

PINNACLE WEST CAPITAL CORP

FORM 10-Q (Quarterly Report)

Filed 05/15/96 for the Period Ending 03/31/96

Address	400 NORTH FIFTH STREET MS8695 PHOENIX, AZ 85004
Telephone	602 250 1000
CIK	0000764622
Symbol	PNW
SIC Code	4911 - Electric Services
Industry	Electric Utilities
Sector	Utilities
Fiscal Year	12/31

PINNACLE WEST CAPITAL CORP

FORM 10-Q (Quarterly Report)

Filed 5/15/1996 For Period Ending 3/31/1996

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

FORM 10-Q
Securities and Exchange Commission
Washington, D.C. 20549

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 1996

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number 1-8962

PINNACLE WEST CAPITAL CORPORATION

(Exact name of registrant as specified in its charter)

Arizona	86-0512431
-----	-----
(State or other jurisdiction of Incorporation or organization)	(I.R.S. Employer Identification No.)
400 E. Van Buren St., P.O. Box 52132, Phoenix, Arizona	85072-2132
-----	-----
(Address of principal executive offices)	(Zip Code)
Registrant's telephone number, including area code:	(602) 379-2500

(Former name, former address and former fiscal year, if changed since last
report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Number of shares of common stock, no par value, outstanding as of May 14, 1996: 87,432,153

Glossary

ACC - Arizona Corporation Commission

ACC Staff - Staff of the Arizona Corporation Commission

AFUDC - Allowance for funds used during construction

APS - Arizona Public Service Company

Company - Pinnacle West Capital Corporation

El Dorado - El Dorado Investment Company

EPA - Environmental Protection Agency

ITCs - Investment tax credits

1995 10-K - Pinnacle West Capital Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 1995

Palo Verde - Palo Verde Nuclear Generating Station

Pinnacle West - Pinnacle West Capital Corporation

PRP's - Potentially Responsible Parties

SEC - Securities and Exchange Commission

SunCor - SunCor Development Company

Superfund - Comprehensive Environmental Response, Compensation and Liability Act

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

PINNACLE WEST CAPITAL CORPORATION CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(Dollars in thousands, except per share amounts)

	Three Months Ended March 31,	
	1996	1995
	-----	-----
Operating Revenues		
Electric	\$ 345,261	\$ 336,968
Real estate	15,994	9,146
	-----	-----
Total	361,255	346,114
	-----	-----
Fuel Expenses		
Fuel for electric generation	42,334	46,710
Purchased power	13,938	8,210
	-----	-----
Total	56,272	54,920
	-----	-----
Operating Expenses		
Utility operations and maintenance	87,743	91,432
Real estate operations	17,542	7,495
Depreciation and amortization	58,935	60,847
Taxes other than income taxes	34,201	35,721
	-----	-----
Total	198,421	195,495
	-----	-----
Operating Income	106,562	95,699
	-----	-----
Other Income (Deductions)		
Allowance for equity funds used during construction	1,675	1,186
Interest on long-term debt	(45,909)	(54,920)
Other interest	(4,846)	(3,236)
Allowance for borrowed funds used during construction	3,237	1,996
Preferred stock dividend requirements of APS	(4,477)	(4,807)
Other-net	1,667	4,592
	-----	-----
Total	(48,653)	(55,189)
	-----	-----
Income Before Income Taxes and Extraordinary Charge	57,909	40,510
Income Tax Expense	23,050	15,887
	-----	-----
Income Before Extraordinary Charge	34,859	24,623
Extraordinary Charge for Early Retirement of Debt - Net of Income Tax of \$2,437	(3,597)	--
	-----	-----
Net Income	\$ 31,262	\$ 24,623
	=====	=====
Average Common Shares Outstanding	87,450,355	87,393,085
Earnings Per Average Common Share Outstanding		
Income before extraordinary charge	\$ 0.40	\$ 0.28
Extraordinary charge	(0.04)	--
	-----	-----
Total	\$ 0.36	\$ 0.28
	=====	=====
Dividends Declared Per Share	\$ 0.250	\$ 0.225
	=====	=====

See Notes to Condensed Consolidated Financial Statements.

