

PINNACLE WEST CAPITAL CORP

FORM 8-K (Current report filing)

Filed 04/26/05 for the Period Ending 03/31/05

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

ARIZONA PUBLIC SERVICE CO

FORM 8-K (Unscheduled Material Events)

Filed 4/26/2005 For Period Ending 3/31/2005

Address	400 N FIFTH ST P O BOX 53999 PHOENIX, Arizona 85004
Telephone	602-250-1000
CIK	0000007286
Fiscal Year	12/31

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

FORM 8-K

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

Date of Report (Date of earliest event reported): March 31, 2005

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

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

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

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

GLOSSARY

ACC – Arizona Corporation Commission

APS – Arizona Public Service Company, a subsidiary of the Company

Company – Pinnacle West Capital Corporation

FERC – Federal Energy Regulatory Commission

kWh – kilowatt hour, one thousand watts per hour

January Form 8-K – Pinnacle West’s Current Report on Form 8-K filed on January 28, 2005

March Form 8-K – Pinnacle West’s Current Report on Form 8-K filed on March 29, 2005

Native Load – retail and wholesale sales supplied under traditional cost-based rate regulation

Pinnacle West – Pinnacle West Capital Corporation

Pinnacle West Energy – Pinnacle West Energy Corporation, a subsidiary of the Company

PWEC Dedicated Assets – the following Pinnacle West Energy Corporation power plants: Redhawk Units 1 and 2, West Phoenix Units 4 and 5 and Saguaro Unit 3

Sundance Plant – a 450-megawatt generating facility located approximately 55 miles southeast of Phoenix, Arizona

2004 Form 10-K – the Pinnacle West/APS Annual Report on Form 10-K for the fiscal year ended December 31, 2004

2004 Settlement Agreement – an agreement that, as approved by the ACC, established terms to resolve APS’ general rate case originally filed with the ACC in June 2003

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Item 2.02. Results of Operations and Financial Condition

Certain of the Information referenced in Item 7.01 below relates to Pinnacle West's results of operations for its fiscal quarter ended March 31, 2005. This Information is attached hereto as Exhibits 99.2, 99.3, and 99.7.

On April 26, 2005, the Company issued a press release regarding its financial results for its fiscal quarter year ended March 31, 2005. A copy of the press release is attached hereto as Exhibit 99.9.

The information being furnished pursuant to this Item 2.02 and in Exhibits 99.2, 99.3, 99.7, 99.9 and 99.10 of this report relating to the Company's financial results for its fiscal quarter ended March 31, 2005 shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") or otherwise subject to the liabilities of that Section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 7.01. Regulation FD Disclosure

Financial and Business Information

The Company is providing quarterly consolidated statistical summaries, earnings variance explanations, and a glossary of relevant terms (collectively, "Information") to help interested parties better understand its business (see Exhibits 99.1, 99.2, 99.3, 99.4, 99.5, 99.6, 99.7, and 99.8). This Information is concurrently being posted to the Company's website at www.pinnaclewest.com. 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.

Earnings Outlook

We currently estimate that 2005 earnings will be within a reasonable range around \$3.00 per diluted common share. This estimate is based on a number of factors and assumptions, including but not limited to:

- We assume SunCor Development Company will report 2005 net income of approximately \$50 million, or \$0.55 per share.
 - Our earnings for the first quarter of 2005 exceeded our initial plan. We expect approximately \$0.11 per share of the excess to benefit our 2005 earnings, primarily due to fewer unplanned plant outages and lower related replacement power costs (\$0.07 per share) and higher mark-to-market valuations for Native Load hedge positions as a result of higher forward prices for gas and power (\$0.04 per share).
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- We assume APS' acquisition of the Sundance Plant will be approved by the FERC and close in the spring of 2005. Our planned ownership of the Sundance Plant is expected to decrease 2005 earnings approximately \$0.03 per share compared with our earnings outlook in the January Form 8-K.
- Pinnacle West Energy issued \$500 million of two-year floating rate notes and repaid the intercompany loan from APS. This refinancing is expected to save approximately \$0.02 per share compared with our earnings outlook in the January Form 8-K.
- The estimate reflects the effects of our expected issuance of approximately 6,095,000 shares of our common stock, which assumes the underwriters' full exercise of their over-allotment option. The net effect is estimated to be a decrease in earnings of \$0.09 per share for 2005.
- The transfer of the PWEC Dedicated Assets from Pinnacle West Energy to APS, as approved by the ACC in the 2004 Settlement Agreement, is expected to take place after the FERC approves the transfer. We will recognize a regulatory disallowance of approximately \$90 million after income taxes in the period when the plant transfer to APS is completed. Our 2005 earnings estimate does not reflect the regulatory disallowance.
- This estimate does not reflect the effects of a potential sale of our interest in Silverhawk, as discussed under "Silverhawk Power Station" below.

Except as described in the following sentence, earnings per share amounts for the factors and assumptions discussed above are after income taxes and are based on diluted common shares outstanding before the expected equity issuance. Earnings per share amounts for the net effect of the expected equity issuance are after income taxes and are based on expected average common shares outstanding after the issuance.

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

Silverhawk Power Station

Pinnacle West, through its subsidiary Pinnacle West Energy, has a 75% ownership interest in Silverhawk, a 570 MW combined cycle power plant located 20 miles north of Las Vegas, Nevada. Silverhawk is the only Pinnacle West generating facility that operates as a fully competitive merchant generator. While we believe that our Silverhawk ownership interest will be profitable in the longer term, we estimate that in 2005 and 2006 it will incur annual after-tax losses in the range of \$19 million to \$23 million, or \$0.20 to \$0.25 per share. Such a loss for 2005 was assumed in developing the Company's 2005 earnings outlook discussed above.

Recently, we have received proposals from several parties that have expressed interest in acquiring our ownership interest in Silverhawk. These proposals contemplate a transaction closing in 2005. Such a transaction would result in our recognizing a loss. If such a transaction were to

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occur, we would plan to invest the after-tax sale proceeds, estimated to be in the range of \$200 million to \$215 million, into APS. No assurance can be given that the transaction will occur.

The information being furnished pursuant to this Item 7.01 and in Exhibits 99.1, 99.2, 99.3, 99.4, 99.5, 99.6, 99.7 and 99.8 shall not be deemed to be “filed” for purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities of that Section.

Forward-Looking Statements

This Report on Form 8-K contains forward-looking statements based on current expectations, and we assume no obligation to update these statements or make any further statements on any of these issues, except as required by applicable law. Forward-looking statements are often identified by words such as “estimate,” “predicts,” “hope,” “may,” “believe,” “should,” “anticipate,” “plan,” “expect,” “require,” “intend,” “assume” and similar words. Because actual results may differ materially from expectations, we caution readers not to place undue reliance on these statements. A number of factors could cause future results to differ materially from historical results, or from results or outcomes currently expected or sought by us. These factors include, but are not limited to:

- state and federal regulatory and legislative decisions and actions, including by the FERC;
- the ongoing restructuring of the electric industry, including the introduction of retail electric competition in Arizona and decisions impacting wholesale competition;
- the outcome of regulatory, legislative and judicial proceedings relating to the restructuring;
- market prices for electricity and natural gas;
- power plant performance and outages;
- transmission outages and constraints;
- weather variations affecting local and regional customer energy usage;
- regional economic and market conditions, including the results of litigation and other proceedings resulting from the California energy situation, volatile purchased power and fuel costs and the completion of generation and transmission construction in the region, which could affect customer growth and the cost of power supplies;
- the cost of debt and equity capital and access to capital markets and the assumption that the expected equity issuance described above will occur;
- the uncertainty that current credit ratings will remain in effect for any given period of time;
- our ability to compete successfully outside traditional regulated markets (including the wholesale market);
- the performance of our marketing and trading activities due to volatile market liquidity and any deteriorating counterparty credit and the use of derivative contracts in our business (including the interpretation of the subjective and complex accounting rules related to these contracts);
- changes in accounting principles generally accepted in the United States of America and the

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interpretation of those principles;

- the performance of the stock market and the changing interest rate environment, which affect the amount of our required contributions to our pension plan and nuclear decommissioning trust funds, as well as our reported costs of providing pension and other postretirement benefits;
- technological developments in the electric industry;
- the strength of the real estate market in SunCor's market areas, which include Arizona, Idaho, New Mexico and Utah; and
- other uncertainties, all of which are difficult to predict and many of which are beyond our control.

Item 9.01. Financial Statements and Exhibits

(c) Exhibits.

Exhibit No.	Registrant(s)	Description
99.1	Pinnacle West APS	Pinnacle West Capital Corporation quarterly consolidated statistical summary (cover page and list of contents).
99.2	Pinnacle West APS	Pinnacle West Capital Corporation quarterly consolidated statistical summary for the periods ended March 31, 2005 and 2004.
99.3	Pinnacle West APS	Pinnacle West Capital Corporation consolidated statistics by quarter for 2005.
99.4	Pinnacle West	Pinnacle West Capital Corporation consolidated statistics by quarter for 2004.
99.5	Pinnacle West	Pinnacle West Capital Corporation consolidated statistics by quarter for 2003.
99.6	Pinnacle West	Pinnacle West Capital Corporation consolidated statistics by quarter for 2002.
99.7	Pinnacle West APS	Pinnacle West Capital Corporation earnings variance explanations for periods ended March 31, 2005 and 2004 and condensed consolidated statements of income for the three months ended March 31, 2005 and 2004.
99.8	Pinnacle West APS	Glossary of Terms.
99.9	Pinnacle West APS	Earnings News Release issued on April 26, 2005.
99.10	Pinnacle West APS	Reconciliation of Operating Income to Gross Margin.

