PINNACLE WEST CAPITAL CORP

FORM 8-K
(Current report filing)

Filed 02/22/13 for the Period Ending 12/31/12

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

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): **December 31, 2012**

Commission File Number	Exact Name of Registrant as Specified in Charter; State of Incorporation; Address and Telephone Number	IRS Employer Identification Number
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 (17 CFR 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 or furnished by Pinnacle West Capital Corporation and Arizona Public Service Company. Each registrant is filing or furnishing on its own behalf all of the information contained in this Form 8-K that relates to such registrant and, where required, its subsidiaries. Except as stated in the preceding sentence, neither registrant is filing or furnishing any information that does not relate to such registrant, and therefore makes no representation as to any such information.

Item 2.02. Results of Operations and Financial Condition.

Item 7.01. Regulation FD Disclosure.

The following information is furnished pursuant to both Item 2.02 and 7.01.

On February 22, 2013, Pinnacle West Capital Corporation ("Pinnacle West") issued a press release regarding its financial results for the fiscal quarter and full year ended December 31, 2012, its earnings outlook for 2013 and its financial goal through 2015. A copy of the press release is attached hereto as Exhibit 99.1.

The Company is providing a quarterly and full year consolidated statistical summary and earnings variance explanations and a copy of the slide presentation made in connection with its earnings conference call on February 22, 2013. This information contains Company operating results for the fiscal quarter and fiscal year ended December 31, 2012 and is attached hereto as Exhibits 99.2, 99.3 and 99.4. The summary, earnings variance explanations, and slide presentation are concurrently being posted to the Company's website at www.pinnaclewest.com, which also contains a glossary of relevant terms.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Registrant(s)	Description
99.1	Pinnacle West Arizona Public Service Company ("APS")	Earnings News Release issued on February 22, 2013.
99.2	Pinnacle West APS	Pinnacle West quarterly consolidated statistical summary for the three-month and twelve-month periods ended December 31, 2012 and 2011.
99.3	Pinnacle West APS	Pinnacle West 4th Quarter and Full-Year 2012 Results slide presentation accompanying February 22, 2013 conference call.
99.4	Pinnacle West APS	Pinnacle West earnings variance explanations for the three and twelve months ended December 31, 2012 and 2011 and Consolidated Statements of Income for the three and twelve months ended December 31, 2012 and 2011.

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: February 22, 2013

By: /s/ James R. Hatfield
James R. Hatfield
Executive Vice President and Chief Financial Officer

ARIZONA PUBLIC SERVICE COMPANY
(Registrant)

Dated: February 22, 2013

By: /s/ James R. Hatfield
James R. Hatfield
Executive Vice President and Chief Financial Officer

Exhibit Index

Exhibit No.	Registrant(s)	Description
99.1	Pinnacle West APS	Earnings News Release issued on February 22, 2013.
99.2	Pinnacle West APS	Pinnacle West quarterly consolidated statistical summary for the three-month and twelve-month periods ended December 31, 2012 and 2011.
99.3	Pinnacle West APS	Pinnacle West 4th Quarter and Full-Year 2012 Results slide presentation accompanying February 22, 2013 conference call.
99.4	Pinnacle West APS	Pinnacle West earnings variance explanations for the three and twelve months ended December 31, 2012 and 2011 and Consolidated Statements of Income for the three and twelve months ended December 31, 2012 and 2011.

Exhibit 99.1

NEWS PINNACLE WEST CAPITAL CORPORATION

FOR IMMEDIATE RELEASE **February 22, 2013**

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

PINNACLE WEST REPORTS 2012 FOURTH-QUARTER AND FULL-YEAR RESULTS

- *Increased electricity sales in fourth quarter, cost management and strong operational performance benefit bottom line*
- *2012 regulatory settlement contributes to improved financial results while moderating average residential customer bill impacts*
- *2012 results at top of earnings guidance range*

PHOENIX - Pinnacle West Capital Corporation (NYSE: PNW) today reported consolidated on-going earnings of $26.9 million, or $0.24 per diluted share of common stock, for the quarter ended December 31, 2012. This result compares with on-going earnings of $12.1 million, or $0.11 per share, in the same 2011 period. The Company's net income attributable to common shareholders for the 2012 fourth quarter was $22.6 million, or $0.20 per diluted share, compared with net income of $12.6 million, or $0.11 per share, for the same quarter a year ago.

