

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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Industry	Electric Utilities
Sector	Utilities
Fiscal Year	12/31

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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): March 31, 2004

PINNACLE WEST CAPITAL CORPORATION

(Exact name of registrant as specified in its charter)

Arizona

1-8962

86-0512431

(State or other jurisdiction
of incorporation)

(Commission
File Number)

(IRS Employer
Identification Number)

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

85072-3999

(Address of principal executive offices)

(Zip Code)

(602) 250-1000

(Registrant's telephone number, including area code)

NONE

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

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

(c) Exhibits.

Exhibit No.	Description
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99.2	Pinnacle West Capital Corporation quarterly consolidated statistical summary for the periods ended March 31, 2004 and 2003.
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99.8	Earnings News Release.

Item 9. Regulation FD Disclosure

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

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Item 12. Results of Operations and Financial Condition

Certain of the Information relates to the Company's results of operations for its fiscal quarter ended March 31, 2004. This Information is attached hereto as Exhibits 99.2 and 99.3.

On May 7, 2004, the Company issued a press release regarding its results of operations for its fiscal quarter ended March 31, 2004. A copy of the press release is attached hereto as Exhibit 99.8.

SIGNATURES

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

PINNACLE WEST CAPITAL CORPORATION
(Registrant)

Dated: May 7, 2004

By: /s/ Barbara M. Gomez

Barbara M. Gomez
Vice President and Treasurer

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99.8	Earnings News Release.

Pinnacle West Capital Corporation
Quarterly Consolidated Statistical Summary
Periods Ended March 31, 2004 and 2003

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2004 First-Quarter Summary

2004 Year-to-Date

2003 by Quarter

2002 by Quarter

2001 by Quarter

Quarters may not sum to totals due to rounding.

The definitions of terms used in this statistical summary are contained in the "Glossary of Terms" on the Pinnacle West website at:
<http://www.pinnaclewest.com/files/investors/2004Q1QuarStatsGloss.pdf>

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

Pinnacle West Capital Corporation

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

Line	3 Mo. Ended March 31			
	2004	2003	Incr (Decr)	
EARNINGS CONTRIBUTION				
BY SUBSIDIARY (\$ Millions)				
1	Arizona Public Service	\$ 33	\$ 16	\$ 17
2	Pinnacle West Energy	(18)	5	(23)
3	APS Energy Services	2	8	(6)
4	SunCor	2	1	1
5	El Dorado	—	3	(3)
6	Parent Company	11	(13)	24
<hr/>				
7	Income From Continuing Operations	30	20	10
Income From Discontinued Operations -				
8	Net of Tax	—	5	(5)
9	Net Income	\$ 30	\$ 25	\$ 5
<hr/>				
EARNINGS PER SHARE				
BY SUBSIDIARY — DILUTED				
10	Arizona Public Service	\$ 0.37	\$ 0.17	\$ 0.20
11	Pinnacle West Energy	(0.20)	0.06	(0.26)
12	APS Energy Services	0.02	0.08	(0.06)
13	SunCor	0.02	0.01	0.01
14	El Dorado	—	0.03	(0.03)
15	Parent Company	0.12	(0.13)	0.25
<hr/>				
16	Income From Continuing Operations	0.33	0.22	0.11
Income From Discontinued Operations -				
17	Net of Tax	—	0.06	(0.06)
18	Net Income	\$ 0.33	\$ 0.28	\$ 0.05
<hr/>				
19	BOOK VALUE PER SHARE	\$ 31.19	\$ 29.39	\$ 1.80
COMMON SHARES OUTSTANDING -				
DILUTED (Thousands)				
20	Average	91,376	91,359	17
21	End of Period	91,310	91,257	53

See Glossary of Terms.

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Pinnacle West Capital Corporation

**Quarterly Consolidated Statistical Summary
Periods Ended March 31, 2004 and 2003**

Line	3 Mo. Ended March 31			
	2004	2003	Incr (Decr)	
ELECTRIC OPERATING REVENUES				
(Dollars in Millions)				
Regulated Electricity Segment				
Retail				
22	Residential	\$189	\$168	\$ 21
23	Business	211	196	15
		—	—	—
24	Total retail	400	364	36
Wholesale revenue on delivered electricity				
25	Traditional contracts	3	3	—
26	Retail load hedge management	—	—	—
27	Transmission for others	8	6	2
28	Other miscellaneous services	4	7	(3)
		—	—	—
29	Total regulated electricity	415	380	35
Marketing and Trading Segment				
Delivered marketing and trading				
30	Generation sales other than native load	10	44	(34)
31	Realized margins on electricity trading (a)	5	9	(4)
32	Other delivered electricity (a)	66	72	(6)
		—	—	—
33	Total delivered marketing and trading	81	125	(44)
Other Marketing and Trading				
34	Realized margins on delivered commodities other than electricity (a)	(2)	(2)	—
35	Prior period mark-to-market (gains) losses on contracts delivered during current period (a)	1	(3)	4
36	Change in mark-to-market for future-period deliveries	8	(3)	11
		—	—	—
37	Total other marketing and trading	7	(8)	15
		—	—	—
38	Total marketing and trading	88	117	(29)
		—	—	—
39	Total operating electric revenues	\$503	\$497	\$ 6

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

Pinnacle West Capital Corporation

**Quarterly Consolidated Statistical Summary
Periods Ended March 31, 2004 and 2003**

Line	3 Mo. Ended March 31			
	2004	2003	Incr (Decr)	
ELECTRIC SALES (GWH)				
Regulated Electricity Segment				
Retail				
40	Residential	2,410	2,104	306
41	Business	3,051	2,849	202
42	Total retail	5,461	4,953	508
Wholesale electricity delivered				
43	Traditional contracts	138	130	8
44	Retail load hedge management	169	109	60
45	Total regulated electricity	5,768	5,192	576
Marketing and Trading Segment				
Delivered marketing and trading				
46	Generation sales other than native load	358	992	(634)
47	Electricity trading	4,198	5,074	(876)
48	Other delivered electricity	1,140	1,306	(166)
49	Total delivered marketing and trading	5,696	7,372	(1,676)
50	Total electric sales	11,464	12,564	(1,100)

See Glossary of Terms.