SIGNATURES

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

PINNACLE WEST CAPITAL CORPORATION
(Registrant)

Dated: April 26, 2005

By: /s/ Barbara M. Gomez

Barbara M. Gomez
Vice President and Treasurer

ARIZONA PUBLIC SERVICE COMPANY
(Registrant)

Dated: April 26, 2005

By: /s/ Barbara M. Gomez

Barbara M. Gomez
Vice President and Treasurer

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Pinnacle West Capital Corporation

Quarterly Consolidated Statistical Summary

Periods Ended March 31, 2005 and 2004

2005 First Quarter Summary

2004 by Quarter

2003 by Quarter

2002 by Quarter

Quarters may not sum to totals due to rounding.

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

The definitions of terms used in this statistical summary are contained in the "Glossary of Terms" on the Pinnacle West website at:
<http://www.pinnaclewest.com/files/investors/2005Q1QuarStatsGloss.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, 2005 and 2004

Line		3 Mo. Ended March		
		2005	2004	Incr (Decr)
	EARNINGS CONTRIBUTION			
	BY SUBSIDIARY (\$ Millions)			
1	Arizona Public Service	\$ 27	\$ 34	\$ (7)
2	Pinnacle West Energy	(21)	(18)	(3)
3	APS Energy Services	(3)	2	(5)
4	SunCor	9	2	7
5	El Dorado	(1)	—	(1)
6	Parent Company	13	11	2
7	Income From Continuing Operations	24	31	(7)
	Income From Discontinued Operations -			
8a	Net of Tax	—	—	—
	Cumulative Effect of Change in Accounting -			
8b	Net of Tax	—	—	—
9	Net Income	<u>\$ 24</u>	<u>\$ 31</u>	<u>\$ (7)</u>
	EARNINGS PER SHARE			
	BY SUBSIDIARY — DILUTED			
10	Arizona Public Service	\$ 0.30	\$ 0.38	\$ (0.08)
11	Pinnacle West Energy	(0.22)	(0.20)	(0.02)
12	APS Energy Services	(0.04)	0.02	(0.06)
13	SunCor	0.09	0.02	0.07
14	El Dorado	(0.01)	—	(0.01)
15	Parent Company	0.15	0.12	0.03
16	Income From Continuing Operations	0.27	0.34	(0.07)
	Income From Discontinued Operations -			
17a	Net of Tax	—	—	—
	Cumulative Effect of Change in Accounting -			
17b	Net of Tax	—	—	—
18	Net Income	<u>\$ 0.27</u>	<u>\$ 0.34</u>	<u>\$ (0.07)</u>
19	BOOK VALUE PER SHARE	<u>\$ 32.50</u>	<u>\$ 31.19</u>	<u>\$ 1.31</u>
	COMMON SHARES OUTSTANDING -			
	DILUTED (Thousands)			
20	Average	92,045	91,376	669
21	End of Period	92,103	91,310	793

See Glossary of Terms.

Pinnacle West Capital Corporation

**Quarterly Consolidated Statistical Summary
Periods Ended March 31, 2005 and 2004**

Line		3 Mo. Ended March		
		2005	2004	Incr (Decr)
	ELECTRIC OPERATING REVENUES			
	(Dollars in Millions)			
	REGULATED ELECTRICITY SEGMENT			
	Retail			
22	Residential	\$ 190	\$ 189	\$ 1
23	Business	209	211	(2)
24	Total retail	399	400	(1)
	Wholesale revenue on delivered electricity			
25	Traditional contracts	3	3	—
26	Retail load hedge management	—	—	—
27	Transmission for others	7	8	(1)
28	Other miscellaneous services	7	4	3
29	Total regulated electricity	416	415	1
	MARKETING AND TRADING SEGMENT			
	Delivered marketing and trading			
30	Generation sales other than native load	46	10	36
31	Realized margins on electricity trading (a)	6	5	1
32	Other delivered electricity (a)	58	66	(8)
33	Total delivered marketing and trading	110	81	29
	Other marketing and trading			
34	Realized margins on delivered commodities other than electricity (a)	1	(2)	3
35	Prior period mark-to-market (gains) losses on contracts delivered during current period (a)	(2)	1	(3)
36	Change in mark-to-market for future-period deliveries	8	8	—
37	Total other marketing and trading	7	7	—
38	Total marketing and trading	117	88	29
39	Total operating electric revenues	\$ 533	\$ 503	\$ 30

(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 \$2 million was transferred to "realized" for the first quarter of 2005. Lines 31, 32 and 34 include amounts totaling \$2 million of realized gain for the first quarter of 2005.

Pinnacle West Capital Corporation

Quarterly Consolidated Statistical Summary
Periods Ended March 31, 2005 and 2004

Line		3 Mo. Ended March		
		2005	2004	Incr (Decr)
	ELECTRIC SALES (GWH)			
	Regulated Electricity Segment			
	Retail sales			
40	Residential	2,367	2,410	(43)
41	Business	3,042	3,051	(9)
42	Total retail	5,409	5,461	(52)
	Wholesale electricity delivered			
43	Traditional contracts	155	138	17
44	Retail load hedge management	750	169	581
45	Total regulated electricity	6,314	5,768	546
	Marketing and Trading Segment			
	Delivered marketing and trading			
46	Generation sales other than native load	979	358	621
47	Electricity trading	4,015	4,198	(183)
48	Other delivered electricity	1,067	1,139	(72)
49	Total delivered marketing and trading	6,061	5,695	366
50	Total electric sales	12,375	11,463	912

See Glossary of Terms.

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Pinnacle West Capital Corporation

**Quarterly Consolidated Statistical Summary
Periods Ended March 31, 2005 and 2004**

Line		3 Mo. Ended March		
		2005	2004	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	\$ 6	\$ 3	\$ 3
52	Other electricity marketing and trading (a)	4	11	(7)
53	Total electricity	10	14	(4)
54	Other commodities (a)	1	(2)	3
55	Total realized margin	11	12	(1)
Prior-period mark-to-market (gains) losses on contracts delivered during current period				
56	Electricity (a)	(1)	(1)	—
57	Other commodities (a)	(1)	2	(3)
58	Subtotal	(2)	1	(3)
59	Total current period effects (b)	9	13	(4)
Change in mark-to-market gains (losses) for future period deliveries (b)				
60	Electricity	2	7	(5)
61	Other commodities	6	1	5
62	Subtotal	8	8	—
63	Total gross margin	<u>\$ 17</u>	<u>\$ 21</u>	<u>\$ (4)</u>

Future Marketing and Trading Mark-to-Market Realization

As of March 31, 2005, Pinnacle West had accumulated net mark-to-market gains of \$45 million related to our power marketing and trading activities. We estimate that these gains will be reclassified to realized gains as the underlying commodities are delivered, as follows: 2005, \$16 million; 2006, \$6 million; 2007, \$15 million; and thereafter, \$8 million.

(a) The net effect on pretax gross margin from realization of prior-period mark-to-market included in line 59 and in line 63 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 2005. A \$1 million realized gain is included in the \$4 million on line 52 for the first quarter of 2005.

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

Pinnacle West Capital Corporation

Quarterly Consolidated Statistical Summary
Periods Ended March 31, 2005 and 2004

Line		3 Mo. Ended March		
		2005	2004	Incr (Decr)
MARKETING AND TRADING SEGMENT				
PRETAX GROSS MARGIN ANALYSIS (continued)				
(Dollars in Millions)				
By Commodity Sold or Traded				
64	Electricity	\$ 11	\$ 20	\$ (9)
65	Natural gas	6	1	5
66	Coal	—	—	—
67	Emission allowances	—	—	—
68	Other	—	—	—
69	Total gross margin	<u>\$ 17</u>	<u>\$ 21</u>	<u>\$ (4)</u>
By Pinnacle West Entity				
Parent company marketing and trading division				
70	Generation sales other than native load	\$ 1	\$ —	\$ 1
71	Other marketing and trading	13	12	1
APS				
72	Generation sales other than native load	5	3	2
73	Other marketing and trading	(9)	(8)	(1)
Pinnacle West Energy				
74	Generation sales other than native load	—	—	—
75	Other marketing and trading	10	10	—
APS ES				
76	Other marketing and trading	(3)	4	(7)
77	Total gross margin before income taxes	<u>\$ 17</u>	<u>\$ 21</u>	<u>\$ (4)</u>