For full-year 2012, Pinnacle West reported consolidated on-going earnings of $387.4 million, or $3.50 per share, as compared to $328.1 million, or $2.99 per share, a year ago. Consolidated net income attributable to common shareholders for 2012 was $381.5 million, or $3.45 per diluted share, compared with 2011 net income of $339.5 million, or $3.09 per diluted share.

On-going earnings exclude results of previously discontinued operations. A reconciliation of reported earnings to on-going earnings is provided at the end of this release.

"Superior operational performance by our dedicated employees — particularly in the areas of customer service, reliability and safety — combined with cost management and economic improvement in our market area produced full-year financial results at the top of our expectations," said Pinnacle West Chairman, President and Chief Executive Officer Don Brandt.

Looking forward, Brandt said the Company and its employees cannot rest on recent accomplishments. "We must maintain our focus on operational improvement and cost management, while maintaining strong service reliability at fair prices for our customers, and producing solid financial results for shareholders."

Brandt cited additional examples of the Company's 2012 achievements:

- APS provided its 1.1 million customers with record levels of service reliability, maintained superior power plant performance, and continued its top-tier customer satisfaction rating — all of which compare favorably with the best performers in the electric utility industry.

- The Company experienced its safest year ever as the number of recordable employee injuries decreased for the fifth straight year, besting 2011's prior record by 20 percent.

- Pinnacle West's total return to shareholders in 2012 was 10.3 percent, which compared favorably with a 0.1 percent return for the S&P 1500 Electric Utility Index.

- For the second time in as many years, Standard & Poor's Corporation (S&P) upgraded its credit ratings for both Pinnacle West and Arizona Public Service (APS) from BBB to BBB+, thus reducing borrowing costs for needed infrastructure investments. The Company believes these upgrades reflect effective management of regulatory risk, an improvement in Arizona's economy, continued improvement in cash flow measures and decreased leverage in recent years. Earlier in 2012, the other two primary credit rating agencies — Moody's Investors Service and Fitch Ratings— also upgraded Pinnacle West and APS to the BBB+ level.

The fourth-quarter on-going results comparison was positively impacted by the following major items:

- *The Company's 2012 regulatory settlement*, which included a retail non-fuel base rate increase, improved earnings by $0.13 per share. The settlement became effective July 1, 2012.

- *Higher transmission revenues* improved earnings by $0.06 per share, primarily because of a retail transmission rate increase implemented in August 2012.

- *Lower infrastructure-related costs* increased earnings by $0.06 per share, related to lower depreciation and amortization, primarily attributable to the operating license extensions at the Palo Verde Nuclear Generating Station in 2011; and decreased interest expense due to lower debt balances and interest rates. These lower costs were partially offset by higher property taxes .

- *Higher retail electricity sales* — excluding the effects of weather variations, but including effects of customer conservation, energy efficiency programs and distributed renewable generation — improved earnings by $0.06 per share. The increase was primarily related to customer growth of 1.4 percent in the quarter compared to the same period a year ago.

These factors were offset in part by the following factors:

- *Higher operations and maintenance expenses* impacted earnings by $0.08 per share compared with the prior-year quarter. The expense increase primarily consisted of the beginning of amortization of pension and other post-retirement

benefits in 2012 compared with deferral of such costs in 2011 pursuant to the Company's retail regulatory settlements; increased employee benefit costs; and higher information technology costs, partially offset by lower fossil generation costs as a result of less planned maintenance being completed in the current-year quarter than in the same quarter a year ago. The O&M variance excludes costs associated with renewable energy, energy efficiency and similar regulatory programs, which are largely offset by comparable amounts of operating revenues.

- *The effects of weather variations* decreased the Company's earnings by $0.03 per share.

- *Higher fuel and purchased power costs, net of higher mark-to-market valuations* as a result of changes in commodity prices, reduced earnings by $0.03 per share.

- *The net effect of miscellaneous items* decreased earnings $0.04 per share.

APS, the Company's principal subsidiary, recorded 2012 fourth-quarter net income attributable to common shareholder of $26.8 million versus net income of $14.3 million for the comparable 2011 quarter. For 2012 as a whole, APS net income attributable to common shareholder was $395.5 million compared with $336.2 million for 2011.