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Pinnacle West Capital Corporation

**Quarterly Consolidated Statistical Summary
Periods Ended March 31, 2004 and 2003**

Line	3 Mo. Ended March 31			
	2004	2003	Incr (Decr)	
MARKETING AND TRADING SEGMENT				
PRETAX GROSS MARGIN ANALYSIS				
(Dollars in Millions)				
Realized and Mark-To-Market Components				
Current Period Effects				
Realized margin on delivered commodities				
Electricity				
51	Generation sales other than native load	\$ 3	\$ 3	\$ —
52	Other electricity marketing and trading (a)	11	24	(13)
53	Total electricity	14	27	(13)
54	Other commodities (a)	(2)	(2)	—
55	Total realized margin	12	25	(13)
Prior-period mark-to-market (gains) losses on contracts delivered during current period				
56	Electricity (a)	(1)	(5)	4
57	Other commodities (a)	2	2	—
58	Charge related to trading activities with Enron and its affiliates	—	—	—
59	Subtotal	1	(3)	4
60	Total current period effects	13	22	(9)
Change in mark-to-market gains (losses) for future period deliveries				
61	Electricity	7	(6)	13
62	Other commodities	1	3	(2)
63	Subtotal	8	(3)	11
64	Total gross margin	\$21	\$19	\$ 2

Future Marketing and Trading Mark-to-Market Realization

As of March 31, 2004, Pinnacle West had accumulated mark-to-market net gains of \$32 million related to our power marketing and trading activities. We estimate that these gains will be reclassified to realized gains as the underlying commodities are delivered, as follows: 2004, \$8 million; 2005, \$7 million; 2006, \$3 million and thereafter, \$14 million.

- (a) The net effect on pretax gross margin from realization of prior-period mark-to-market included in line 60 and in line 64 is zero. Realization of prior-period mark-to-market relates to cash flow recognition, not earnings recognition. The arithmetic opposites of amounts included in line 56 are included in line 52. The opposites of amounts included in line 57 are included in line 54. For example, line 56 shows that a prior-period mark-to-market gain of \$1 million was transferred to “realized” for the first quarter of 2004. A \$1 million realized gain is included in the \$11 million on line 52 for the first quarter of 2004.



Pinnacle West Capital Corporation

**Quarterly Consolidated Statistical Summary
Periods Ended March 31, 2004 and 2003**

Line	3 Mo. Ended March 31			
	2004	2003	Incr (Decr)	
MARKETING AND TRADING SEGMENT				
PRETAX GROSS MARGIN ANALYSIS				
(continued)				
(Dollars in Millions)				
By Commodity Sold or Traded				
65	Electricity	\$20	\$17	\$ 3
66	Natural gas	1	2	(1)
67	Coal	—	(1)	1
68	Emission allowances	—	—	—
69	Other	—	1	(1)
		—	—	—
70	Total Gross Margin	\$21	\$19	\$ 2
		■	■	■
By Pinnacle West Entity				
Parent company marketing and trading division				
71	Generation sales other than native load	\$—	\$(2)	\$ 2
72	Other marketing and trading	12	4	8
APS				
73	Generation sales other than native load	3	6	(3)
74	Other marketing and trading	(8)	—	(8)
Pinnacle West Energy				
75	Generation sales other than native load	—	(1)	1
76	Other marketing and trading	10	—	10
APS ES				
77	Other marketing and trading	4	12	(8)
		—	—	—
78	Total gross margin before income taxes	\$21	\$19	\$ 2
		■	■	■

See Glossary of Terms.

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Pinnacle West Capital Corporation

**Quarterly Consolidated Statistical Summary
Periods Ended March 31, 2004 and 2003**

Line	3 Mo. Ended March 31		
	2004	2003	Incr (Decr)
AVERAGE ELECTRIC CUSTOMERS			
Retail customers			
79 Residential	855,754	827,937	27,817
80 Business	105,502	101,999	3,503
81 Total	961,256	929,936	31,320
82 Wholesale customers	66	65	1
83 Total customers	961,322	930,001	31,321
84 Customer Growth (% over prior year)	3.4%	3.3%	0.1%
RETAIL SALES (GWH) - WEATHER NORMALIZED			
85 Residential	2,383	2,243	140
86 Business	3,007	2,875	132
87 Total	5,390	5,118	272
RETAIL USAGE (KWh/Average Customer)			
88 Residential	2,816	2,541	275
89 Business	28,919	27,927	992
RETAIL USAGE - WEATHER NORMALIZED (KWh/Average Customer)			
90 Residential	2,784	2,709	75
91 Business	28,502	28,187	315
ELECTRICITY DEMAND (MW)			
92 System peak demand	3,979	3,569	410

See Glossary of Terms.

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Pinnacle West Capital Corporation

**Quarterly Consolidated Statistical Summary
Periods Ended March 31, 2004 and 2003**

Line	3 Mo. Ended March 31			
	2004	2003	Incr (Decr)	
ENERGY SOURCES (GWH)				
Generation production				
93	Nuclear	2,148	2,306	(158)
94	Coal	2,887	2,770	117
95	Gas, oil and other	363	1,288	(925)
96	Total	5,398	6,364	(966)
Purchased power				
97	Firm load	701	(12)	713
98	Marketing and trading	5,507	6,489	(982)
99	Total	6,208	6,477	(269)
100	Total energy sources	11,606	12,841	(1,235)
POWER PLANT PERFORMANCE				
Capacity Factors				
101	Nuclear	88%	98%	(10)%
102	Coal	77%	75%	2%
103	Gas, oil and other	5%	26%	(21)%
104	System average	44%	58%	(14)%
Generation Capacity Out of Service and Replaced for Native Load (average MW/day)				
105	Nuclear	135	31	104
106	Coal	149	292	(143)
107	Gas	49	189	(140)
108	Total	333	512	(179)
109	Generation Fuel Cost (\$/MWh)	\$ 11.17	\$ 15.89	\$ (4.72)

See Glossary of Terms.

