

PINNACLE WEST CAPITAL CORP

FORM 10-Q (Quarterly Report)

Filed 05/15/95 for the Period Ending 03/31/95

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 5/15/1995 For Period Ending 3/31/1995

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, 1995

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 1, 1995: 87,399,103

Glossary

ACC - Arizona Corporation Commission

AFUDC - Allowance for funds used during construction

APS - Arizona Public Service Company

Company - Pinnacle West Capital Corporation

CSW - Central and South West Corporation

El Dorado - El Dorado Investment Company

EPA - Environmental Protection Agency

EPEC - El Paso Electric Company

Four Corners - Four Corners Power Plant

ITCs - Investment tax credits

1994 10-K - Pinnacle West Capital Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 1994

Palo Verde - Palo Verde Nuclear Generating Station

Pinnacle West - Pinnacle West Capital Corporation

SFAS No. 71 - Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation"

SFAS No. 121 - Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of"

SunCor - SunCor Development Company

PART 1. 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,	
	1995	1994
Operating Revenues		
Electric	\$ 336,968	\$ 346,049
Real estate	9,146	9,424
Total	346,114	355,473
Fuel Expenses		
Fuel for electric generation	46,710	57,968
Purchased power	8,210	10,063
Total	54,920	68,031
Operating Expenses		
Utility operations and maintenance	91,432	97,621
Real estate operations	7,495	8,661
Depreciation and amortization	60,847	58,195
Taxes other than income taxes	35,721	34,495
Total	195,495	198,972
Operating Income	95,699	88,470
Other Income (Deductions)		
Allowance for equity funds used during construction	1,186	846
Palo Verde accretion income	--	19,980
Interest on long-term debt	(54,920)	(56,364)
Other interest	(3,236)	(3,987)
Allowance for borrowed funds used during construction	1,996	1,167
Preferred stock dividend requirements of APS	(4,807)	(7,510)
Other-net	4,592	230
Total	(55,189)	(45,638)
Income Before Income Taxes	40,510	42,832
Income Tax Expense	15,887	21,213
Net Income	\$ 24,623	\$ 21,619
Average Common Shares Outstanding	87,393,085	87,418,161
Earnings Per Average Common Share Outstanding	\$ 0.28	\$ 0.25
Dividends Declared Per Share	\$ 0.225	\$ 0.200

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,	
	1995	1994
Operating Revenues		
Electric	\$ 1,617,087	\$ 1,594,572
Real estate	58,975	37,873
Total	1,676,062	1,632,445
Fuel Expenses		
Fuel for electric generation	225,845	234,394
Purchased power	61,733	68,679
Total	287,578	303,073
Operating Expenses		
Utility operations and maintenance	405,732	407,726
Real estate operations	58,623	43,011
Depreciation and amortization	239,978	226,027
Taxes other than income taxes	143,152	138,820
Total	847,485	815,584
Operating Income	540,999	513,788
Other Income (Deductions)		
Allowance for equity funds used during construction	4,281	2,520
Palo Verde accretion income	13,616	76,870
Interest on long-term debt	(228,366)	(240,907)
Other interest	(14,434)	(16,604)
Allowance for borrowed funds used during construction	6,271	4,434
Preferred stock dividend requirements of APS	(22,571)	(30,461)
Other-net	21,471	(2,340)
Total	(219,732)	(206,488)
Income Before Income Tax	321,267	307,300
Income Tax Expense (Benefit)		
Income tax expense	144,414	143,177
Non-recurring income tax benefit	(26,770)	--
Total	117,644	143,177
Net Income	\$ 203,623	\$ 164,123
Average Common Shares Outstanding	87,405,051	87,305,670
Earnings Per Average Common Share Outstanding	\$ 2.33	\$ 1.88
Dividends Declared Per Share	\$ 0.850	\$ 0.400

See Notes to Condensed Consolidated Financial Statements.

PINNACLE WEST CAPITAL CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

ASSETS
(Thousands of Dollars)