Pinnacle West Capital Corporation

Quarterly Consolidated Statistical Summary
Periods Ended March 31, 2005 and 2004

Line		3 Mo. Ended March		
		2005	2004	Incr (Decr)
AVERAGE ELECTRIC CUSTOMERS				
	Retail customers			
78	Residential	889,967	855,754	34,213
79	Business	109,772	105,502	4,270
80	Total	999,739	961,256	38,483
81	Wholesale customers	81	81	—
82	Total customers	999,820	961,337	38,483
83	Customer Growth (% over prior year)	4.0%	3.4%	0.6%
RETAIL SALES (GWH) - WEATHER NORMALIZED				
84	Residential	2,430	2,371	59
85	Business	3,058	2,998	60
86	Total	5,488	5,369	119
RETAIL USAGE (KWh/Average Customer)				
87	Residential	2,660	2,816	(156)
88	Business	27,712	28,919	(1,207)
RETAIL USAGE - WEATHER NORMALIZED (KWh/Average Customer)				
89	Residential	2,730	2,770	(40)
90	Business	27,860	28,422	(562)
ELECTRICITY DEMAND (MW)				
91	System peak demand	3,997	3,979	18

Pinnacle West Capital Corporation

**Quarterly Consolidated Statistical Summary
Periods Ended March 31, 2005 and 2004**

Line		3 Mo. Ended March		
		2005	2004	Incr (Decr)
	ENERGY SOURCES (GWH)			
	Generation production			
92	Nuclear	2,247	2,148	99
93	Coal	2,940	2,887	53
94	Gas, oil and other	1,127	367	760
95	Total	<u>6,314</u>	<u>5,402</u>	<u>912</u>
	Purchased power			
96	Firm load	586	701	(115)
97	Marketing and trading	5,832	5,506	326
98	Total	<u>6,418</u>	<u>6,207</u>	<u>211</u>
99	Total energy sources	<u>12,732</u>	<u>11,609</u>	<u>1,123</u>
	POWER PLANT PERFORMANCE			
	Capacity Factors			
100	Nuclear	94%	88%	6%
101	Coal	80%	77%	3%
102	Gas, oil and other	17%	5%	12%
103	System average	49%	44%	5%
	Generation Capacity Out of Service and Replaced for Native Load (average MW/day)			
104	Nuclear	52	135	(83)
105	Coal	138	149	(11)
106	Gas	212	49	163
107	Total	<u>402</u>	<u>333</u>	<u>69</u>
108	Generation Fuel Cost (\$/MWh)	\$ 15.50	\$ 11.17	\$ 4.33

Pinnacle West Capital Corporation

**Quarterly Consolidated Statistical Summary
Periods Ended March 31, 2005 and 2004**

Line		3 Mo. Ended March		
		2005	2004	Incr (Decr)
ENERGY MARKET INDICATORS (a)				
Electricity Average Daily Spot Prices (\$/MWh)				
On-Peak				
109	Palo Verde	\$49.74	\$43.73	\$ 6.01
110	SP15	\$55.70	\$48.37	\$ 7.33
Off-Peak				
111	Palo Verde	\$37.04	\$33.66	\$ 3.38
112	SP15	\$40.96	\$36.90	\$ 4.06
WEATHER INDICATORS				
Actual				
113	Cooling degree-days	34	273	(239)
114	Heating degree-days	457	552	(95)
115	Average humidity	56%	39%	17%
10-Year Averages				
116	Cooling degree-days	80	80	—
117	Heating degree-days	521	521	—
118	Average humidity	43%	43%	0%
ECONOMIC INDICATORS				
Building Permits — Metro Phoenix (b) (d)				
119	Single-family	6,447	5,571	876
120	Multi-family	1,972	974	998
121	Total	<u>8,419</u>	<u>6,545</u>	<u>1,874</u>
Arizona Job Growth (c) (d)				
122	Payroll job growth (% over prior year)	4.2%	2.5%	1.7%
123	Unemployment rate (% , seasonally adjusted)	4.3%	5.3%	(1.0)%

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 2005.

Pinnacle West Capital Corporation

Consolidated Statistics By Quarter
2005

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	\$ 27				27	(7)
2	Pinnacle West Energy	(21)				(21)	(3)
3	APS Energy Services	(3)				(3)	(5)
4	SunCor	9				9	7
5	El Dorado	(1)				(1)	(1)
6	Parent Company	13				13	2
7	Income From Continuing Operations	24	—	—	—	24	(7)
	Income From Discontinued Operations -						
8a	Net of Tax	—				—	—
	Cumulative Effect of Change in Accounting -						
8b	Net of Tax	—				—	—
9	Net Income	<u>\$ 24</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 24</u>	<u>\$ (7)</u>
EARNINGS PER SHARE							
BY SUBSIDIARY - DILUTED							
10	Arizona Public Service	\$ 0.30				\$ 0.30	\$ (0.08)
11	Pinnacle West Energy	(0.22)				(0.22)	(0.02)
12	APS Energy Services	(0.04)				(0.04)	(0.06)
13	SunCor	0.09				0.09	0.07
14	El Dorado	(0.01)				(0.01)	(0.01)
15	Parent Company	0.15				0.15	0.03
16	Income From Continuing Operations	0.27	—	—	—	0.27	(0.07)
	Income From Discontinued Operations -						
17a	Net of Tax	—				—	—
	Cumulative Effect of Change in Accounting -						
17b	Net of Tax	—				—	—
18	Net Income	<u>\$ 0.27</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 0.27</u>	<u>\$ (0.07)</u>
19	BOOK VALUE PER SHARE	<u>\$ 32.50</u>				<u>\$ 32.50</u>	<u>\$ 1.31</u>
COMMON SHARES OUTSTANDING							
- DILUTED (Thousands)							
20	Average	92,045				92,045	669
21	End of Period	92,103				92,103	793

Pinnacle West Capital Corporation

Consolidated Statistics By Quarter
2005

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	\$ 190				\$ 190	\$ 1
23	Business	209				209	(2)
24	Total retail	399	—	—	—	399	(1)
Wholesale revenue on delivered electricity							
25	Traditional contracts	3				3	—
26	Retail load hedge management	—				—	—
27	Transmission for others	7				7	(1)
28	Other miscellaneous services	7				7	3
29	Total regulated electricity	416	—	—	—	416	1
Marketing and Trading Segment							
Delivered marketing and trading							
30	Generation sales other than native load	46				46	36
31	Realized margins on electricity trading (a)	6				6	1
32	Other delivered electricity (a)	58				58	(8)
33	Total delivered marketing and trading	110	—	—	—	110	29
Other Marketing and Trading							
34	Realized margins on delivered commodities other than electricity (a)	1				1	3
35	Prior period mark-to-market (gains) losses on contracts delivered during current period (a)	(2)				(2)	(3)
36	Change in mark-to-market for future-period deliveries	8				8	—
37	Total other marketing and trading	7	—	—	—	7	—
38	Total marketing and trading	117	—	—	—	117	29
39	Total electric operating revenues	\$ 533	\$ —	\$ —	\$ —	\$ 533	\$ 30

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

Pinnacle West Capital Corporation

Consolidated Statistics By Quarter
2005

Line		<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year-To-Date</u>	<u>Increase (Decrease) vs Prior YTD</u>
	ELECTRIC SALES (GWH)						
	Regulated Electricity Segment						
	Retail sales						
40	Residential	2,367				2,367	(43)
41	Business	3,042				3,042	(9)
42	Total retail	5,409	—	—	—	5,409	(52)
	Wholesale electricity delivered						
43	Traditional contracts	155				155	17
44	Retail load hedge management	750				750	581
45	Total regulated electricity	6,314	—	—	—	6,314	546
	Marketing and Trading Segment						
	Delivered marketing and trading						
46	Generation sales other than native load	979				979	621
47	Electricity trading	4,015				4,015	(183)
48	Other delivered electricity	1,067				1,067	(72)
49	Total delivered marketing and trading	6,061	—	—	—	6,061	366
50	Total electric sales	12,375	—	—	—	12,375	912

See Glossary of Terms.

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Pinnacle West Capital Corporation

Consolidated Statistics By Quarter
2005

Line		<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year-To-Date</u>	<u>Increase (Decrease) vs Prior YTD</u>
	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	\$ 6				\$ 6	\$ 3
52	Other electricity marketing and trading (a)	4				4	(7)
53	Total electricity	10	—	—	—	10	(4)
54	Other commodities (a)	1				1	3
55	Total realized margin	11	—	—	—	11	(1)
	Prior-period mark-to-market (gains) losses on contracts delivered during current period						
56	Electricity (a)	(1)				(1)	—
57	Other commodities (a)	(1)				(1)	(3)
58	Subtotal	(2)	—	—	—	(2)	(3)
59	Total current period effects (b)	9	—	—	—	9	(4)
	Change in mark-to-market gains (losses) for future period deliveries (b)						
60	Electricity	2				2	(5)
61	Other commodities	6				6	5
62	Total future period effects	8	—	—	—	8	—
63	Total gross margin	<u>\$ 17</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 17</u>	<u>\$ (4)</u>

Future Marketing and Trading Mark-to-Market Realization

As of March 31, 2005, Pinnacle West had accumulated net mark-to-market gains of \$45 million related to our power marketing and trading activities. We estimate that these gains will be reclassified to realized gains as the underlying commodities are delivered, as follows: 2005, \$16 million; 2006, \$6 million; 2007, \$15 million; and thereafter, \$8 million.