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Pinnacle West Capital Corporation

**Quarterly Consolidated Statistical Summary
Periods Ended March 31, 2004 and 2003**

Line	3 Mo. Ended March 31			
	2004	2003	Incr (Decr)	
ENERGY MARKET INDICATORS (a)				
Electricity Average Daily Spot Prices (\$/MWh)				
On-Peak				
110	Palo Verde	\$43.73	\$49.66	\$ (5.93)
111	SP15	\$48.37	\$54.35	\$ (5.98)
Off-Peak				
112	Palo Verde	\$33.66	\$36.09	\$ (2.43)
113	SP15	\$36.90	\$39.70	\$ (2.80)
WEATHER INDICATORS				
Actual				
114	Cooling degree-days	273	76	197
115	Heating degree-days	552	349	203
116	Average humidity	39%	44%	(5)%
10-Year Averages				
117	Cooling degree-days	80	80	—
118	Heating degree-days	521	521	—
119	Average humidity	43%	43%	0%
ECONOMIC INDICATORS				
Building Permits — Metro Phoenix (b) (d)				
120	Single-family	5,564	4,957	607
121	Multi-family	1,039	227	812
122	Total	6,603	5,184	1,419
Arizona Job Growth (c) (d)				
123	Payroll job growth (% over prior year)	2.2%	1.2%	1.0%
124	Unemployment rate (% , seasonally adjusted)	5.2%	5.9%	(0.7)%

Sources:

- (a) This price is an average of daily prices obtained and used with permission from Dow Jones & Company, Inc.
- (b) Arizona Real Estate Center, Arizona State University W.P. Carey College of Business
- (c) Arizona Department of Economic Security
- (d) The economic indicators reflect three month ended February 2003 and February 2004.

See Glossary of Terms.

Pinnacle West Capital Corporation

**Consolidated Statistics By Quarter
2004**

Line	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year-To-Date	Increase (Decrease) vs Prior YTD
EARNINGS CONTRIBUTION BY SUBSIDIARY (\$ Millions)						
1	\$ 33				\$ 33	\$ 17
2	(18)				(18)	(23)
3	2				2	(6)
4	2				2	1
5	—				—	(3)
6	11				11	24
7	30	—	—	—	30	10
8a	—				—	(5)
8b	—	—	—	—	—	—
9	\$ 30	\$—	\$—	\$—	\$ 30	\$ 5
EARNINGS PER SHARE BY SUBSIDIARY — DILUTED						
10	\$ 0.37				\$ 0.37	\$ 0.20
11	(0.20)				(0.20)	(0.26)
12	0.02				0.02	(0.06)
13	0.02				0.02	0.01
14	—				—	(0.03)
15	0.12				0.12	0.25
16	0.33	—	—	—	0.33	0.11
17a	—				—	(0.06)
17b	—	—	—	—	—	—
18	\$ 0.33	\$—	\$—	\$—	\$ 0.33	\$ 0.05
19	\$ 31.19				\$ 31.19	\$ 1.80
COMMON SHARES OUTSTANDING - DILUTED (Thousands)						
20	91,376				91,376	17
21	91,310				91,310	53

Pinnacle West Capital Corporation

**Consolidated Statistics By Quarter
2004**

Line	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year-To-Date	Increase (Decrease) vs Prior YTD
ELECTRIC OPERATING REVENUES (Dollars in Millions)						
Regulated Electricity Segment						
Retail						
22	Residential	\$189			\$189	\$ 21
23	Business	211			211	15
24	Total retail	400	—	—	400	36
Wholesale revenue on delivered electricity						
25	Traditional contracts	3			3	—
26	Retail load hedge management	—			—	—
27	Transmission for others	8			8	2
28	Other miscellaneous services	4			4	(3)
29	Total regulated electricity	415	—	—	415	35
Marketing and Trading Segment						
Delivered marketing and trading						
30	Generation sales other than native load	10			10	(34)
31	Realized margins on electricity trading (a)	5			5	(4)
32	Other delivered electricity (a)	66			66	(6)
33	Total delivered marketing and trading	81	—	—	81	(44)
Other Marketing and Trading						
34	Realized margins on delivered commodities other than electricity (a)	(2)			(2)	—
35	Prior period mark-to-market (gains) losses on contracts delivered during current period (a)	1			1	4
36	Change in mark-to-market for future-period deliveries	8			8	11
37	Total other marketing and trading	7	—	—	7	15
38	Total marketing and trading	88	—	—	88	(29)
39	Total electric operating revenues	\$503	\$—	\$—	\$503	\$ 6

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

Pinnacle West Capital Corporation

**Consolidated Statistics By Quarter
2004**

<u>Line</u>	<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year-To-Date</u>	<u>Increase (Decrease) vs Prior YTD</u>
ELECTRIC SALES (GWH)						
Regulated Electricity Segment						
Retail sales						
40	Residential	2,410			2,410	306
41	Business	3,051			3,051	202
42	Total retail	5,461	—	—	5,461	508
Wholesale electricity delivered						
43	Traditional contracts	138			138	8
44	Retail load hedge management	169			169	60
45	Total regulated electricity	5,768	—	—	5,768	576
Marketing and Trading Segment						
Delivered marketing and trading						
46	Generation sales other than native load	358			358	(634)
47	Electricity trading	4,198			4,198	(876)
48	Other delivered electricity	1,140			1,140	(166)
49	Total delivered marketing and trading	5,696	—	—	5,696	(1,676)
50	Total electric sales	11,464	—	—	11,464	(1,100)