Financial Outlook

Pinnacle West continues to expect its 2013 consolidated on-going earnings will be in the range of $3.45 to $3.60 per diluted share. Key factors and assumptions underlying the outlook are:

- Normal weather patterns for the year;
- Weather-normalized retail electricity sales volumes about the same as the prior year, in part due to the effects of customer conservation and initiatives associated with energy efficiency and distributed renewable generation;
- Retail customer growth of about 1.5 percent;
- Total electricity gross margin (operating revenues, net of fuel and purchased power expenses, excluding retail rate adjustment mechanisms associated with renewable energy and energy efficiency programs) of about $2.17 billion to $2.22 billion, which was previously estimated to be about $2.20 billion to $2.25 billion;
- Anticipated operating expenses (operations and maintenance, excluding costs for Renewable Energy Standard and similar regulatory programs; depreciation and amortization; and taxes other than income taxes) have been reduced to a range of $1.34 billion to $1.37 billion, a decrease from the previous range of $1.36 billion to $1.39 billion;
- Anticipated interest expense, net of allowances for borrowed and equity funds used for construction, have been reduced to a range of about $175 million to $185 million, from the previous estimated range of about $190 million to $200 million; and
- An effective income tax rate of about 35 percent.

Longer term, the Company's goal is to achieve a consolidated earned return on average common equity of at least 9.5 percent annually in 2013 through 2015. Key factors and assumptions underlying the outlook can be found in the earnings presentation slides for the fourth-quarter and full-year 2012 on the Company's website at pinnaclewest.com/investors.

Conference Call and Webcast

Pinnacle West invites interested parties to listen to the live webcast of management's conference call to discuss the Company's 2012 fourth-quarter and full-year results, as well as recent developments, at 12 noon (ET) today, February 22. The webcast can be accessed at pinnaclewest.com/presentations and will be available for replay on the website for 30 days. To access the live conference call by telephone, dial (877) 407-8035 or (201) 689-8035 for international callers. A replay of the call also will be available until 11:59 p.m. (ET), Friday, March 1, 2013, by calling (877) 660-6853 in the U.S. and Canada or (201) 612-7415 internationally and entering conference ID number 407220.

General Information

Pinnacle West Capital, an energy holding company based in Phoenix, has consolidated assets of about $13.4 billion, more than 6,300 megawatts of generating capacity and about 6,600 employees in Arizona and New Mexico. Through its principal subsidiary, Arizona Public Service, the Company provides retail electricity service to more than 1.1 million Arizona homes and businesses. For more information about Pinnacle West, visit the Company's website at pinnaclewest.com.

Dollar amounts in this news release are after income taxes. Earnings per share amounts are based on average diluted common shares outstanding. For more information on Pinnacle West's operating statistics and earnings, please visit pinnaclewest.com/investors.

PINNACLE WEST CAPITAL CORPORATION
NON-GAAP FINANCIAL MEASURE RECONCILIATION

NET INCOME ATTRIBUTABLE TO COMMON SHAREHOLDERS
(GAAP MEASURE) TO ON-GOING EARNINGS (NON-GAAP FINANCIAL MEASURE)

	Three Months Ended December 31, 2012		Three Months Ended December 31, 2011	
	Dollars in Millions	Diluted EPS	Dollars in Millions	Diluted EPS
Net Income Attributable to Common Shareholders	$ 22.6	$ 0.20	$ 12.6	$ 0.11
Adjustments:				
Loss (Income) from Discontinued Operations	4.3	0.04	(0.5)	—
On-going Earnings	$ 26.9	$ 0.24	$ 12.1	$ 0.11

	Twelve Months Ended December 31, 2012		Twelve Months Ended December 31, 2011	
	Dollars in Millions	Diluted EPS	Dollars in Millions	Diluted EPS
Net Income Attributable to Common Shareholders	$ 381.5	$ 3.45	$ 339.5	$ 3.09
Adjustments:				
Loss (Income) from Discontinued Operations	5.9	0.05	(11.4)	(0.10)
On-going Earnings	$ 387.4	$ 3.50	$ 328.1	$ 2.99

NON-GAAP FINANCIAL INFORMATION

In this press release, we refer to “on-going earnings.” On-going earnings is a “non-GAAP financial measure,” as defined in accordance with SEC rules. We believe on-going earnings provide investors with a useful indicator of our results that is comparable among periods because it excludes the effects of unusual items that may occur on an irregular basis. Investors should note that these non-GAAP financial measures involve judgments by management, including whether an item is classified as an unusual item. We use on-going earnings, or similar concepts, to measure our performance internally in reports for management.