(a) The net effect on pretax gross margin from realization of prior-period mark-to-market included in line 59 and in line 63 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 2005. A \$1 million realized gain is included in the \$4 million on line 52 for the first quarter of 2005.

(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
2005

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							
64	Electricity	\$ 11				\$ 11	\$ (9)
65	Natural gas	6				6	5
66	Coal	—				—	—
67	Emission allowances	—				—	—
68	Other	—				—	—
69	Total gross margin	<u>\$ 17</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 17</u>	<u>\$ (4)</u>
By Pinnacle West Entity							
Parent company marketing and trading division							
70	Generation sales other than native load	\$ 1				\$ 1	\$ 1
71	Other marketing and trading	13				13	1
APS							
72	Generation sales other than native load	5				5	2
73	Other marketing and trading	(9)				(9)	(1)
Pinnacle West Energy							
74	Generation sales other than native load	—				—	—
75	Other marketing and trading	10				10	—
APS ES							
76	Other marketing and trading	(3)				(3)	(7)
77	Total gross margin before income taxes	<u>\$ 17</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 17</u>	<u>\$ (4)</u>

Pinnacle West Capital Corporation

Consolidated Statistics By Quarter
2005

Line		1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year-To-Date	Increase (Decrease) vs Prior YTD
AVERAGE ELECTRIC CUSTOMERS							
	Retail customers						
78	Residential	889,967				889,967	34,213
79	Business	109,772				109,772	4,270
80	Total	999,739	—	—	—	999,739	38,483
81	Wholesale customers	81				81	—
82	Total customers	999,820	—	—	—	999,820	38,483
83	Customer Growth (% over prior year)	4.0%				4.0%	0.6%
RETAIL SALES (GWH) - WEATHER NORMALIZED							
84	Residential	2,430				2,430	59
85	Business	3,058				3,058	59
86	Total	5,488	—	—	—	5,488	119
RETAIL USAGE (KWh/Average Customer)							
87	Residential	2,660				2,660	(156)
88	Business	27,712				27,712	(1,207)
RETAIL USAGE - WEATHER NORMALIZED (KWh/Average Customer)							
89	Residential	2,730				2,730	(40)
90	Business	27,860				27,860	(562)
ELECTRICITY DEMAND (MW)							
91	System peak demand	3,997				3,997	18

See Glossary of Terms.

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Pinnacle West Capital Corporation

**Consolidated Statistics By Quarter
2005**

Line		<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year-To-Date</u>	<u>Increase (Decrease) vs Prior YTD</u>
ENERGY SOURCES (GWH)							
Generation production							
92	Nuclear	2,247				2,247	99
93	Coal	2,940				2,940	53
94	Gas, oil and other	1,127				1,127	760
95	Total	<u>6,314</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,314</u>	<u>912</u>
Purchased power							
96	Firm load	586				586	(115)
97	Marketing and trading	5,832				5,832	326
98	Total	<u>6,418</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,418</u>	<u>211</u>
99	Total energy sources	<u>12,732</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>12,732</u>	<u>1,123</u>

POWER PLANT PERFORMANCE

Capacity Factors							
100	Nuclear	94%				94%	6%
101	Coal	80%				80%	3%
102	Gas, oil and other	17%				17%	12%
103	System average	49%				49%	5%

Generation Capacity Out of Service
and Replaced for Native Load
(average MW/day)

104	Nuclear	52				52	(83)
105	Coal	138				138	(11)
106	Gas	<u>212</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>212</u>	<u>163</u>
107	Total	402	—	—	—	402	69
108	Generation Fuel Cost (\$/MWh)	\$ 15.50				\$ 15.50	\$ 4.33

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Pinnacle West Capital Corporation

**Consolidated Statistics By Quarter
2005**

Line		<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year-To-Date</u>	<u>Increase (Decrease) vs Prior YTD</u>
ENERGY MARKET INDICATORS (a)							
Electricity Average Daily Spot Prices (\$/MWh)							
On-Peak							
109	Palo Verde	\$49.74				\$ 49.74	\$ 6.01
110	SP15	\$55.70				\$ 55.70	\$ 7.33
Off-Peak							
111	Palo Verde	\$37.04				\$ 37.04	\$ 3.38
112	SP15	\$40.96				\$ 40.96	\$ 4.06
WEATHER INDICATORS							
Actual							
113	Cooling degree-days	34				34	(239)
114	Heating degree-days	457				457	(95)
115	Average humidity	56%				56%	17%
10-Year Averages							
116	Cooling degree-days	80				80	—
117	Heating degree-days	521				521	—
118	Average humidity	43%				43%	0%
ECONOMIC INDICATORS							
Building Permits — Metro Phoenix (b)(d)							
119	Single-family	6,447				6,447	876
120	Multi-family	1,972				1,972	998
121	Total	<u>8,419</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>8,419</u>	<u>1,874</u>
Arizona Job Growth (c) (d)							
122	Payroll job growth (% over prior year)	4.2%				4.2%	1.7%
123	Unemployment rate (% , seasonally adjusted)	4.3%				4.3%	(1.0)%

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 2005.

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



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	\$ 245	\$ 360	\$ 190	\$ 984	\$ 27
23	Business	211	257	289	222	979	26
24	Total retail	400	502	649	412	1,963	53
Wholesale revenue on delivered electricity							
25	Traditional contracts	3	4	6	3	16	1
26	Retail load hedge management	—	—	—	—	—	—
27	Transmission for others	8	8	8	8	32	5
28	Other miscellaneous services	4	6	8	6	24	(2)
29	Total regulated electricity	415	520	671	429	2,035	57
Marketing and Trading Segment							
Delivered marketing and trading							
30	Generation sales other than native load	10	30	39	56	135	47
31	Realized margins on electricity trading (a)	5	12	9	10	36	14
32	Other delivered electricity (a)	66	71	77	65	279	(29)
33	Total delivered marketing and trading	81	113	125	131	450	32
Other Marketing and Trading							
34	Realized margins on delivered commodities other than electricity (a)	(2)	2	(1)	(3)	(4)	2
35	Prior period mark-to-market (gains) losses on contracts delivered during current period (a)	1	(4)	(3)	(1)	(5)	6
36	Change in mark-to-market for future-period deliveries	8	4	8	3	21	28
37	Total other marketing and trading	7	2	4	(1)	12	36
38	Total marketing and trading	88	115	129	130	462	68
39	Total electric operating revenues	\$ 503	\$ 635	\$ 800	\$ 559	\$ 2,497	\$ 125

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

Pinnacle West Capital Corporation

Consolidated Statistics By Quarter
2004

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	2,410	2,722	4,028	2,368	11,528	381
41	Business	3,051	3,602	3,937	3,236	13,825	409
42	Total retail	5,461	6,324	7,965	5,604	25,353	790
Wholesale electricity delivered							
43	Traditional contracts	138	195	210	167	710	210
44	Retail load hedge management	169	731	943	889	2,732	1,639
45	Total regulated electricity	5,768	7,250	9,118	6,660	28,795	2,639
Marketing and Trading Segment							
Delivered marketing and trading							
46	Generation sales other than native load	358	705	636	1,018	2,717	571
47	Electricity trading	4,198	5,243	7,050	6,225	22,714	1,409
48	Other delivered electricity	1,139	1,194	1,308	1,104	4,745	(606)
49	Total delivered marketing and trading	5,695	7,142	8,994	8,347	30,176	1,374
50	Total electric sales	11,463	14,392	18,112	15,007	58,971	4,013

See Glossary of Terms.

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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
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	\$ 2	\$ 5	\$ 6	\$ 16	\$ 9
52	Other electricity marketing and trading (a)	11	17	12	12	52	(14)
53	Total electricity	14	19	17	18	68	(5)
54	Other commodities (a)	(2)	2	(1)	(3)	(4)	4
55	Total realized margin	12	21	16	15	64	(1)
Prior-period mark-to-market (gains) losses on contracts delivered during current period							
56	Electricity (a)	(1)	(2)	(3)	(2)	(7)	7
57	Other commodities (a)	2	(2)	—	1	2	(1)
58	Subtotal	1	(4)	(3)	(1)	(5)	6
59	Total current period effects (b)	13	17	13	14	59	5
Change in mark-to-market gains (losses) for future period deliveries (b)							
60	Electricity	7	3	—	5	14	22
61	Other commodities	1	1	8	(2)	7	6
62	Total future period effects	8	4	8	3	21	28
63	Total gross margin	\$ 21	\$ 21	\$ 21	\$ 17	\$ 80	\$ 33
Future Marketing and Trading Mark- to-Market Realization							

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

(a) The net effect on pretax gross margin from realization of prior-period mark-to-market included in line 59 and in line 59 is zero. Realization of prior-period mark-to-market relates to cash flow recognition, not earnings recognition. The arithmetic opposites of amounts included in line 56 are included in line 52. The opposites of amounts included in line 57 are included in line 54. For example, line 56 shows that a prior-period mark-to-market gain of \$2 million was transferred to "realized" for the fourth quarter of 2004. A \$2 million realized gain is included in the \$12 million on line 52 for the fourth quarter of 2004.