See Glossary of Terms

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Pinnacle West Capital Corporation

**Consolidated Statistics By Quarter
2004**

Line	1st Qtr	2nd Qtr	3rd Qtr	4thQtr	Year-To-Date	Increase (Decrease) vs Prior YTD
MARKETING AND TRADING SEGMENT PRETAX GROSS MARGIN ANALYSIS (Dollars in Millions)						
Realized and Mark-To-Market Components						
Current Period Effects						
	Realized margin on delivered commodities					
	Electricity					
51	\$ 3				\$ 3	\$ —
52	11				11	(13)
	—	—	—	—	—	—
53	14	—	—	—	14	(13)
54	(2)				(2)	—
	—	—	—	—	—	—
55	12	—	—	—	12	(13)
	—	—	—	—	—	—
	Prior-period mark-to-market (gains) losses on contracts delivered during current period					
56	(1)				(1)	4
57	2				2	—
58						—
	—	—	—	—	—	—
59	1	—	—	—	1	4
	—	—	—	—	—	—
60	13	—	—	—	13	(9)
	—	—	—	—	—	—
	Change in mark-to-market gains (losses) for future period deliveries (b)					
61	7				7	13
62	1				1	(2)
	—	—	—	—	—	—
63	8	—	—	—	8	11
	—	—	—	—	—	—
64	\$21	\$—	\$—	\$—	\$21	\$ 2
	—	—	—	—	—	—

Future Marketing and Trading Mark-to-Market Realization

As of March 10, 2004, Pinnacle West had accumulated mark-to-market net gains of \$32 million related to our power marketing and trading activities. We estimate that these gains will be reclassified to realize gains as the underlying commodities are delivered, as follows: 2004, \$8 million; \$8 million; 2005, \$7 million; 2006, \$3 million and thereafter, \$14 million.

(a) The net effect on pretax gross margin from realization of prior-period mark-to-market included in line 60 and in line 64 is zero. Realization of prior-period mark-to-market relates to cash flow recognition, not earnings recognition. The arithmetic opposites of amounts included in line 56 are included in line 52. The opposites of amounts included in line 57 are included in line 54. For example, line 56 shows that a prior-period mark-to-market gain of \$1 million was transferred to “realized” for the first quarter of 2004. A \$1 million realized gain is included in the \$11 million on line 52 for the first quarter of 2004.

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

Pinnacle West Capital Corporation

**Consolidated Statistics By Quarter
2004**

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

See Glossary of Terms

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Pinnacle West Capital Corporation

**Consolidated Statistics By Quarter
2004**

Line		1st Qtr	2nd Qtr	3rd Qtr	4thQtr	Year-To-Date	Increase (Decrease) vs Prior YTD
AVERAGE ELECTRIC CUSTOMERS							
Retail customers							
79	Residential	855,754				855,754	27,817
80	Business	105,502				105,502	3,503
81	Total	961,256	—	—	—	961,256	31,320
82	Wholesale customers	66				66	1
83	Total customers	961,322	—	—	—	961,322	31,321
84	Customer Growth (% over prior year)	3.4%				3.4%	0.1%
RETAIL SALES (GWH) - WEATHER NORMALIZED							
85	Residential	2,383				2,383	140
86	Business	3,007				3,007	132
87	Total	5,390	—	—	—	5,390	272
RETAIL USAGE (KWh/Average Customer)							
88	Residential	2,816				2,816	275
89	Business	28,919				28,919	992
RETAIL USAGE - WEATHER NORMALIZED (KWh/Average Customer)							
90	Residential	2,784				2,784	75
91	Business	28,502				28,502	315
ELECTRICITY DEMAND (MW)							
92	System peak demand	3,979				3,979	410

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Pinnacle West Capital Corporation

**Consolidated Statistics By Quarter
2004**

Line	1st Qtr	2nd Qtr	3rd Qtr	4thQtr	Year-To-Date	Increase (Decrease) vs Prior YTD
ENERGY SOURCES (GWH)						
Generation production						
93 Nuclear	2,148				2,148	(158)
94 Coal	2,887				2,887	117
95 Gas, oil and other	363				363	(925)
96 Total	5,398	—	—	—	5,398	(966)
Purchased power						
97 Firm load	701				701	713
98 Marketing and trading	5,507				5,507	(982)
99 Total	6,208	—	—	—	6,208	(269)
100 Total energy sources	11,606	—	—	—	11,606	(1,235)
POWER PLANT PERFORMANCE						
Capacity Factors						
101 Nuclear	88%				88%	(10)%
102 Coal	77%				77%	2%
103 Gas, oil and other	5%				5%	(21)%
104 System average	44%				44%	(14)%
Generation Capacity Out of Service and Replaced for Native Load (average MW/day)						
105 Nuclear	135				135	104
106 Coal	149				149	(143)
107 Gas	49				49	(140)
108 Total	333	—	—	—	333	(179)
109 Generation Fuel Cost (\$/MWh)	\$ 11.17				\$ 11.17	\$ (4.72)

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Pinnacle West Capital Corporation

