vested benefit determined as of the date the amendment is adopted.

7.2 RIGHT TO TERMINATE. The Company shall have the right to terminate the Plan, completely or partially, at any time. The termination of the Plan shall not reduce the pension benefit of any Participant determined as of the Plan's termination date. The Plan shall be terminated as of the effective Date, provided that it shall continue in existence until all benefits accrued under the Plan as of the Effective Date have been paid.

ARTICLE EIGHT

MISCELLANEOUS

8.1 FUNDING. Benefits payable under the Plan shall be paid from the general assets of the Company or APS as to each company's own directors. Participants shall be unsecured creditors of the Company or APS and shall have no legal or equitable rights, interest or claims in any property or assets of the Company, APS or their subsidiaries.

8.2 DURATION. The Plan shall continue in full force and effect for the maximum period permitted under applicable law, subject to the Company's right to amend the Plan and to terminate the Plan as provided in ARTICLE SEVEN of the Plan.

8.3 LIMITATION ON PARTICIPANT'S RIGHTS. Nothing contained in the Plan shall be deemed to give any individual the right to be retained as a Director.

8.4 HEIRS AND SUCCESSORS. All of the provisions of the Plan shall be binding upon all persons who shall be entitled to any benefits under the Plan, their heirs and legal successors.

IN WITNESS WHEREOF, PINNACLE WEST CAPITAL CORPORATION has caused this Plan

to be executed by its duly authorized officers, this ____ day of June, 2000.

PINNACLE WEST CAPITAL CORPORATION

By

Its

EXHIBIT A

Director -----	Lump Sum Amount -----
Edward N. Basha	\$ 19,297
Michael L. Gallagher	\$ 21,711
Pamela Grant	\$116,757
Roy A. Herberger, Jr.	\$ 55,210
Martha O. Hesse	\$ 59,974
William S. Jamieson, Jr.	\$ 56,289
Humberto S. Lopez	\$ 31,713
Robert G. Matlock	\$ 47,516
Kathryn L. Munro	\$ 6,050
Bruce J. Nordstrom	\$ 15,928

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