PINNACLE WEST CAPITAL CORPORATION CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(Dollars in thousands, except per share amounts)

	Twelve Months Ended March 31,	
	1996	1995
Operating Revenues		
Electric	\$ 1,623,245	\$ 1,617,087
Real estate	61,694	58,975
Total	1,684,939	1,676,062
Fuel Expenses		
Fuel for electric generation	204,552	225,845
Purchased power	66,598	61,733
Total	271,150	287,578
Operating Expenses		
Utility operations and maintenance	397,125	405,732
Real estate operations	60,391	58,623
Depreciation and amortization	242,077	239,978
Taxes other than income taxes	140,909	143,152
Total	840,502	847,485
Operating Income	573,287	540,999
Other Income (Deductions)		
Allowance for equity funds used during construction	5,471	4,281
Palo Verde accretion income	--	13,616
Interest on long-term debt	(200,282)	(228,366)
Other interest	(18,585)	(14,434)
Allowance for borrowed funds used during construction	10,306	6,271
Preferred stock dividend requirements of APS	(18,804)	(22,571)
Other-net	(6,421)	21,471
Total	(228,315)	(219,732)
Income Before Income Taxes and Extraordinary Charge	344,972	321,267
Income Taxes		
Income tax expense	135,128	144,414
Non-recurring income tax benefit	--	(26,770)
Total	135,128	117,644
Income Before Extraordinary Charge	209,844	203,623
Extraordinary Charge for Early Retirement of Debt - Net of Income Tax of \$10,271	(15,168)	--
Net Income	\$ 194,676	\$ 203,623
Average Common Shares Outstanding	87,433,201	87,405,051
Earnings Per Average Common Share Outstanding		
Income before extraordinary charge	\$ 2.40	\$ 2.33
Extraordinary charge	(0.17)	--
Total	\$ 2.23	\$ 2.33
Dividends Declared Per Share	\$ 0.950	\$ 0.850

See Notes to Condensed Consolidated Financial Statements.

PINNACLE WEST CAPITAL CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

ASSETS
(Thousands of Dollars)

	March 31, 1996	December 31, 1995
	-----	-----
Current Assets		
Cash and cash equivalents	\$ 37,111	\$ 79,539
Customer and other receivables--net	109,127	131,393
Accrued utility revenues	44,090	53,519
Material and supplies	77,660	78,271
Fossil fuel	21,284	21,722
Deferred income taxes	46,339	46,355
Other current assets	30,856	19,671
	-----	-----
Total current assets	366,467	430,470
	-----	-----
Investments and Other Assets		
Real estate investments--net	418,785	411,693
Other assets	160,311	151,127
	-----	-----
Total investments and other assets	579,096	562,820
	-----	-----
Utility Plant		
Electric plant in service and held for future use	6,559,022	6,544,860
Less accumulated depreciation and amortization	2,279,736	2,231,614
	-----	-----
Total	4,279,286	4,313,246
Construction work in progress	300,552	281,757
Nuclear fuel, net of amortization	59,788	52,084
	-----	-----
Net utility plant	4,639,626	4,647,087
	-----	-----
Deferred Debits		
Regulatory asset for income taxes	546,881	548,464
Palo Verde Unit 3 cost deferral	281,135	283,426
Palo Verde Unit 2 cost deferral	164,358	165,873
Other deferred debits	364,158	358,912
	-----	-----
Total deferred debits	1,356,532	1,356,675
	-----	-----
Total Assets	\$6,941,721	\$6,997,052
	=====	=====

See Notes to Condensed Consolidated Financial Statements.