**Consolidated Statistics By Quarter
2004**

Line	1st Qtr	2nd Qtr	3rd Qtr	4thQtr	Year-To-Date	Increase (Decrease) vs Prior YTD
ENERGY MARKET INDICATORS (a)						
Electricity Average Daily Spot Prices (\$/MWh)						
On-Peak						
110	Palo Verde	\$43.73			\$43.73	\$ (5.93)
111	SP15	\$48.37			\$48.37	\$ (5.98)
Off-Peak						
112	Palo Verde	\$33.66			\$33.66	\$ (2.43)
113	SP15	\$36.90			\$36.90	\$ (2.80)
WEATHER INDICATORS						
Actual						
114	Cooling degree-days	273			273	197
115	Heating degree-days	552			552	203
116	Average humidity	39%			39%	(5)%
10-Year Averages						
117	Cooling degree-days	80			80	—
118	Heating degree-days	521			521	—
119	Average humidity	43%			43%	0%
ECONOMIC INDICATORS						
Building Permits — Metro Phoenix (b)(d)						
120	Single-family	5,564			5,564	607
121	Multi-family	1,039			1,039	812
122	Total	6,603	—	—	6,603	1,419
Arizona Job Growth (c) (d)						
123	Payroll job growth (% over prior year)	2.2%			2.2%	1.0%
124	Unemployment rate (% , seasonally adjusted)	5.2%			5.2%	(0.7)%

Sources:

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

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Pinnacle West Capital Corporation

Consolidated Statistics By Quarter
2003

Line		1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year-To-Date	Increase (Decrease) vs Prior YTD
EARNINGS CONTRIBUTION BY SUBSIDIARY (\$ Millions)							
1	Arizona Public Service	\$ 16	\$ 43	\$ 100	\$ 21	\$ 181	\$ (18)
	Pinnacle West Energy	5	2	3	(12)	(1)	18
3	APS Energy Services	8	5	1	3	16	(12)
4	SunCor	1	2	6	36	46	36
5	El Dorado	3	2	1	1	7	62
6	Parent Company	(13)	1	(1)	(3)	(18)	(61)
7	Income From Continuing Operations	20	55	110	46	231	25
	Income From Discontinued Operations —						
8a	Net of Tax	5	1	—	3	10	1
	Cumulative Effect of Change in Accounting —						
8b	Net of Tax	—	—	—	—	—	66
9	Net Income	\$ 25	\$ 56	\$ 110	\$ 49	\$ 241	\$ 92
EARNINGS PER SHARE BY SUBSIDIARY — DILUTED							
10	Arizona Public Service	\$ 0.17	\$ 0.47	\$ 1.10	\$ 0.23	\$ 1.98	\$ (0.37)
11	Pinnacle West Energy	0.06	0.02	0.04	(0.14)	(0.01)	0.22
12	APS Energy Services	0.08	0.06	0.01	0.03	0.18	(0.15)
13	SunCor	0.01	0.02	0.07	0.39	0.50	0.37
14	El Dorado	0.03	0.02	0.01	0.02	0.08	0.73
15	Parent Company	(0.13)	0.01	(0.03)	(0.03)	(0.21)	(0.71)
16	Income From Continuing Operations	0.22	0.60	1.20	0.50	2.52	0.09
	Income From Discontinued Operations —						
17a	Net of Tax	0.06	0.01	—	0.04	0.11	0.01
	Cumulative Effect of Change in Accounting —						
17b	Net of Tax	—	—	—	—	—	0.77
18	Net Income	\$ 0.28	\$ 0.61	\$ 1.20	\$ 0.54	\$ 2.63	\$ 0.87
19	BOOK VALUE PER SHARE COMMON SHARES OUTSTANDING — DILUTED (Thousands)	\$ 29.39	\$ 29.95	\$ 30.68	\$ 30.97	\$ 30.97	\$ 1.57
20	Average	91,359	91,450	91,467	91,403	91,405	6,441
21	End of Period	91,257	91,262	91,271	91,288	91,288	33

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Pinnacle West Capital Corporation

**Consolidated Statistics By Quarter
2003**

Line	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year-To-Date	Increase (Decrease) vs Prior YTD
ELECTRIC OPERATING REVENUES						
(Dollars in Millions)						
Regulated Electricity Segment						
Retail						
22	\$168	\$233	\$363	\$193	\$ 957	\$ 51
23	196	251	284	222	953	25
24	364	484	647	415	1,910	76
Wholesale revenue on delivered electricity						
25	3	4	5	3	15	6
26	—	—	—	—	—	—
27	6	5	9	7	27	(3)
28	7	6	6	7	26	9
29	380	499	667	432	1,978	88
Marketing and Trading Segment						
Delivered marketing and trading						
30	44	20	8	16	88	38
31	9	5	2	6	22	(28)
32	72	78	84	74	308	140
33	125	103	94	96	418	150
Other Marketing and Trading						
34	(2)	(2)	(5)	1	(8)	(16)
35	(3)	1	(3)	(1)	(11)	30
36	(3)	(1)	(3)	(5)	(7)	(59)
37	(8)	(2)	(11)	(5)	(26)	(45)
38	117	101	83	91	392	105
39	\$497	\$600	\$750	\$523	\$2,370	\$193

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

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Pinnacle West Capital Corporation

**Consolidated Statistics By Quarter
2003**

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

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Pinnacle West Capital Corporation

**Consolidated Statistics By Quarter
2003**

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

Future Marketing and Trading Mark-to-Market Realization

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

(a) The net effect on pretax gross margin from realization of prior-period mark-to-market included in line 60 and in line 64 is zero.

Realization of prior-period mark-to-market relates to cash flow recognition, not earnings recognition. The arithmetic opposites of amounts included in line 56 are included in line 52. The opposites of amounts included in line 57 are included in line 54. For example, line 56 shows that a prior-period mark-to-market gain of \$2 million was transferred to “realized” for the fourth quarter of 2003. A \$2 million realized gain is included in the \$12 million on line 52 for the fourth quarter of 2003.

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

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Pinnacle West Capital Corporation

**Consolidated Statistics By Quarter
2003**

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

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Pinnacle West Capital Corporation

**Consolidated Statistics By Quarter
2003**

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

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Pinnacle West Capital Corporation

**Consolidated Statistics By Quarter
2003**

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

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Pinnacle West Capital Corporation

**Consolidated Statistics By Quarter
2003**

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

Sources:

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

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

(c) Arizona Department of Economic Security

See Glossary of Terms.