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

Pinnacle West Capital Corporation

Consolidated Statistics By Quarter
2004

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

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Pinnacle West Capital Corporation

Consolidated Statistics By Quarter
2004

Line		1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year-To-Date	Increase (Decrease) vs Prior YTD
AVERAGE ELECTRIC CUSTOMERS							
	Retail customers						
78	Residential	855,754	852,594	856,353	871,575	859,069	30,703
79	Business	105,502	106,517	107,583	108,860	107,115	4,019
80	Total	961,256	959,111	963,936	980,435	966,184	34,722
81	Wholesale customers	81	82	85	77	81	15
82	Total customers	961,337	959,193	964,021	980,512	966,265	34,737
83	Customer Growth (% over prior year)	3.4%	3.8%	3.9%	3.9%	3.7%	0.4%
RETAIL SALES (GWH) - WEATHER NORMALIZED							
84	Residential	2,371	2,762	4,231	2,340	11,704	825
85	Business	2,998	3,616	4,005	3,252	13,870	467
86	Total	5,369	6,378	8,236	5,592	25,574	1,292
RETAIL USAGE (KWh/Average Customer)							
87	Residential	2,816	3,193	4,704	2,717	13,418	(39)
88	Business	28,919	33,816	36,595	29,726	129,392	(1,137)
RETAIL USAGE - WEATHER NORMALIZED (KWh/Average Customer)							
89	Residential	2,770	3,240	4,941	2,686	13,624	491
90	Business	28,422	33,944	37,227	29,871	129,495	(511)
ELECTRICITY DEMAND (MW)							
91	System peak demand	3,979	5,608	6,402	4,432	6,402	70

See Glossary of Terms.

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Pinnacle West Capital Corporation

**Consolidated Statistics By Quarter
2004**

Line		<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year-To-Date</u>	<u>Increase (Decrease) vs Prior YTD</u>
ENERGY SOURCES (GWH)							
Generation production							
92	Nuclear	2,148	1,860	2,364	1,812	8,184	(131)
93	Coal	2,887	3,035	3,417	3,327	12,666	1,300
94	Gas, oil and other	367	1,339	2,547	1,074	5,327	(764)
95	Total	<u>5,402</u>	<u>6,234</u>	<u>8,328</u>	<u>6,213</u>	<u>26,177</u>	<u>405</u>
Purchased power							
96	Firm load	701	1,532	1,068	1,024	4,325	1,214
97	Marketing and trading	5,506	7,167	9,301	8,218	30,192	2,443
98	Total	<u>6,207</u>	<u>8,699</u>	<u>10,369</u>	<u>9,242</u>	<u>34,517</u>	<u>3,657</u>
99	Total energy sources	<u>11,609</u>	<u>14,933</u>	<u>18,697</u>	<u>15,455</u>	<u>60,694</u>	<u>4,062</u>
POWER PLANT PERFORMANCE							
Capacity Factors							
100	Nuclear	88%	77%	96%	74%	84%	(3)%
101	Coal	77%	81%	90%	88%	84%	8%
102	Gas, oil and other	5%	20%	38%	12%	18%	(10)%
103	System average	44%	50%	64%	48%	51%	(4)%
Generation Capacity Out of Service and Replaced for Native Load (average MW/day)							
104	Nuclear	135	233	13	261	161	29
105	Coal	149	153	63	61	107	(163)
106	Gas	49	47	39	34	42	(163)
107	Total	<u>333</u>	<u>433</u>	<u>115</u>	<u>356</u>	<u>310</u>	<u>(296)</u>
108	Generation Fuel Cost (\$/MWh)	\$ 11.17	\$ 18.59	\$ 20.73	\$ 20.90	\$ 18.31	\$ 0.95

See Glossary of Terms.

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**Pinnacle West Capital Corporation
Consolidated Statistics By Quarter
2004**

Line		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							
109	Palo Verde	\$ 43.73	\$ 50.36	\$ 51.86	\$ 51.23	\$ 49.30	\$ 0.70
110	SP15	\$ 48.37	\$ 54.73	\$ 57.09	\$ 60.62	\$ 55.20	\$ 3.82
Off-Peak							
111	Palo Verde	\$ 33.66	\$ 33.74	\$ 33.37	\$ 38.21	\$ 34.75	\$ 2.72
112	SP15	\$ 36.90	\$ 37.32	\$ 37.18	\$ 43.07	\$ 38.62	\$ 3.96
WEATHER INDICATORS							
Actual							
113	Cooling degree-days	273	1,598	2,471	352	4,694	(205)
114	Heating degree-days	552	11	—	422	985	249
115	Average humidity	39%	19%	26%	45%	32%	1%
10-Year Averages							
116	Cooling degree-days	80	1,491	2,540	420	4,531	420
117	Heating degree-days	521	36	—	415	972	415
118	Average humidity	43%	24%	33%	40%	35%	0%
ECONOMIC INDICATORS							
Building Permits — Metro Phoenix (b)							
119	Single-family	10,045	13,636	14,111	10,325	48,117	8,466
120	Multi-family	1,757	1,324	2,149	2,356	7,586	859
121	Total	<u>11,802</u>	<u>14,960</u>	<u>16,260</u>	<u>12,681</u>	<u>55,703</u>	<u>9,325</u>
Arizona Job Growth (c)							
122	Payroll job growth (% over prior year)	2.7%	3.3%	3.6%	3.9%	3.4%	2.0%
123	Unemployment rate (% , seasonally adjusted)	5.2%	5.1%	4.9%	4.6%	5.0%	(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

See Glossary of Terms.

Pinnacle West Capital Corporation

Consolidated Statistics By Quarter
2003

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



Pinnacle West Capital Corporation

Consolidated Statistics By Quarter
2003

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

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

Pinnacle West Capital Corporation

Consolidated Statistics By Quarter
2003

Line		<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year-To-Date</u>	<u>Increase (Decrease) vs Prior YTD</u>
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	<u>12,564</u>	<u>13,127</u>	<u>15,845</u>	<u>13,422</u>	<u>54,958</u>	<u>5,626</u>

Pinnacle West Capital Corporation

**Consolidated Statistics By Quarter
2003**

Line		<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year-To-Date</u>	<u>Increase (Decrease) vs Prior YTD</u>
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	Subtotal	(3)	1	(3)	(1)	(11)	30
59	Total current period effects (b)	22	21	1	15	54	(26)
Change in mark-to-market gains (losses) for future period deliveries (b)							
60	Electricity	(6)	1	—	(5)	(8)	(71)
61	Other commodities	3	(2)	(3)	—	1	12
62	Total future period effects	(3)	(1)	(3)	(5)	(7)	(59)
63	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 net mark-to-market 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 59 and in line 63 is zero. Realization of prior-period mark-to-market relates to cash flow recognition, not earnings recognition. The arithmetic opposites of amounts included in line 56 are included in line 52. The opposites of amounts included in line 57 are included in line 54. For example, line 56 shows that a prior-period mark-to-market gain of \$2 million was transferred to “realized” for the fourth quarter of 2003. A \$2 million realized gain is included in the \$12 million on line 52 for the fourth quarter of 2003.
- (b) Quarterly amounts do not total to the annual amounts because of intra-year mark-to-market eliminations.

Pinnacle West Capital Corporation

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2003

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

Pinnacle West Capital Corporation

Consolidated Statistics By Quarter
2003

Line		<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year-To-Date</u>	<u>Increase (Decrease) vs Prior YTD</u>
AVERAGE ELECTRIC CUSTOMERS							
Retail customers							
78	Residential	827,937	821,331	824,655	839,539	828,366	26,565
79		<u>101,999</u>	<u>102,601</u>	<u>103,262</u>	<u>104,521</u>	<u>103,096</u>	<u>2,868</u>
80	Total	929,936	923,932	927,917	944,060	931,462	29,432
81	Wholesale customers	65	66	66	66	66	(1)
82	Total customers	<u>930,001</u>	<u>923,998</u>	<u>927,983</u>	<u>944,126</u>	<u>931,528</u>	<u>29,431</u>
83	Customer Growth (% over prior year)	3.3%	3.1%	3.2%	3.4%	3.3%	0.2%
RETAIL SALES (GWH) — WEATHER NORMALIZED							
84	Residential	2,223	2,520	3,872	2,264	10,879	389
85		<u>2,886</u>	<u>3,485</u>	<u>3,858</u>	<u>3,174</u>	<u>13,403</u>	<u>498</u>
86	Total	<u>5,109</u>	<u>6,005</u>	<u>7,730</u>	<u>5,438</u>	<u>24,282</u>	<u>887</u>
RETAIL USAGE (KWh/Average Customer)							
87	Residential	2,541	3,096	5,004	2,828	13,457	432
88		<u>27,927</u>	<u>33,625</u>	<u>37,677</u>	<u>30,865</u>	<u>130,529</u>	<u>1,288</u>
RETAIL USAGE — WEATHER NORMALIZED (KWh/Average Customer)							
89	Residential	2,685	3,067	4,695	2,697	13,133	50
90		<u>28,290</u>	<u>33,969</u>	<u>37,360</u>	<u>30,371</u>	<u>130,006</u>	<u>1,251</u>
ELECTRICITY DEMAND (MW)							
91	System peak demand	3,569	5,571	6,332	5,124	6,332	529