PINNACLE WEST CAPITAL CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

LIABILITIES AND EQUITY
(Thousands of Dollars)

	March 31, 1996	December 31, 1995
	-----	-----
Current Liabilities		
Accounts payable	\$ 81,862	\$ 114,963
Accrued taxes	153,351	95,962
Accrued interest	30,911	48,958
Short-term borrowings	159,600	177,800
Current maturities of long-term debt	167,242	8,780
Customer deposits	35,437	32,746
Other current liabilities	31,499	25,284
	-----	-----
Total current liabilities	659,902	504,493
	-----	-----
Long-Term Debt Less Current Maturities	2,309,891	2,510,709
	-----	-----
Deferred Credits and Other		
Deferred income taxes	1,327,601	1,327,881
Deferred investment tax credit	93,470	97,897
Unamortized gain - sale of utility plant	90,371	91,514
Other	324,093	314,910
	-----	-----
Total deferred credits and other	1,835,535	1,832,202
	-----	-----
Commitments and Contingencies (Notes 6 and 7)		
Minority Interests		
Non-redeemable preferred stock of APS	174,089	193,561
	-----	-----
Redeemable preferred stock of APS	72,000	75,000
	-----	-----
Common Stock Equity		
Common stock, no par value	1,638,496	1,638,684
Retained earnings	251,808	242,403
	-----	-----
Total common stock equity	1,890,304	1,881,087
	-----	-----
Total Liabilities and Equity	\$ 6,941,721	\$ 6,997,052
	=====	=====

See Notes to Condensed Consolidated Financial Statements.

PINNACLE WEST CAPITAL CORPORATION CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(THOUSANDS OF DOLLARS)

	Three Months Ended March 31,	
	1996	1995
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before extraordinary charge	\$ 34,859	\$ 24,623
Items not requiring cash		
Depreciation and amortization	67,538	68,705
Deferred income taxes--net	1,319	4,531
Allowance for equity funds used during construction	(1,675)	(1,186)
Deferred investment tax credit	(4,427)	(2,830)
Other--net	(1,432)	3,738
Changes in current assets and liabilities		
Customer and other receivables - net	22,528	24,770
Accrued utility revenues	9,429	9,885
Materials, supplies and fossil fuel	1,049	(1,035)
Other current assets	(441)	(3,231)
Accounts payable	(34,440)	(29,756)
Accrued taxes	57,389	48,517
Accrued interest	(18,047)	(17,120)
Other current liabilities	13,013	14,377
Decrease (increase) in land held	2,975	(6,539)
Other--net	9,539	(16,106)
	-----	-----
Net Cash Flow Provided By Operating Activities	159,176	121,343
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(60,138)	(69,548)
Allowance for borrowed funds used during construction	(3,237)	(1,996)
Sale of property	2,824	--
Other--net	(10,852)	19
	-----	-----
Net Cash Flow Used For Investing Activities	(71,403)	(71,525)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of long-term debt	33,511	81,811
Short-term borrowings--net	(18,200)	(51,000)
Dividends paid on common stock	(21,857)	(19,665)
Repayment of long-term debt	(97,398)	(74,951)
Redemption of preferred stock	(23,410)	(4)
Extraordinary charge for early retirement of debt	(3,597)	--
Other--net	750	(74)
	-----	-----
Net Cash Flow Used For Financing Activities	(130,201)	(63,883)
	-----	-----
Net Cash Flow	(42,428)	(14,065)
Cash and Cash Equivalents at Beginning of Period	79,539	34,719
	-----	-----
Cash and Cash Equivalents at End of Period	\$ 37,111	\$ 20,654
	=====	=====
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for:		
Interest, net of amounts capitalized	\$ 63,039	\$ 72,085
Income taxes	\$ --	\$ --

See Notes to Condensed Consolidated Financial Statements.