Pinnacle West Capital Corporation

Consolidated Statistics By Quarter
2002

Line		1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year-To-Date	Increase (Decrease) vs Prior YTD
EARNINGS CONTRIBUTION BY SUBSIDIARY (\$ Millions)							
1	Arizona Public Service	\$ 32	\$ 64	\$ 87	\$ 16	\$ 199	\$ (82)
2	Pinnacle West Energy	1	1	10	(31)	(19)	(37)
3	APS Energy Services	2	11	7	8	28	38
4	SunCor	1	2	(1)	8	10	7
5	El Dorado	—	(3)	(15)	(37)	(55)	(55)
6	Parent Company	17	(6)	13	19	43	8
7	Income From Continuing Operations	53	69	101	(17)	206	(121)
8a	Income From Discontinued Operations - Net of Tax	1	6	—	2	9	9
8b	Cumulative Effect of Change in Accounting - Net of Tax	—	—	—	(66)	(66)	(51)
9	Net Income	\$ 54	\$ 75	\$ 101	\$ (81)	\$ 149	\$ (163)
EARNINGS PER SHARE BY SUBSIDIARY — DILUTED							
10	Arizona Public Service	\$ 0.37	\$ 0.76	\$ 1.02	\$ 0.19	\$ 2.35	\$ (0.95)
11	Pinnacle West Energy	0.01	0.01	0.12	(0.37)	(0.23)	(0.44)
12	APS Energy Services	0.03	0.13	0.08	0.09	0.33	0.45
13	SunCor	0.02	0.02	(0.01)	0.09	0.13	0.09
14	El Dorado	—	(0.04)	(0.18)	(0.43)	(0.65)	(0.65)
15	Parent Company	0.20	(0.07)	0.16	0.24	0.50	0.08
16	Income From Continuing Operations	0.63	0.81	1.19	(0.19)	2.43	(1.42)
17a	Income From Discontinued Operations - Net of Tax	—	0.08	—	0.01	0.10	0.11
17b	Cumulative Effect of Change in Accounting - Net of Tax	—	—	—	(0.77)	(0.77)	(0.60)
18	Net Income	\$ 0.63	\$ 0.89	\$ 1.19	\$ (0.95)	\$ 1.76	\$ (1.91)
19	BOOK VALUE PER SHARE COMMON SHARES OUTSTANDING - DILUTED (Thousands)	\$ 30.06	\$ 30.54	\$ 31.39	\$ 29.40	\$ 29.40	\$ (0.06)
20	Average	84,884	84,926	84,797	85,302	84,964	34
21	End of Period	84,789	84,768	84,756	91,255	91,255	6,531

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Pinnacle West Capital Corporation

**Consolidated Statistics By Quarter
2002**

Line	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year-To-Date	Increase (Decrease) vs Prior YTD
ELECTRIC OPERATING REVENUES						
(Dollars in Millions)						
Regulated Electricity Segment						
Retail						
22	\$ 171	\$ 226	\$ 337	\$ 172	\$ 906	\$ (9)
23	195	251	270	212	928	(24)
24	366	477	607	384	1,834	(33)
Wholesale revenue on delivered electricity						
25	2	1	3	3	9	(64)
26	—	—	—	—	—	—
27	6	6	6	12	30	4
28	4	2	4	7	17	(1)
29	378	486	620	406	1,890	(94)
Marketing and Trading Segment						
Delivered marketing and trading						
30	8	2	8	32	50	(98)
31	28	13	8	1	50	(20)
32	21	31	45	71	168	36
33	57	46	61	104	268	(82)
Other Marketing and Trading						
34	4	1	(3)	6	8	22
35	(22)	(9)	2	(8)	(41)	(47)
36	23	3	23	(1)	52	(76)
37	5	(5)	22	(3)	19	(101)
38	62	41	83	101	287	(183)
39	\$ 440	\$ 527	\$ 703	\$ 507	\$ 2,177	\$ (277)

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

Pinnacle West Capital Corporation

**Consolidated Statistics By Quarter
2002**

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

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Pinnacle West Capital Corporation

**Consolidated Statistics By Quarter
2002**

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

Future Marketing and Trading Mark-to-Market Realization

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

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



Pinnacle West Capital Corporation

**Consolidated Statistics By Quarter
2002**

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

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Pinnacle West Capital Corporation

**Consolidated Statistics By Quarter
2002**

Line		1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year-To-Date	Increase (Decrease) vs Prior YTD
	AVERAGE ELECTRIC CUSTOMERS						
	Retail customers						
79	Residential	801,000	795,681	798,590	811,930	801,801	25,462
80	Business	99,335	100,096	100,318	101,177	100,228	2,030
81	Total	900,335	895,777	898,908	913,107	902,029	27,492
82	Wholesale customers	67	67	67	67	67	1
83	Total customers	900,402	895,844	898,975	913,174	902,096	27,493
84	Customer Growth (% over prior year)	3.2%	3.2%	3.1%	3.2%	3.1%	(0.5)%
	RETAIL SALES (GWH) - WEATHER NORMALIZED						
85	Residential	2,163	2,446	3,683	2,139	10,431	632
86	Business	2,778	3,410	3,689	3,028	12,905	86
87	Total	4,941	5,856	7,372	5,167	23,336	718
	RETAIL USAGE (KWh/Average Customer)						
88	Residential	2,673	3,068	4,766	2,532	13,025	(287)
89	Business	27,896	34,258	36,691	30,011	128,885	(4,152)
	RETAIL USAGE - WEATHER NORMALIZED (KWh/Average Customer)						
90	Residential	2,700	3,074	4,614	2,634	13,009	387
91	Business	27,966	34,067	36,773	29,928	128,756	(1,786)
	ELECTRICITY DEMAND (MW)						
92	System peak demand	3,921	5,425	5,803	3,828	5,803	116

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Pinnacle West Capital Corporation