	March 31, 1995	December 31, 1994
	-----	-----
Current Assets		
Cash and cash equivalents	\$ 20,654	\$ 34,719
Customer and other receivables--net	111,284	136,143
Accrued utility revenues	45,547	55,432
Material and supplies	90,872	89,864
Fossil fuel	35,762	35,735
Deferred income taxes	66,066	68,263
Other current assets	18,653	15,422
	-----	-----
Total current assets	388,838	435,578
	-----	-----
Investments and Other Assets		
Real estate investments--net	414,157	408,505
Other assets	156,025	153,384
	-----	-----
Total investments and other assets	570,182	561,889
	-----	-----
Utility Plant		
Electric plant in service, including nuclear fuel	6,650,844	6,602,799
Construction work in progress	234,865	224,312
	-----	-----
Total utility plant	6,885,709	6,827,111
Less accumulated depreciation and amortization	2,263,432	2,203,038
	-----	-----
Net utility plant	4,622,277	4,624,073
	-----	-----
Deferred Debits		
Regulatory asset for income taxes	555,004	557,049
Palo Verde Unit 3 cost deferral	290,296	292,586
Palo Verde Unit 2 cost deferral	170,421	171,936
Other deferred debits	277,097	266,641
	-----	-----
Total deferred debits	1,292,818	1,288,212
	-----	-----
Total Assets	\$ 6,874,115	\$ 6,909,752
	=====	=====

See Notes to Condensed Consolidated Financial Statements.

PINNACLE WEST CAPITAL CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

LIABILITIES AND EQUITY
(Thousands of Dollars)

	March 31, 1995	December 31, 1994
	-----	-----
Current Liabilities		
Accounts payable	\$ 88,890	\$ 126,842
Accrued taxes	137,661	89,144
Accrued interest	38,938	56,058
Short-term borrowings	80,500	131,500
Current maturities of long-term debt	129,923	78,512
Other current liabilities	61,354	50,060
	-----	-----
Total current liabilities	537,266	532,116
	-----	-----
Non-Current Liabilities		
Long-term debt less current maturities	2,550,044	2,588,525
Other liabilities	10,188	8,679
	-----	-----
Total non-current liabilities	2,560,232	2,597,204
	-----	-----
Deferred Credits and Other		
Deferred income taxes	1,297,587	1,297,298
Deferred investment tax credit	118,596	121,426
Unamortized gain - sale of utility plant	96,352	98,551
Other deferred credits	214,224	218,179
	-----	-----
Total deferred credits and other	1,726,759	1,735,454
	-----	-----
Commitments and Contingencies (Notes 6, 7 and 8)		
Minority Interests		
Non-redeemable preferred stock of APS	193,561	193,561
	-----	-----
Redeemable preferred stock of APS	75,000	75,000
	-----	-----
Common Stock Equity		
Common stock, no par value	1,641,118	1,641,196
Retained earnings	140,179	135,221
	-----	-----
Total common stock equity	1,781,297	1,776,417
	-----	-----
Total Liabilities and Equity	\$6,874,115	\$6,909,752
	=====	=====

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,	
	1995	1994
Cash Flows From Operating Activities		
Income from continuing operations	\$ 24,623	\$ 21,619
Items not requiring cash		
Depreciation and amortization	68,705	65,030
Deferred income taxes--net	4,531	16,580
Provision for rate refund	--	(5,344)
Palo Verde accretion income	--	(19,980)
Other--net	(278)	(1,665)
Changes in current assets and liabilities		
Accounts receivable--net	24,770	22,216
Accrued utility revenues	9,885	12,115
Materials, supplies and fossil fuel	(1,035)	4,412
Other current assets	(3,231)	(2,214)
Accounts payable	(29,756)	(18,785)
Accrued taxes	48,517	37,886
Accrued interest	(17,120)	(9,756)
Other current liabilities	14,377	12,443
Decrease (increase) in land held	(6,539)	2,322
Other--net	(16,106)	860
Net Cash Flow Provided By Operating Activities	121,343	137,739
Cash Flows From Investing Activities		
Capital expenditures	(72,730)	(68,684)
Allowance for equity funds used during construction	1,186	846
Other--net	19	(1,101)
Net Cash Flow Used For Investing Activities	(71,525)	(68,939)
Cash Flows From Financing Activities		
Issuance of long-term debt	81,811	123,899
Short-term borrowings--net	(51,000)	(69,000)
Dividends paid on common stock	(19,665)	(17,486)
Repayment of long-term debt	(74,951)	(68,823)
Redemption of preferred stock	(4)	(14,225)
Other--net	(74)	197
Net Cash Flow Used For Financing Activities	(63,883)	(45,438)
Net Cash Flow	(14,065)	23,362
Cash and Cash Equivalents at Beginning of Period	34,719	52,127
Cash and Cash Equivalents at End of Period	\$ 20,654	\$ 75,489
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for:		
Interest, net of amounts capitalized	\$ 72,085	\$ 65,889
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. Consistent with the 1995 presentation, prior year's electric operating revenues and other taxes have been restated to exclude sales tax on electric revenues.