Pinnacle West Capital Corporation

**Consolidated Statistics By Quarter
2003**

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

Pinnacle West Capital Corporation

**Consolidated Statistics By Quarter
2003**

Line		<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year-To-Date</u>	<u>Increase (Decrease) vs Prior YTD</u>
ENERGY MARKET INDICATORS							
(a)							
Electricity Average Daily Spot Prices (\$/MWh)							
On-Peak							
109	Palo Verde	\$ 49.66	\$ 48.88	\$ 52.88	\$ 42.98	\$ 48.60	\$ 16.32
110	SP15	\$ 54.35	\$ 50.73	\$ 53.54	\$ 46.88	\$ 51.38	\$ 17.16
Off-Peak							
111	Palo Verde	\$ 36.09	\$ 25.48	\$ 36.08	\$ 30.48	\$ 32.03	\$ 12.14
112	SP15	\$ 39.70	\$ 28.27	\$ 37.81	\$ 32.85	\$ 34.66	\$ 12.97
WEATHER INDICATORS							
Actual							
113	Cooling degree-days	76	1,550	2,701	572	4,899	24
114	Heating degree-days	349	17	—	370	736	(64)
115	Average humidity	44%	18%	30%	34%	31%	4%
10-Year Averages							
116	Cooling degree-days	80	1,491	2,540	420	4,531	—
117	Heating degree-days	521	36	—	415	972	—
118	Average humidity	43%	24%	33%	40%	35%	0%
ECONOMIC INDICATORS							
Building Permits — Metro Phoenix (b)							
119	Single-family	8,030	10,613	11,191	9,817	39,651	5,339
120	Multi-family	863	2,053	1,231	2,580	6,727	(347)
121	Total	<u>8,893</u>	<u>12,666</u>	<u>12,422</u>	<u>12,397</u>	<u>46,378</u>	<u>4,992</u>
Arizona Job Growth (c)							
122	Payroll job growth (% over prior year)	1.1%	0.9%	1.5%	2.0%	1.4%	1.4%
123	Unemployment rate (% , seasonally adjusted)	5.8%	5.9%	5.7%	5.3%	5.7%	(0.5)%

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

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)	(2)	9	4	4
6	Parent Company	17	(6)	8	1	20	(15)
7	Income From Continuing Operations	53	69	109	11	242	(85)
	Income From Discontinued Operations —						
8a	Net of Tax	1	6	(8)	(26)	(27)	(27)
	Cumulative Effect of Change in Accounting —						
8b	Net of Tax	—	—	—	(66)	(66)	(51)
9	Net Income	<u>\$ 54</u>	<u>\$ 75</u>	<u>\$ 101</u>	<u>\$ (81)</u>	<u>\$ 149</u>	<u>\$ (163)</u>
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)	(0.02)	0.10	0.05	0.05
15	Parent Company	0.20	(0.07)	0.10	0.02	0.23	(0.19)
16	Income From Continuing Operations	0.63	0.81	1.29	0.12	2.86	(0.99)
	Income From Discontinued Operations —						
17a	Net of Tax	—	0.08	(0.10)	(0.30)	(0.32)	(0.32)
	Cumulative Effect of Change in Accounting —						
17b	Net of Tax	—	—	—	(0.77)	(0.77)	(0.60)
18	Net Income	<u>\$ 0.63</u>	<u>\$ 0.89</u>	<u>\$ 1.19</u>	<u>\$ (0.95)</u>	<u>\$ 1.77</u>	<u>\$ (1.91)</u>
19	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

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

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

Pinnacle West Capital Corporation

Consolidated Statistics By Quarter
2002

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

Pinnacle West Capital Corporation

**Consolidated Statistics By Quarter
2002**

Line		<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year To Date</u>	<u>Increase (Decrease) vs Prior YTD</u>
	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	\$ 2	\$	\$ 3	\$ 9	\$ 14	\$ (66)
52	Other electricity marketing and trading (a)	33	24	19	23	99	(18)
53	Total electricity	<u>35</u>	<u>24</u>	<u>22</u>	<u>32</u>	<u>113</u>	<u>(84)</u>
54	Other commodities (a)	4	1	(3)	6	8	22
55	Total realized margin	<u>39</u>	<u>25</u>	<u>19</u>	<u>38</u>	<u>121</u>	<u>(62)</u>
	Prior period mark to market (gains) losses on contracts delivered during current period						
56	Electricity (a)	(16)	(9)	(4)	(4)	(30)	(19)
57	Other commodities (a)	(6)		6	(4)	(11)	(36)
58	Subtotal	<u>(22)</u>	<u>(9)</u>	<u>2</u>	<u>(8)</u>	<u>(41)</u>	<u>(47)</u>
59	Total current period effects (b)	<u>17</u>	<u>16</u>	<u>21</u>	<u>30</u>	<u>80</u>	<u>(109)</u>
	Change in mark to market gains (losses) for future period deliveries (b)						
60	Electricity	25	10	25	6	63	(83)
61	Other commodities	(2)	(7)	(2)	(7)	(11)	7
62	Total future period effects	<u>23</u>	<u>3</u>	<u>23</u>	<u>(1)</u>	<u>52</u>	<u>(76)</u>
63	Total gross margin	<u>\$ 40</u>	<u>\$ 19</u>	<u>\$ 44</u>	<u>\$ 29</u>	<u>\$ 132</u>	<u>\$ (185)</u>
	Future Marketing and Trading Mark to Market Realization						

As of December 31, 2002, Pinnacle West had accumulated mark to net market 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 59 and in line 63 is zero. Realization of prior period mark to market relates to cash flow recognition, not earnings recognition. The arithmetic opposites of amounts included in line 56 are included in line 52. The opposites of amounts included in line 57 are included in line 54. For example, line 56 shows that a prior period mark to market gain of \$30 million was transferred to "realized" for the total year 2002. A \$30 million realized gain is included in the \$99 million on line 52 for total year 2002.
- (b) Quarterly amounts do not total to the annual amounts because of intra year mark to market eliminations.

Pinnacle West Capital Corporation

Consolidated Statistics By Quarter
2002

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

Pinnacle West Capital Corporation

Consolidated Statistics By Quarter
2002

Line		<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year To Date</u>	<u>Increase (Decrease) vs Prior YTD</u>
AVERAGE ELECTRIC CUSTOMERS							
Retail customers							
78	Residential	801,000	795,681	798,590	811,930	801,801	25,462
79	Business	99,335	100,096	100,318	101,177	100,228	2,030
80	Total	900,335	895,777	898,908	913,107	902,029	27,492
81	Wholesale customers	67	67	67	67	67	1
82	Total customers	900,402	895,844	898,975	913,174	902,096	27,493
83	Customer Growth (% over prior year)	3.2%	3.2%	3.1%	3.2%	3.1%	(0.5)%
RETAIL SALES (GWH) —							
WEATHER NORMALIZED							
84	Residential	2,148	2,461	3,746	2,135	10,490	641
85	Business	2,776	3,410	3,696	3,024	12,905	86
86	Total	4,924	5,871	7,441	5,159	23,395	727
RETAIL USAGE							
(KWh/Average Customer)							
87	Residential	2,673	3,068	4,766	2,532	13,025	(287)
88	Business	27,896	34,258	36,691	30,011	129,241	(4,384)
RETAIL USAGE —							
WEATHER NORMALIZED							
(KWh/Average Customer)							
89	Residential	2,681	3,093	4,690	2,630	13,083	396
90	Business	27,943	34,065	36,839	29,885	128,754	(1,788)
ELECTRICITY DEMAND (MW)							
91	System peak demand	3,921	5,425	5,803	3,828	5,803	116

Pinnacle West Capital Corporation

**Consolidated Statistics By Quarter
2002**

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

Pinnacle West Capital Corporation

**Consolidated Statistics By Quarter
2002**

Line		<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>Year To Date</u>	<u>Increase (Decrease) vs Prior YTD</u>
ENERGY MARKET INDICATORS (a)							
Electricity Average Daily Spot Prices (\$/MWh)							
On-Peak							
109	Palo Verde	\$26.86	\$ 30.65	\$ 35.45	\$36.18	\$ 32.28	\$ (86.13)
110	SP15	\$28.46	\$ 31.51	\$ 35.55	\$41.35	\$ 34.22	\$ (85.77)
Off-Peak							
111	Palo Verde	\$22.17	\$ 14.10	\$ 18.21	\$25.09	\$ 19.89	\$ (41.68)
112	SP15	\$22.76	\$ 15.95	\$ 19.54	\$28.52	\$ 21.69	\$ (51.79)
WEATHER INDICATORS							
Actual							
113	Cooling degree-days	89	1,741	2,647	398	4,875	(247)
114	Heating degree-days	472	—	—	328	800	(360)
115	Average humidity	28%	16%	27%	38%	27%	(9)%
10-Year Averages							
116	Cooling degree-days	80	1,491	2,540	420	4,531	—
117	Heating degree-days	521	36	—	415	972	—
118	Average humidity	43%	24%	33%	40%	35%	0%
ECONOMIC INDICATORS							
Building Permits — Metro Phoenix (b)							
119	Single-family	7,682	9,666	8,689	8,275	34,312	1,447
120	Multi-family	1,249	2,005	2,662	1,158	7,074	(1,930)
121	Total	<u>8,931</u>	<u>11,671</u>	<u>11,351</u>	<u>9,433</u>	<u>41,386</u>	<u>(483)</u>
Arizona Job Growth (c)							
122	Payroll job growth (% over prior year)	(0.8)%	(0.2)%	(0.1)%	1.1%	0.0%	(1.0)%
123	Unemployment rate (% , seasonally adjusted)	6.3%	6.2%	6.1%	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

Pinnacle West Capital Corporation
Earnings Variance Explanations
for Periods Ended March 31, 2005 and 2004

This discussion explains the changes in our consolidated earnings for the three-month periods ended March 31, 2005 and 2004. Condensed Consolidated Statements of Income for the three months ended March 31, 2005 and 2004 follow this discussion. We will file our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2005 on or before May 10, 2005. Additional operating and financial statistics and a glossary of terms are available on our website (www.pinnaclewest.com).