**Consolidated Statistics By Quarter
2002**

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

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Pinnacle West Capital Corporation

**Consolidated Statistics By Quarter
2002**

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

Sources:

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

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Pinnacle West Capital Corporation

Consolidated Statistics By Quarter
2001

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

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**Consolidated Statistics By Quarter
2001**

Line	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total Year	Increase (Decrease) vs Prior Year
ELECTRIC OPERATING REVENUES (Dollars in Millions)						
Regulated Electricity Segment						
Retail						
22	\$173	\$234	\$328	\$180	\$ 915	\$ 34
23	199	258	276	219	952	17
24	372	492	604	399	1,867	51
Wholesale revenue on delivered electricity						
25	26	55	(10)	2	73	(48)
26	—	—	—	—	—	(561)
27	4	5	9	8	26	11
28	6	5	6	1	18	(9)
29	408	557	609	410	1,984	(556)
Marketing and Trading Segment						
Delivered marketing and trading						
30	87	51	4	6	148	32
31	(15)	20	12	53	70	14
32	45	16	54	17	132	(110)
33	117	87	70	76	350	(64)
Other Marketing and Trading						
34	(5)	(12)	(1)	4	(14)	(5)
35	13	5	(37)	(50)	6	8
36	47	36	129	(9)	128	114
37	55	29	91	(55)	120	117
38	172	116	161	21	470	53
39	\$580	\$673	\$770	\$431	\$2,454	\$(503)

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

Pinnacle West Capital Corporation

**Consolidated Statistics By Quarter
2001**

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

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Pinnacle West Capital Corporation

**Consolidated Statistics By Quarter
2001**

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

Future Marketing and Trading Mark-to-Market Realization

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

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

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



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**Consolidated Statistics By Quarter
2001**

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

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Pinnacle West Capital Corporation

**Consolidated Statistics By Quarter
2001**

Line	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total Year	Increase (Decrease) vs Prior Year
AVERAGE ELECTRIC CUSTOMERS						
Retail customers						
79 Residential	775,317	770,335	773,321	786,382	776,339	27,054
80 Business	97,222	98,065	98,874	98,631	98,198	4,070
81 Total	872,539	868,400	872,195	885,013	874,537	31,124
82 Wholesale customers	68	66	66	66	66	(1)
83 Total customers	872,607	868,466	872,261	885,079	874,603	31,123
84 Customer Growth (% over prior year)	4.0%	3.9%	3.7%	3.2%	3.7%	(0.4)%
RETAIL SALES (GWH) - WEATHER NORMALIZED						
85 Residential	2,033	2,233	3,410	2,123	9,799	122
86 Business	2,823	3,328	3,658	3,010	12,819	79
87 Total	4,856	5,561	7,068	5,133	22,618	201
RETAIL USAGE (KWh/Average Customer)						
88 Residential	2,737	3,203	4,651	2,733	13,312	259
89 Business	29,047	35,130	37,666	31,136	133,037	133,037
RETAIL USAGE - WEATHER NORMALIZED (KWh/Average Customer)						
90 Residential	2,622	2,899	4,410	2,700	12,622	(293)
91 Business	29,037	33,937	36,997	30,518	130,542	(4,806)
ELECTRICITY DEMAND (MW)						
92 System peak demand	3,661	5,358	5,687	3,898	5,687	209

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Pinnacle West Capital Corporation

**Consolidated Statistics By Quarter
2001**

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

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**Consolidated Statistics By Quarter
2001**

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

Sources:

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

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

(c) Arizona Department of Economic Security

See Glossary of Terms.

Pinnacle West Capital Corporation
Quarterly Consolidated Statistical Summary
Glossary of Terms

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

Electricity Marketing and Trading – Delivered

All wholesale sales of electricity not accounted for in sales under traditional contracts or retail load hedge management. These sales are made to other electric companies, power marketers, or public entities for the purpose of resale. Measured in gigawatt-hours.

Electricity Spot Prices — Palo Verde – Off-Peak

Electricity average daily spot prices at Palo Verde substation during off-peak hours. It measures electric prices at the producer level and is the result of real time prices used for benchmarking, price comparisons, and establishing price contracts. Measured in dollars per megawatt-hour.

Electricity Spot Prices — Palo Verde – On-Peak

Electricity average daily spot prices at Palo Verde substation during on-peak hours. It measures electric prices at the producer level and is the result of real time prices used for benchmarking, price comparisons, and establishing price contracts. Measured in dollars per megawatt-hour.

Electricity Spot Prices — SP15 – Off-Peak

Electricity average daily spot prices at SP15, a region of California substations, during off-peak hours. It measures electric prices at the producer level and is the result of real time prices used for benchmarking, price comparisons, and establishing price contracts. Measured in dollars per megawatt-hour.

Electricity Spot Prices — SP15 – On-Peak

Electricity average daily spot prices at SP15, a region of California substations, during on-peak hours. It measures electric prices at the producer level and is the result of real time prices used for benchmarking, price comparisons, and establishing price contracts. Measured in dollars per megawatt-hour.

Generation Capacity Out of Service and Replaced for Native Load

Total capacity required and economic, yet unavailable for retail customers and traditional wholesale contracts due to scheduled or unscheduled outages. Measured in megawatts per day.

Generation Sales Other Than Native Load

Sales of electricity from generation owned by the company that is over and above the amount required to serve retail customers and traditional wholesale contracts.

Generation Production — Coal

Amount of net energy produced by coal-fueled generators. Measured in gigawatt-hours.