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, 1995, the results of operations for the three months and twelve months ended March 31, 1995 and 1994, and the cash flows for the three months ended March 31, 1995 and 1994. 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 1994

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, Pinnacle West's consolidated 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 since December 31, 1994.

5. In May 1994, the ACC approved a retail rate settlement agreement between APS and the ACC staff which provided for a net annual retail rate reduction of approximately \$32.3 million (\$19 million after tax), or 2.2% on average, effective June 1, 1994. As part of the settlement, APS reversed approximately \$20 million of depreciation (\$15 million after tax) 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. In addition, the 1994 rate settlement included a moratorium on filing for permanent rate changes, except under certain circumstances, prior to the end of 1996 for both APS and the ACC staff, and an incentive rewarding reduction in fuel and operating and maintenance cost per kilowatt-hour below established targets.

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. The maximum assessment per reactor under the retrospective rating 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 \$2.78 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 further tube problems to manageable levels. Although the steam generators are capable of operating for their designed life of 40 years, APS believes that, at some point, long-term economic considerations could make steam generator replacement desirable.

8. El Paso Electric Company, one of the joint owners of Palo Verde and Four Corners, has been operating under Chapter 11 of the Bankruptcy Code since 1992. A plan whereby EPEC would become a wholly-owned subsidiary of Central and South West Corporation has been confirmed by the bankruptcy court, but cannot become fully effective until several other approvals are obtained. Under the plan, certain issues, including EPEC allegations regarding the 1989-1990 Palo Verde outages, would be resolved, and EPEC would assume the joint facilities operating agreements. CSW has stated that several matters have arisen which may impede completion of the merger. If the plan is not approved, APS does not expect that there would be a material adverse effect on its operations or financial position.

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

Pinnacle West

Pinnacle West's cash requirements and its ability to fund those requirements are discussed under "Liquidity and Capital Resources" in Management's Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7 of the 1994 10-K.

During March 1995, Pinnacle West prepaid \$15 million of its debt, reducing the aggregate principal amount of its outstanding debt to approximately \$415 million.

The Board declared a quarterly dividend of 22.5 cents per share of common stock, payable on March 1, 1995 to shareholders of record on February 1, 1995, totaling approximately \$19.7 million.

APS

For the three months ended March 31, 1995, APS incurred approximately \$61 million in construction expenditures, accounting for approximately 20% of the most recently estimated 1995 construction expenditures. APS has estimated total construction expenditures for the years 1995, 1996, and 1997 to be approximately \$300 million, \$257 million, and \$236 million, respectively. These amounts include about \$27 million each year for nuclear fuel expenditures.

Since December 31, 1994, APS has (i) issued \$75 million of its Junior Subordinated Deferrable Interest Debentures ("MIDS"), (ii) incurred approximately \$4 million of long-term debt in connection with a tax-exempt financing, (iii) redeemed on March 2, 1995, \$49.15 million of its First Mortgage Bonds, 10.25% Series due 2000, (iv) repurchased on March 17, 1995, approximately \$2.5 million of its First Mortgage Bonds, 9 1/2% Series due 2021, and (v) redeemed on May 1, 1995, \$50 million of its First Mortgage Bonds, 13 1/4% Series due 2007 (the "13 1/4% Bonds").

Refunding obligations for 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 \$109 million, \$4 million, and \$164 million for the years 1995, 1996, and 1997, respectively. During the first three months of 1995, APS refunded approximately \$52 million (48%) of the estimated 1995 total.

Provisions in APS' mortgage bond indenture and articles of incorporation require certain coverage ratios to be met before it can issue additional first mortgage bonds or preferred stock. In addition, the bond indenture limits the amount of additional first mortgage bonds which may be issued to a percentage of net property additions, to the amount of certain first mortgage bonds that have been redeemed or retired, and/or to cash deposited with the mortgage bond trustee. As of March 31, 1995, and adjusting for the (i) incurrence of approximately \$4 million of long-term debt in connection with a tax-exempt financing and (ii) redemption of the 13 1/4% Bonds, APS estimates that the mortgage bond indenture and the articles of incorporation would have allowed it to issue up to approximately \$1.417 billion and \$928 million of additional first mortgage bonds and preferred stock, respectively.

The ACC has authority over APS with respect to the issuance of long-term debt and equity securities. Existing ACC orders allow APS to have up to approximately \$2.6 billion in long-term debt and approximately \$501 million of preferred stock outstanding at any one time.