EARNINGS CONTRIBUTION BY BUSINESS SEGMENT

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

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

The following table summarizes net income for the three months ended March 31, 2005 and the comparable prior-year period (dollars in millions):

	<u>2005</u>	<u>2004</u>
Regulated electricity	\$ 13	\$ 18
Marketing and trading	1	10
Real estate	9	2
Other	1	1
Net income	<u>\$ 24</u>	<u>\$ 31</u>

General

Throughout the following explanations of our results of operations, we refer to “gross margin.” With respect to our regulated electricity segment and our marketing and trading segment, gross margin refers to electric operating revenues less purchased power and fuel costs. “Gross margin” is a “non-GAAP financial measure,” as defined in accordance with SEC rules. Exhibit 99.10 reconciles this non-GAAP financial measure to operating income, which is the most directly comparable financial measure calculated and presented in accordance with accounting principles generally accepted in the United States of America. We view gross margin as an important performance measure of the core profitability of our operations. This measure is a key component of our internal financial reporting and is used by our management in analyzing our business segments. We believe that investors benefit from having access to the same financial measures that our management uses. In addition, we have reclassified certain prior period amounts to conform to our current period presentation.

Operating Results – Three-month period ended March 31, 2005 compared with the three-month period ended March 31, 2004

Our consolidated net income for the three months ended March 31, 2005 was \$24 million compared with \$31 million for the prior-year period. The \$7 million decrease in the period-to-period comparison reflected the following changes in earnings by segment:

- Regulated Electricity Segment – Net income decreased approximately \$5 million primarily due to higher operations and maintenance costs primarily related to customer service, generation and benefit costs; lower other income, net of other expense, primarily due to gains on asset sales in the prior year period; increased property taxes due to increased plant in service; and the effects of milder weather on retail sales. These negative factors were partially offset by the absence of regulatory asset amortization; higher retail sales volumes due to customer growth and usage; decreased purchased power and fuel costs due to lower hedged gas and power prices; and lower replacement power costs due to fewer unplanned outages.
- Marketing and Trading Segment – Net income decreased approximately \$9 million primarily due to increased costs related to the Silverhawk Power Station, which was placed in service in mid-2004 and lower margins on competitive retail sales in California by APS Energy Services.
- Real Estate Segment – Net income increased approximately \$7 million primarily due to increased land sales.

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

	Increase (Decrease)	
	Pretax	After Tax
Regulated electricity segment gross margin:		
Higher retail sales volumes due to customer growth, excluding weather effects	\$ 7	\$ 4
Decreased purchased power and fuel costs due to lower hedged gas and power prices	5	3
Lower replacement power costs due to fewer unplanned outages	4	3
Effects of weather on retail sales	(5)	(3)
Net increase in regulated electricity segment gross margin	<u>11</u>	<u>7</u>
Marketing and trading segment gross margin:		
Lower competitive retail unit margins in California by APS Energy Services	(6)	(4)
Lower realized margins on wholesale sales primarily due to lower unit margins	(1)	(1)
Increase in generation sales other than Native Load due to higher sales volumes	3	2
Net decrease in marketing and trading segment gross margin	<u>(4)</u>	<u>(3)</u>
Net increase in gross margin for regulated electricity and marketing and trading segments	7	4
Higher real estate segment contribution primarily related to increased land sales	12	7
Higher operations and maintenance expense primarily related to customer service, generation and benefit costs	(19)	(11)
Depreciation and amortization decreases (increases):		
Absence of regulatory asset amortization	9	5
Increased delivery and other assets	(2)	(1)
Higher property taxes due to increased plant in service	(5)	(3)
Lower other income net of other expense primarily due to gain on asset sales and higher interest income in prior-year period	(9)	(5)
Miscellaneous items, net	(1)	(3)
Net decrease in net income	<u>\$ (8)</u>	<u>\$ (7)</u>

The increase in net costs (primarily depreciation, interest expense, property taxes and operations and maintenance expense, net of gross margin contributions) related to the Silverhawk Power Station, which was placed in service in mid-2004 by Pinnacle West Energy totaled approximately \$4 million after income taxes in the three months ended March 31, 2005 compared with the prior-year period.

Regulated Electricity Segment Revenues

Regulated electricity segment revenues were \$1 million higher for the three months ended March 31, 2005 compared with the prior-year period primarily as a result of:

- a \$13 million increase in retail revenues related to customer growth, excluding weather effects;
- a \$13 million decrease in retail revenues related to milder weather; and
- a \$1 million increase due to miscellaneous factors.

Marketing and Trading Segment Revenues

Marketing and trading segment revenues were \$29 million higher for the three months ended March 31, 2005 compared with the prior-year period primarily as a result of:

- a \$36 million increase from generation sales other than Native Load primarily due to higher sales volumes, including sales from the Silverhawk Power Station, and higher wholesale market prices;
- \$1 million of higher energy trading revenues on realized sales of electricity primarily due to higher electricity prices; and
- an \$8 million decrease from lower competitive retail sales and prices in California by APS Energy Services.

Real Estate Revenues

Real estate revenues were \$20 million higher for the three months ended March 31, 2005 compared with the prior-year period primarily due to higher land and home sales.

PINNACLE WEST CAPITAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(unaudited)

(in thousands, except per share amounts)

	THREE MONTHS ENDED MARCH 31,		Increase (Decrease)		
	2005	2004	Amount	Percent	
Operating Revenues					
Regulated electricity segment	\$416,030	\$415,464	\$ 566	0.1%	B
Marketing and trading segment	116,866	88,383	28,483	32.2%	B
Real estate segment	72,056	51,593	20,463	39.7%	B
Other revenues	10,135	10,905	(770)	7.1%	W
Total	<u>615,087</u>	<u>566,345</u>	<u>48,742</u>	8.6%	B
Operating Expenses					
Regulated electricity segment purchased power and fuel	78,423	88,611	(10,188)	11.5%	B
Marketing and trading segment purchased power and fuel	100,641	67,764	32,877	48.5%	W
Operations and maintenance	156,496	137,386	19,110	13.9%	W
Real estate segment operations	56,476	47,690	8,786	18.4%	W
Depreciation and amortization	94,231	101,616	(7,385)	7.3%	B
Taxes other than income taxes	35,190	30,330	4,860	16.0%	W
Other expenses	8,374	8,750	(376)	4.3%	B
Total	<u>529,831</u>	<u>482,147</u>	<u>47,684</u>	9.9%	W
Operating Income	<u>85,256</u>	<u>84,198</u>	<u>1,058</u>	1.3%	B
Other					
Allowance for equity funds used during construction	2,603	2,002	601	30.0%	B
Other income	1,744	11,412	(9,668)	84.7%	W
Other expense	(5,309)	(5,945)	636	10.7%	B
Total	<u>(962)</u>	<u>7,469</u>	<u>(8,431)</u>	112.9%	W
Interest Expense					
Interest charges	49,195	50,319	(1,124)	2.2%	B
Capitalized interest	(3,289)	(4,911)	1,622	33.0%	W
Total	<u>45,906</u>	<u>45,408</u>	<u>498</u>	1.1%	W
Income From Continuing Operations Before Income Taxes	38,388	46,259	(7,871)	17.0%	W
Income Taxes	14,732	15,468	(736)	4.8%	B
Income From Continuing Operations	23,656	30,791	(7,135)	23.2%	W
Income From Discontinued Operations					
Net of Income Tax Expense	<u>792</u>	<u>635</u>	<u>157</u>	24.7%	B
Net Income	<u>\$ 24,448</u>	<u>\$ 31,426</u>	<u>\$ (6,978)</u>	22.2%	W
Weighted-Average Common Shares Outstanding — Basic	91,962	91,294	668	0.7%	
Weighted-Average Common Shares Outstanding — Diluted	92,045	91,376	669	0.7%	
Earnings Per Weighted-Average Common Share Outstanding					
Income From Continuing Operations — Basic	\$ 0.26	\$ 0.34	\$ (0.08)	23.5%	W
Net Income — Basic	\$ 0.27	\$ 0.34	\$ (0.07)	20.6%	W
Income From Continuing Operations — Diluted	\$ 0.26	\$ 0.34	\$ (0.08)	23.5%	W
Net Income — Diluted	\$ 0.27	\$ 0.34	\$ (0.07)	20.6%	W

Certain prior-year amounts have been reclassified to conform to the 2005 presentation.