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

Prior Period Mark-To-Market (Gains) Losses on Contracts Delivered During Current Period

The reversal of the gross margin related to mark-to-market transactions entered into in prior periods for which the commodities were delivered in the current period. Realization of prior-period mark-to-market relates to cash flow recognition, not revenue recognition or earnings recognition, because in accordance with mark-to-market accounting, the margin was already recorded in the prior period. A negative amount shown in this category represents the arithmetic opposite of a gain recognized in the period in which the commodities were delivered; an equal positive amount is reflected in the realized revenue or margin for delivered commodities. A positive amount shown in this category represents the arithmetic opposite of a loss recognized in the period in which the commodities were delivered; an equal negative amount is reflected in the realized revenue or margin for delivered commodities.

Purchased Power – Firm Load

Power purchased from wholesale market sources used to serve regulated retail demand and traditional wholesale contracts. Measured in gigawatt-hours.

Purchased Power – Marketing and Trading

Power purchased from wholesale market sources used to serve marketing and trading sales not served by company-owned generation. Measured in gigawatt-hours.

Realized Margin on Delivered Commodities

Marketing and trading gross margin related to electricity and other commodities that were delivered in the then-current period.

Retail Customer Growth

Percentage growth over the prior year in the number of retail customers.

Retail Electricity Usage

Total retail sales for a period divided by the average retail customers for the same period. Measured in kilowatt-hours per average customer.

Retail Load Hedge Management

Wholesale sales to liquidate electricity purchases originally intended to meet firm load during peak times, which purchases were not needed ultimately for firm load. These sales are made to other electric companies, power marketers, or public entities for the purpose of resale. Measured in gigawatt-hours.

Retail Sales

Sales of electricity made directly to retail customers or ultimate customers. Residential retail sales are sales to households. Business retail sales include commercial, industrial, irrigation, and streetlighting sales. Measured in gigawatt-hours.

System Peak Demand

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

Traditional Contracts

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

Weather Normalized

Adjusted to exclude the effects of abnormal weather patterns.

**FOR IMMEDIATE RELEASE**

Media Contact: Alan Bunnell, (602) 250-3376
Analyst Contact: Rebecca Hickman, (602) 250-5668
Web site: www.pinnaclewest.com

May 7, 2004
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PINNACLE WEST REPORTS 2004 FIRST QUARTER EARNINGS

PHOENIX — Pinnacle West Capital Corporation (NYSE: PNW) today reported consolidated net income for the quarter ended March 31, 2004, of \$30.2 million, or \$0.33 per diluted share of common stock. This result compares with net income of \$25.3 million, or \$0.28 per share, for the comparable quarter a year ago.

The improved results were positively impacted by higher retail sales volumes at Arizona Public Service (APS) due to customer growth and weather, which in 2004 included the hottest March on record. Compared with the first quarter a year ago, electricity consumption by APS retail customers increased 10.3 percent in 2004.

“The rapidly increasing demand for electricity in Arizona underscores the critical importance of staying ahead of the growing energy needs of our customers,” said Chairman Bill Post. “Meeting that challenge requires tenacity and investment.”

In addition to 3.4 percent customer growth (about three times the national average) and weather effects, the quarter-to-quarter comparison also was positively affected by lower regulatory asset amortization. These positive factors were partially offset by a net increase in costs related to placing a new electricity-generating unit into service in mid-2003; and replacement power costs related to unplanned power plant outages.

For more information on Pinnacle West’s operating statistics and earnings, please visit <http://www.pinnaclewest.com/main/pnw/investors/financials/quarterly/default.html>.

Conference Call

Pinnacle West invites interested parties to listen to the live webcast of management’s conference call to discuss the Company’s 2004 first quarter earnings and recent developments at 12 noon (ET) today, May 7. The webcast can be accessed at www.pinnaclewest.com/main/pnw/investors/presentations/default.html 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 reservation number 6629019. A replay of the call also will be available until 12 midnight (ET), Friday, May 14, 2004, by calling (800) 642-1687 in the U.S. and Canada or (706) 645-9291 internationally and entering reservation number 6629019.

Pinnacle West is a Phoenix-based company with consolidated assets of approximately \$9.4 billion. Through its subsidiaries, the Company generates, sells and delivers electricity and sells energy-related products and services to retail and wholesale customers in the western United States. It also develops residential, commercial, and industrial real estate projects.

PINNACLE WEST CAPITAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(unaudited)

(in thousands, except per share amounts)

	THREE MONTHS ENDED	
	March 31,	
	2004	2003
Operating Revenues		
Regulated electricity segment	\$415,464	\$379,678
Marketing and trading segment	88,383	116,706
Real estate segment	51,593	40,688
Other revenues	18,929	15,571
	574,369	552,643
Operating Expenses		
Regulated electricity segment purchased power and fuel	88,611	69,389
Marketing and trading segment purchased power and fuel	67,764	97,608
Operations and maintenance	138,656	133,117
Real estate segment operations	47,690	40,159
Depreciation and amortization	101,504	105,398
Taxes other than income taxes	30,330	28,496
Other expenses	16,443	9,221
	490,998	483,388
Operating Income	83,371	69,255
Other		
Allowance for equity funds used during construction	2,002	—
Other income	11,412	5,721
Other expense	(5,945)	(4,197)
	7,469	1,524
Interest Expense		
Interest charges	50,356	47,851
Capitalized interest	(4,911)	(9,979)
	45,445	37,872
Income From Continuing Operations Before Income Taxes	45,395	32,907
Income Taxes	15,627	12,754
	29,768	20,153
Income From Continuing Operations		
Income from Discontinued Operations		
Net of Income Tax Expense	388	5,145
	\$ 30,156	\$ 25,298
Net Income		
Weighted-Average Common Shares Outstanding — Basic	91,294	91,256
Weighted-Average Common Shares Outstanding — Diluted	91,376	91,359
Earnings Per Weighted-Average Common Share Outstanding		
Income From Continuing Operations — Basic	\$ 0.33	\$ 0.22
Net Income — Basic	\$ 0.33	\$ 0.28
Income From Continuing Operations — Diluted	\$ 0.33	\$ 0.22
Net Income — Diluted	\$ 0.33	\$ 0.28