Management does not expect any of the foregoing 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, 1995 and 1994:

Income (Loss) (Unaudited)	
(Thousands of Dollars)	
Three Months Ended March 31,	Twelve Months Ended March 31,

	1995	1994	1995	1994
	-----	-----	-----	-----
APS	\$ 33,025	\$ 30,958	\$ 220,279	\$ 211,227
SunCor	1,167	964	742	(3,364)
El Dorado	(857)	(426)	(4,438)	(4,145)
Pinnacle West (1)	(8,712)	(9,877)	(12,960)	(39,595)
NET INCOME	\$ 24,623	\$ 21,619	\$ 203,623	\$ 164,123
	=====	=====	=====	=====

(1) Includes Pinnacle West's interest expense and operating expenses net of income tax benefits. Income tax benefits are as follows (in thousands): \$3,994 and \$6,726 for the three months ended March 31, 1995 and 1994, respectively; and \$51,565 and \$39,447 for the twelve months ended March 31, 1995 and 1994, respectively.

APS

Operating Results - Three-month period ended March 31, 1995 compared to three-month period ended March 31, 1994

Earnings increased in the three-month period ended March 31, 1995 primarily due to lower fuel costs, lower operations and maintenance expenses, a gain recognized on the sale of a small subsidiary, and lower preferred stock dividends. Fuel expense was lower due largely to lower average fuel costs resulting from increased nuclear generation and lower natural gas and coal prices. Operations and maintenance expenses decreased due to improved Palo Verde operations and lower fossil plant overhaul costs. Preferred stock dividends decreased due to less preferred stock outstanding. Partially offsetting these positive factors were decreased operating revenues and the absence of non-cash income related to a 1991 rate settlement, which APS completed recording in May 1994 (see "Other Income" below). Operating revenues were down primarily due to milder weather and a retail rate reduction which became effective June 1, 1994 (see Note 5 of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this report), partially offset by customer growth. The effects of the rate reduction were substantially offset by the accelerated amortization of investment tax credits provided for in the 1994 rate settlement.

Operating Results - Twelve-month period ended March 31, 1995 compared to twelve-month period ended March 31, 1994

Earnings increased in the twelve-month period ended March 31, 1995 primarily due to increased operating revenues, lower fuel expenses, and lower preferred stock dividends. Operating revenues were up due to customer growth and warmer weather, partially offset by a retail rate reduction which became effective June 1, 1994. The effects of the rate reduction were offset by the reversal of certain previously recorded depreciation related to Palo Verde (see Note 5 of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this report) and the accelerated amortization of investment tax credits. Although sales were up, fuel expenses were down primarily due to lower average fuel costs resulting from increased nuclear generation. Preferred stock dividends were lower due to less preferred stock outstanding. Partially offsetting these positive factors were the decrease in non-cash income related to the 1991 rate settlement (see "Other Income" below) and increased depreciation expense. Depreciation expense was up primarily due to higher plant balances and increased nuclear decommissioning costs reflecting the most recent site-specific study.

Non-utility Operations

Pinnacle West's interest expense decreased in the three-month and twelve-month periods as it continued to prepay its outstanding debt. Earnings increased in the twelve-month period due to a non-recurring income tax benefit of approximately \$26.8 million related to a change in tax law.

SunCor's earnings in the twelve-month period were positively impacted by increased land sales.

El Dorado's earnings decreased in the three-month and twelve-month periods due to lower earnings on venture capital investments.

Other Income

Other income reflects accounting practices required for regulated public utilities and represents a composite of cash and non-cash items, including AFUDC. For the three months ended March 31, 1995, other income included a gain of about \$5 million on APS' sale of a small subsidiary. Included in other income for the twelve months ended March 31, 1995, were \$8.2 million of after-tax accretion income on Palo Verde Unit 3 and a one-time depreciation reversal related to Palo Verde of approximately \$15.0 million, after tax. See Note 5 of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this report.

Other non-cash income, in the twelve months ended March 31, 1995, included \$2.4 million of after-tax income (included in operating revenues) from the reversal of the Palo Verde refund obligation which was recorded in accordance with the 1991 rate settlement. APS has recorded all of the Unit 3 accretion income and refund reversals related to the 1991 rate settlement. See Note 1 of Notes to Consolidated

Accounting Issue

In March 1995 the Financial Accounting Standards Board issued SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," which is effective in 1996. This statement requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss would be recognized if the sum of the estimated future undiscounted cash flows to be generated by an asset is less than its carrying value. The amount of the loss would be based on a comparison of book value to fair value. The standard also amends SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation," to require write-off of a regulatory asset if it is no longer probable that future revenues will recover the cost of the asset. This new standard does not impact the Company at this time; however, it will be reviewed on an ongoing basis.