PINNACLE WEST CAPITAL CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. The condensed consolidated financial statements include the accounts of Pinnacle West and its subsidiaries: APS, SunCor and El Dorado. All significant intercompany balances have been eliminated. Certain prior year balances have been restated to conform to the current year presentation.
2. In the opinion of the Company, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of normal recurring accruals) necessary to present fairly the financial position of Pinnacle West and its subsidiaries as of March 31, 1996, the results of operations for the three months and twelve months ended March 31, 1996 and 1995, and the cash flows for the three months ended March 31, 1996 and 1995. It is suggested that these condensed consolidated financial statements and notes to condensed consolidated financial statements be read in conjunction with the consolidated financial statements and notes to consolidated financial statements included in the 1995 10-K.
3. The operations of APS are subject to seasonal fluctuations, with variations occurring in energy usage by customers from season to season and from month to month within a season, primarily as a result of changing weather conditions. For this and other reasons, the results of operations for interim periods are not necessarily indicative of the results to be expected for the full year.
4. See "Liquidity and Capital Resources" in Part I, Item 2 of this report for changes in capitalization for the three months ended March 31, 1996.
5. Regulatory Matters

Regulatory Agreement

In April 1996 the ACC approved a regulatory agreement between APS and the ACC Staff. This agreement is substantially the same as the agreement proposed by APS and the ACC Staff in December 1995. The major provisions of the 1996 regulatory agreement are:

- * An annual rate reduction of approximately \$48.5 million (\$29 million after income taxes), or an average 3.4% for all customers except certain contract customers, effective July 1, 1996.
- * Recovery of substantially all of APS' present regulatory assets through accelerated amortization over an eight-year period beginning July 1, 1996, increasing annual amortization by approximately \$120 million (\$72 million after income taxes).

- * A formula for sharing future cost savings between customers and shareholders, referencing a return on equity (as defined) of 11.25%.
- * A moratorium on filing for permanent rate changes, except under the sharing formula and under certain other limited circumstances, prior to July 2, 1999.
- * Infusion of \$200 million of common equity into APS by the parent company, in annual increments of \$50 million starting in 1996.

In recognition of evolving competition in the electric utility industry and an ongoing investigation by the ACC Staff into industry restructuring in an open competition docket involving many parties, the agreement also includes an element setting out a number of issues which APS and the ACC Staff agree the ACC should be requested to consider in developing restructuring policies. See Note 3 of Notes to Consolidated Financial Statements in Part II, Item 8 of the 1995 10-K for further discussion of the industry restructuring element of the agreement.

1994 Settlement Agreement

In May 1994 the ACC approved a retail rate settlement agreement which provided for a net annual retail rate reduction of approximately \$32 million (\$19 million after income taxes), or 2.2% on average, effective June 1, 1994. As part of the settlement, in 1994 APS reversed approximately \$20 million of depreciation (\$15 million after income taxes) related to a 1991 Palo Verde write-off. The 1994 rate settlement also provided for the accelerated amortization of substantially all deferred ITCs over a five-year period beginning in 1995, resulting in a decrease in annual consolidated income tax expense of approximately \$18 million.

6. The Palo Verde participants have insurance for public liability payments resulting from nuclear energy hazards to the full limit of liability under federal law. This potential liability is covered by primary liability insurance provided by commercial insurance carriers in the amount of \$200 million and the balance by an industry-wide retrospective assessment program. If losses at any nuclear power plant covered by this program exceed the accumulated funds for this program, APS could be assessed retrospective premium adjustments. The maximum assessment per reactor under the program for each nuclear incident is approximately \$79 million, subject to an annual limit of \$10 million per incident. Based upon APS' 29.1% interest in the three Palo Verde units, APS' maximum potential assessment per incident is approximately \$69 million, with an annual payment limitation of approximately \$9 million.

The Palo Verde participants maintain "all risk" (including nuclear hazards) insurance for property damage to, and decontamination of, property at Palo Verde in the aggregate amount of \$2.75 billion, a substantial portion of which must first be applied to stabilization and decontamination. APS has also secured insurance against portions of any increased cost of generation or purchased power and business interruption resulting from a sudden and unforeseen outage of any of the three units.

The insurance coverage discussed in this and the previous paragraph is subject to certain policy conditions and exclusions.