B — Better

W — Worse

Pinnacle West Capital Corporation
Quarterly Consolidated Statistical Summary
Glossary of Terms

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

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

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

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

System Peak Demand

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

Traditional Contracts

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

Weather Normalized

Adjusted to exclude the effects of abnormal weather patterns.



FOR IMMEDIATE RELEASE

Media Contact: Alan Bunnell, (602) 250-3376
Analyst Contacts: Rebecca Hickman, (602) 250-5668
Lisa Malagon, (602) 250-5671
Web site: www.pinnaclewest.com

April 26, 2005
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**PINNACLE WEST FIRST QUARTER EARNINGS
SIGNIFICANTLY AHEAD OF PLAN, COMPANY SAYS**
Results Reflect Growth in the Company's Core Business

PHOENIX — Pinnacle West Capital Corporation (NYSE: PNW) today reported consolidated net income for the quarter ended March 31, 2005, of \$24.4 million, or \$0.27 per diluted share of common stock. This result compares with net income of \$31.4 million, or \$0.34 per share, for the comparable quarter a year ago.

“While first quarter results were lower than the same period a year ago, they were significantly better than our plan,” said Chairman Bill Post. “Further, they reflect our strong core business performance and the rising demand for electricity in the growing Arizona market.”

Post added that recent approval of the Company’s rate settlement provides a regulatory structure which places all of the company’s Arizona power plants in rate base, while strengthening and clarifying Arizona Public Service’s (APS) responsibility to provide for the energy needs of its customers.

Results for the quarter were positively impacted by higher retail sales at APS due to customer growth of 4 percent (three times the national average); lower replacement power costs attributable to fewer unplanned plant outages; lower gas and power prices; the absence of regulatory asset amortization; and higher earnings at the Company’s real estate subsidiary.

These positive items were more than offset by a number of factors, including a net increase in costs related to placing the Silverhawk Power Station into service in mid-2004; an increase in operating costs primarily related to customer service, generation and benefits costs; the effects of milder weather; lower results from the Company’s competitive retail operations; and increased property taxes.

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 web cast of management’s conference call to discuss the Company’s 2005 first quarter earnings and recent

developments at 11 a.m. (ET) Wednesday, April 27, 2005. The web cast can be accessed at www.pinnaclewest.com/main/pnw/investors/presentations/default.html. To access the live conference call by telephone, dial (877) 356-3961 and enter reservation number 5245903.

Pinnacle West is a Phoenix-based company with consolidated assets of approximately \$10 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.

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This press release may contain forward-looking statements within the meaning of the safe harbor of the Private Securities Litigation Reform Act of 1995. These statements are based on current expectations, and neither Pinnacle West nor APS assumes any obligation to update these statements or make any further statements on any of these issues, except as required by applicable law. These forward-looking statements are often identified by words such as "estimate," "predict," "hope," "may," "believe," "anticipate," "plan," "expect," "require," "intend," "assume" and similar words. Because actual results may differ materially from expectations, we caution readers not to place undue reliance on these statements. A number of factors could cause future results to differ materially from historical results, or from results or outcomes currently expected or sought by Pinnacle West or APS. These factors include, but are not limited to: state and federal regulatory and legislative decisions and actions, including by the FERC; the ongoing restructuring of the electric industry, including the introduction of retail electric competition in Arizona and decisions impacting wholesale competition; the outcome of regulatory, legislative and judicial proceedings relating to the restructuring; market prices for electricity and natural gas; power plant performance and outages, including transmission outages and constraints; weather variations affecting local and regional customer energy usage; customer growth and energy usage; regional economic and market conditions, including the results of litigation and other proceedings resulting from the California energy situation, volatile purchased power and fuel costs and the completion of generation and transmission construction in the region, which could affect customer growth and the cost of power supplies; the cost of debt and equity capital and access to capital markets; the uncertainty that current credit ratings will remain in effect for any given period of time; our ability to compete successfully outside traditional regulated markets (including the wholesale market); the performance of our marketing and trading activities due to volatile market liquidity and any deteriorating counterparty credit and the use of derivative contracts in our business (including the interpretation of the subjective and complex accounting rules related to these contracts); changes in accounting principles generally accepted in the United States of America and the interpretation of those principles; the performance of the stock market and the changing interest rate environment, which affect the amount of required contributions to Pinnacle West's pension plan and APS' nuclear decommissioning trust funds, as well as the reported costs of providing pension and other postretirement benefits; technological developments in the electric industry; the strength of the real estate market in SunCor's market areas, which include Arizona, Idaho, New Mexico and Utah; and other uncertainties, all of which are difficult to predict and many of which are beyond the control of Pinnacle West and APS.

PINNACLE WEST CAPITAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(unaudited)
(in thousands, except per share amounts)

	THREE MONTHS ENDED MARCH 31,	
	2005	2004
Operating Revenues		
Regulated electricity segment	\$416,030	\$415,464
Marketing and trading segment	116,866	88,383
Real estate segment	72,056	51,593
Other revenues	10,135	10,905
Total	615,087	566,345
Operating Expenses		
Regulated electricity segment purchased power and fuel	78,423	88,611
Marketing and trading segment purchased power and fuel	100,641	67,764
Operations and maintenance	156,496	137,386
Real estate segment operations	56,476	47,690
Depreciation and amortization	94,231	101,616
Taxes other than income taxes	35,190	30,330
Other expenses	8,374	8,750
Total	529,831	482,147
Operating Income	85,256	84,198
Other		
Allowance for equity funds used during construction	2,603	2,002
Other income	1,744	11,412
Other expense	(5,309)	(5,945)
Total	(962)	7,469
Interest Expense		
Interest charges	49,195	50,319
Capitalized interest	(3,289)	(4,911)
Total	45,906	45,408
Income From Continuing Operations Before Income Taxes	38,388	46,259
Income Taxes	14,732	15,468
Income From Continuing Operations	23,656	30,791
Income From Discontinued Operations Net of Income Tax Expense	792	635
Net Income	\$ 24,448	\$ 31,426
Weighted-Average Common Shares Outstanding — Basic	91,962	91,294
Weighted-Average Common Shares Outstanding — Diluted	92,045	91,376
Earnings Per Weighted-Average Common Share Outstanding		
Income From Continuing Operations — Basic	\$ 0.26	\$ 0.34
Net Income — Basic	\$ 0.27	\$ 0.34
Income From Continuing Operations — Diluted	\$ 0.26	\$ 0.34
Net Income — Diluted	\$ 0.27	\$ 0.34

Certain prior year amounts have been reclassified to conform to the 2005 presentation.

PINNACLE WEST CAPITAL CORPORATION
NON-GAAP MEASURE RECONCILIATION — OPERATING INCOME (GAAP MEASURE) TO GROSS MARGIN (NON-GAAP MEASURE)
(in thousands)

	THREE MONTHS ENDED MARCH 31,		Increase (Decrease)
	2005	2004	
RECONCILIATION OF REGULATED ELECTRICITY SEGMENT GROSS MARGIN			
Operating Income (closest GAAP measure)	\$ 85,256	\$ 84,198	\$ 1,058
Plus:			
Operations and maintenance	156,496	137,386	19,110
Real estate segment operations	56,476	47,690	8,786
Depreciation and amortization	94,231	101,616	(7,385)
Taxes other than income taxes	35,190	30,330	4,860
Other expenses	8,374	8,750	(376)
Marketing and trading segment purchased power and fuel	100,641	67,764	32,877
Less:			
Real estate segment revenues	72,056	51,593	20,463
Other revenues	10,135	10,905	(770)
Marketing and trading segment revenues	116,866	88,383	28,483
Regulated electricity segment gross margin	<u>\$337,607</u>	<u>\$326,853</u>	<u>\$ 10,754</u>
RECONCILIATION OF MARKETING AND TRADING SEGMENT GROSS MARGIN			
Operating Income (closest GAAP measure)	\$ 85,256	\$ 84,198	\$ 1,058
Plus:			
Operations and maintenance	156,496	137,386	19,110
Real estate segment operations	56,476	47,690	8,786
Depreciation and amortization	94,231	101,616	(7,385)
Taxes other than income taxes	35,190	30,330	4,860
Other expenses	8,374	8,750	(376)
Regulated electricity segment purchased power and fuel	78,423	88,611	(10,188)
Less:			
Real estate segment revenues	72,056	51,593	20,463
Other revenues	10,135	10,905	(770)
Regulated electricity segment revenues	416,030	415,464	566
Marketing and trading segment gross margin	<u>\$ 16,225</u>	<u>\$ 20,619</u>	<u>\$ (4,394)</u>

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