COMPETITION

A significant challenge for APS will be how well it is able to respond to increasingly competitive conditions in the electric utility industry, while continuing to earn an acceptable return for its shareholders. Strategies emphasize managing costs, stabilizing electric rates, negotiating long-term contracts with large customers and capitalizing on the growth characteristics of its service territory.

One of the issues that must be addressed responsibly is the recovery in a more competitive environment of the carrying value of assets acquired or recorded under the existing regulatory environment.

Pursuant to the 1994 rate settlement, APS and the ACC staff will develop certain procedures that are responsive to the competitive forces in larger customer segments, with the objective of making joint recommendations to the ACC in 1995. A separate ACC proceeding on competition was opened by the ACC in mid-1994 and is expected to continue for some months.

As the forces of competition continue to impact the industry, it will become clearer as to what customer sectors and what regions will be most affected and what strategies are best to deal with those forces.

PART II - OTHER INFORMATION

The following information relates primarily to Pinnacle West Capital Corporation (the "Company") and its principal subsidiary, Arizona Public Service Company ("APS").

ITEM 5. Other Information

Environmental Matters

As previously reported, on November 24, 1994, the United States Court of Appeals for the District of Columbia Circuit vacated the rules for nitrogen oxides emissions limitations and remanded them to the EPA for further consideration. See "Business of Arizona Public Service Company - Environmental Matters" in Part I, Item 1 of the 1994 10-K. On March 28, 1995, the EPA issued revised rules for nitrogen oxides emissions limitations, which will require APS to install additional pollution control equipment at Four Corners. In the year 2000 Four Corners must comply with either these or more stringent requirements which might be promulgated by the EPA. The EPA has until 1997 to set more stringent requirements. Based on its initial evaluation, APS currently estimates its capital cost of complying with the March 28 rules will be approximately \$20 million, most of which will be incurred in 1997.

As previously reported, the EPA established a "Grand Canyon Visibility Transport Commission" to complete a study by November 1995 on visibility impairment in the "Golden Circle of National Parks" in the Colorado Plateau. See "Business of Arizona Public Service Company - Environmental Matters" in Part I, Item 1 of the 1994 10-K. The EPA recently agreed to the extension of the completion of this study until March or April 1996.

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit No.	Description
27	Financial Data Schedule

(b) Reports on Form 8-K

During the quarter ended March 31, 1995, and the period ended May 12,

1995, the Company did not file any 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, 1995

By: Henry Sargent

Henry Sargent
Executive Vice President and
Chief Financial Officer
(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 1995
PERIOD START	JAN 01 1995
PERIOD END	MAR 31 1995
EXCHANGE RATE	1
BOOK VALUE	PER BOOK
TOTAL NET UTILITY PLANT	4,622,277
OTHER PROPERTY AND INVEST	570,182
TOTAL CURRENT ASSETS	388,838
TOTAL DEFERRED CHARGES	1,292,818
OTHER ASSETS	0
TOTAL ASSETS	6,874,115
COMMON	1,641,118
CAPITAL SURPLUS PAID IN	0
RETAINED EARNINGS	140,179
TOTAL COMMON STOCKHOLDERS EQ	1,781,297
PREFERRED MANDATORY	75,000
PREFERRED	193,561
LONG TERM DEBT NET	2,550,044
SHORT TERM NOTES	0
LONG TERM NOTES PAYABLE	0
COMMERCIAL PAPER OBLIGATIONS	80,500
LONG TERM DEBT CURRENT PORT	129,923
PREFERRED STOCK CURRENT	0
CAPITAL LEASE OBLIGATIONS	0
LEASES CURRENT	0
OTHER ITEMS CAPITAL AND LIAB	2,063,790
TOT CAPITALIZATION AND LIAB	6,874,115
GROSS OPERATING REVENUE	346,114
INCOME TAX EXPENSE	15,887
OTHER OPERATING EXPENSES	195,495
TOTAL OPERATING EXPENSES	250,415
OPERATING INCOME LOSS	95,699
OTHER INCOME NET	(55,189)
INCOME BEFORE INTEREST EXPEN	0
TOTAL INTEREST EXPENSE	56,160
NET INCOME	24,623
PREFERRED STOCK DIVIDENDS	0
EARNINGS AVAILABLE FOR COMM	24,623
COMMON STOCK DIVIDENDS	19,665
TOTAL INTEREST ON BONDS	53,358
CASH FLOW OPERATIONS	121,343
EPS PRIMARY	0.28
EPS DILUTED	0

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