7. APS has encountered tube cracking in the Palo Verde steam generators and has taken, and will continue to take, remedial actions that it believes have slowed the rate of tube degradation. The projected service life of the steam generators is reassessed periodically in conjunction with inspections made during scheduled outages of the Palo Verde units. APS' ongoing analyses indicate that it will be economically desirable for APS to replace the Unit 2 steam generators, which have been most affected by tube cracking, in five to ten years. APS expects that the steam generator replacement can be accomplished within financial parameters established before replacement was a consideration, and APS estimates that its share of the replacement costs (in 1996 dollars and including installation and replacement power costs) will be between \$30 million and \$50 million, most of which will be incurred after the year 2000. APS expects that the replacement would be performed in conjunction with a normal refueling outage in order to limit incremental outage time to approximately 50 days. Based on the latest available data, APS estimates that the Unit 1 and Unit 3 steam generators should operate for the license periods (until 2025 and 2027, respectively), although APS will continue its normal periodic assessment of these steam generators.

PINNACLE WEST CAPITAL CORPORATION

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion relates to Pinnacle West and its subsidiaries: APS, SunCor and El Dorado.

LIQUIDITY AND CAPITAL RESOURCES

Parent Company

The parent company's cash requirements and its ability to fund those requirements are discussed under "Capital Needs and Resources" in Management's Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7 of the 1995 10-K.

During March 1996 the parent company's prepaid \$30 million of its debt, incurring a prepayment penalty of \$3.6 million after income taxes, reducing the aggregate principal amount to approximately \$280 million. The parent company's plans to prepay an additional \$70 million of long-term debt, and perhaps do some refinancing in 1996, resulting in additional prepayment penalties.

As a result of the 1996 regulatory agreement (see Note 5 of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this report), The parent company will infuse \$200 million into APS, in annual increments of \$50 million starting in 1996.

The Board declared a quarterly dividend of 25 cents per share of common stock, payable June 1, 1996 to shareholders of record on May 1, 1996, totaling approximately \$21.9 million.

APS

For the three months ended March 31, 1996 APS incurred approximately \$58 million in capital expenditures, accounting for approximately 24% of the most recently estimated 1996 capital expenditures. APS has estimated total capital expenditures for the years 1996, 1997 and 1998 to be approximately \$246 million, \$242 million and \$244 million, respectively. These amounts include about \$30 million each year for nuclear fuel expenditures.

Obligations for redemptions of preferred stock and long-term debt, a capitalized lease obligation, and certain actual and anticipated early redemptions, including premiums thereon, are expected to total approximately \$123 million, \$164 million and \$114 million for the years 1996, 1997 and 1998, respectively. During the three months

ended March 31, 1996, APS redeemed approximately \$51 million of its long-term debt and approximately \$23 million of its preferred stock, and incurred \$25 million of long-term debt under a revolving credit agreement. It is APS' present intention over the next several years to use excess cash flow to retire debt and preferred stock.

Although provisions in APS' bond indenture, articles of incorporation and financing orders from the ACC restrict the issuance of additional first mortgage bonds and preferred stock, management does not expect any of these restrictions to limit APS' ability to meet its capital requirements.

OPERATING RESULTS

The following table shows the income and/or loss of Pinnacle West and its subsidiaries for the three-month and twelve-month periods ended March 31, 1996 and 1995:

	Income (Loss)			
	(Unaudited)			
	(Thousands of Dollars)			
	Three Months Ended March 31,		Twelve Months Ended March 31,	
	1996	1995	1996	1995
	-----	-----	-----	-----
APS	\$ 41,129	\$ 33,025	\$ 228,540	\$ 220,279
SunCor	(1,210)	1,167	1,701	742
El Dorado	(136)	(857)	9,228	(4,438)
Pinnacle West(1)	(8,521)	(8,712)	(44,793)	(12,960)
	-----	-----	-----	-----
NET INCOME	\$ 31,262	\$ 24,623	\$ 194,676	\$ 203,623
	=====	=====	=====	=====

(1) Includes Pinnacle West's interest expense, extraordinary charge for early retirement of debt and operating expense net of income tax benefits. Income tax benefits are as follows (in thousands): \$5,098 and \$3,994 for the three months ended March 31, 1996 and 1995, respectively; and \$22,211 and \$51,565 for the twelve months ended March 31, 1996 and 1995, respectively.

Operating Results - Three-month period ended March 31, 1996 compared to three-month period ended March 31, 1995

Earnings increased in the three-month period ended March 31, 1996 primarily due to customer growth, lower operations and maintenance expenses, and lower interest expense. Operations and maintenance expenses decreased due to fewer nuclear refueling outage days. Interest expense decreased due to lower rates and lower average debt balances. Partially offsetting these positive factors was a decrease in other income caused by the recognition of a gain on the sale of a small subsidiary in 1995.

Operating Results - Twelve-month period ended March 31, 1996 compared to twelve-month period ended March 31, 1995

Earnings increased in the twelve-month period ended March 31, 1996 primarily due to customer growth, accelerated investment tax credit amortization, lower fuel costs, and lower operations and maintenance expenses. The accelerated investment tax credit amortization was a result of the 1994 rate settlement (see Note 5 of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this report) and is reflected as a decrease in income tax expense. Fuel expense decreased due largely to lower fuel prices. Operations and maintenance expenses decreased due to employee severance costs incurred in 1994, lower fossil plant overhaul costs, and improved nuclear operations.

Partially offsetting these positive factors were milder weather, the reversal in 1994 of certain previously recorded depreciation related to Palo Verde, the absence of non-cash accretion income and revenue refund reversals related to a 1991 rate settlement (see Note 1 of Notes to Consolidated Financial Statements in Part II, Item 8 of the 1995 10-K), write-downs of an office building and certain inventory, and a decrease in other income caused by the recognition of a gain on the sale of a small subsidiary in the first quarter of 1995.

Non-utility Operations

The parent company incurred extraordinary charges in the prepayment of debt in the three-month and twelve-month periods. Interest expense decreased in both periods due primarily to debt reduction. Additionally, the parent company's income tax benefit decreased in the twelve-month period due to a 1994 non-recurring income tax benefit of approximately \$26.8 million related to a change in tax law.

SunCor's earnings decreased in the three-month period due to the expiration of a lease agreement related to the Wigwam Resort in 1995. Earnings increased in the twelve-month period as a result of increased earnings in joint ventures.

El Dorado's earnings increased in the three-month period due to a 1995 loss on a sale of an investment. The twelve-month earnings increased due to sales of investments and an investment writedown in 1994.

Other Income

Other income reflects accounting practices required for regulated public utilities and represents a composite of cash and non-cash items, including AFUDC and accretion income on Palo Verde Unit 3, which APS completed recording in May 1994. See Note 1 of Notes to Consolidated Financial Statements in Part II, Item 8 of the 1995 10-K.

PART II. OTHER INFORMATION

The following information relates primarily to Pinnacle West and its principal subsidiary, APS.

ITEM 1. Legal Proceedings

Property Taxes

As previously reported, in November 1995, the Arizona Court of Appeals held that an Arizona state property tax law, effective December 31, 1989, is unconstitutional and a lawsuit filed by the Palo Verde participants, including APS, was returned to the Arizona Tax Court for determination of the appropriate remedy consistent with that decision. See "Property Taxes" in Part I, Item 3 of the 1995 10-K. On April 23, 1996 the parties reached an agreement to settle the pending litigation. Pursuant to the tentative settlement, APS will relinquish its claims for relief with respect to prior years and the defendants will not challenge the Court of Appeals' decision concerning prospective relief (for tax years 1996 and thereafter). APS does not expect this matter to have a material impact on its financial position or results of operations.

ITEM 5. Other Information

Palo Verde Nuclear Generating Station

See Note 7 of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this report for a discussion of issues regarding the Palo Verde steam generators.

Environmental Matters

The Comprehensive Environmental Response, Compensation, and Liability Act ("Superfund") establishes liability for the cleanup of hazardous substances found contaminating the soil, water, or air. Those who generated, transported or disposed of hazardous substances at a contaminated site are among those who are potentially responsible parties ("PRP's") and are each strictly, and usually jointly and severally, liable for the cost of the remediation of the substances. The EPA had previously advised APS that the EPA considers APS to be a PRP in the Indian Bend Wash Superfund Site, South Area, where APS's Ocotillo Power Plant is located. APS is in the process of conducting a voluntary investigation to determine the extent and scope of contamination at the Plant site. Based on the information to date, APS does not expect this matter to have a material impact on its financial position or results of operations.

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit No. -----	Description -----
27	Financial Data Schedule

In addition to the Exhibit shown above, the Company hereby incorporates the following Exhibits pursuant to Exchange Act Rule 12b-32 by reference to the filings set forth below:

Exhibit No. -----	Description -----	Previously Filed As Exhibit -----	File No. ---	Date Effective -----
10.1	ACC Order dated April 24, 1996	10.1 to APS' March 1996 Form 10-Q report	1-4473	5/14/96

(b) Reports on Form 8-K

During the quarter ended March 31, 1996, and the period ended May 15, 1996, the Company filed no reports on Form 8-K.

SIGNATURES

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

PINNACLE WEST CAPITAL CORPORATION
(Registrant)

Dated: May 15, 1996

By: /s/ Nancy Newquist

*Nancy Newquist
Vice President and Treasurer
(Principal Financial Officer and
Officer Duly Authorized to sign
this Report)*

ARTICLE UT

MULTIPLIER: 1,000

CURRENCY: U.S. DOLLARS

PERIOD TYPE	3 MOS
FISCAL YEAR END	DEC 31 1996
PERIOD START	JAN 01 1996
PERIOD END	MAR 31 1996
EXCHANGE RATE	1
BOOK VALUE	PER BOOK
TOTAL NET UTILITY PLANT	4,639,626
OTHER PROPERTY AND INVEST	579,096
TOTAL CURRENT ASSETS	366,467
TOTAL DEFERRED CHARGES	1,356,532
OTHER ASSETS	0
TOTAL ASSETS	6,941,721
COMMON	1,638,496
CAPITAL SURPLUS PAID IN	0
RETAINED EARNINGS	251,808
TOTAL COMMON STOCKHOLDERS EQ	1,890,304
PREFERRED MANDATORY	72,000
PREFERRED	174,089
LONG TERM DEBT NET	2,309,891
SHORT TERM NOTES	0
LONG TERM NOTES PAYABLE	0
COMMERCIAL PAPER OBLIGATIONS	159,600
LONG TERM DEBT CURRENT PORT	167,242
PREFERRED STOCK CURRENT	0
CAPITAL LEASE OBLIGATIONS	0
LEASES CURRENT	0
OTHER ITEMS CAPITAL AND LIAB	2,168,595
TOT CAPITALIZATION AND LIAB	6,941,721
GROSS OPERATING REVENUE	361,255
INCOME TAX EXPENSE	23,050
OTHER OPERATING EXPENSES	198,421
TOTAL OPERATING EXPENSES	254,693
OPERATING INCOME LOSS	106,562
OTHER INCOME NET	(48,653)
INCOME BEFORE INTEREST EXPEN	0
TOTAL INTEREST EXPENSE	47,518
NET INCOME	31,262
PREFERRED STOCK DIVIDENDS	0
EARNINGS AVAILABLE FOR COMM	31,262
COMMON STOCK DIVIDENDS	21,857
TOTAL INTEREST ON BONDS	42,730
CASH FLOW OPERATIONS	159,176
EPS PRIMARY	0.36
EPS DILUTED	0

End of FilingPowered By **EDGAR**
Online

© 2005 | EDGAR Online, Inc.