FORWARD-LOOKING STATEMENTS

This press release contains forward-looking statements based on our current expectations, including statements regarding our earnings guidance and financial outlook and goals. These forward-looking statements are often identified by words such as “estimate,” “predict,” “may,” “believe,” “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 outcomes currently expected or sought by Pinnacle West or APS. These factors include, but are not limited to:

- our ability to manage capital expenditures and operations and maintenance costs while maintaining reliability and customer service levels;
- variations in demand for electricity, including those due to weather, the general economy, customer and sales growth (or decline), and the effects of energy conservation measures and distributed generation;
- power plant and transmission system performance and outages;
- volatile fuel and purchased power costs;
- fuel and water supply availability;
- our ability to achieve timely and adequate rate recovery of our costs, including returns on debt and equity capital;
- regulatory and judicial decisions, developments and proceedings;
- new legislation or regulation including those relating to environmental requirements and nuclear plant operations;
- our ability to meet renewable energy and energy efficiency mandates and recover related costs;
- risks inherent in the operation of nuclear facilities, including spent fuel disposal uncertainty;
- competition in retail and wholesale power markets;
- the duration and severity of the economic decline in Arizona and current real estate market conditions;
- the cost of debt and equity capital and the ability to access capital markets when required;
- changes to our credit ratings;
- the investment performance of the assets of our nuclear decommissioning trust, pension, and other postretirement benefit plans and the resulting impact on future funding requirements;
- the liquidity of wholesale power markets and the use of derivative contracts in our business;
- potential shortfalls in insurance coverage;
- new accounting requirements or new interpretations of existing requirements;

- generation, transmission and distribution facility and system conditions and operating costs;
- the ability to meet the anticipated future need for additional baseload generation and associated transmission facilities in our region;
- the willingness or ability of our counterparties, power plant participants and power plant land owners to meet contractual or other obligations or extend the rights for continued power plant operations;
- technological developments affecting the electric industry; and
- restrictions on dividends or other provisions in our credit agreements and Arizona Corporation Commission orders.

These and other factors are discussed in Risk Factors described in Part 1, Item 1A of the Pinnacle West/APS Annual Report on Form 10-K for the fiscal year ended December 31, 2012, which readers should review carefully before placing any reliance on our financial statements or disclosures. Neither Pinnacle West nor APS assumes any obligation to update these statements, even if our internal estimates change, except as required by law.

# # #

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

	THREE MONTHS ENDED DECEMBER 31,		TWELVE MONTHS ENDED DECEMBER 31,	
	2012	2011	2012	2011
Operating Revenues	$ 693,122	$ 667,892	$ 3,301,804	$ 3,241,379
Operating Expenses				
Fuel and purchased power	210,864	215,512	994,790	1,009,464
Operations and maintenance	237,141	228,632	884,769	904,286
Depreciation and amortization	103,268	107,504	404,336	427,054
Taxes other than income taxes	39,052	35,406	159,323	147,408
Other expenses	1,508	2,123	6,831	6,659
Total	591,833	589,177	2,450,049	2,494,871
Operating Income	101,289	78,715	851,755	746,508
Other Income (Deductions)				
Allowance for equity funds used during construction	6,797	5,010	22,436	23,707
Other income	249	565	1,606	3,111
Other expense	(7,409)	(2,614)	(19,842)	(10,451)
Total	(363)	2,961	4,200	16,367
Interest Expense				
Interest charges	52,407	58,744	214,616	241,995
Allowance for borrowed funds used during construction	(4,543)	(3,987)	(14,971)	(18,358)
Total	47,864	54,757	199,645	223,637
Income From Continuing Operations Before Income Taxes	53,062	26,919	656,310	539,238
Income Taxes	18,157	7,375	237,317	183,604
Income From Continuing Operations	34,905	19,544	418,993	355,634
Income (Loss) From Discontinued Operations Net of Income Taxes	(4,234)	446	(5,829)	11,306
Net Income	30,671	19,990	413,164	366,940
Less: Net income attributable to noncontrolling interests	8,040	7,426	31,622	27,467
Net Income Attributable To Common Shareholders	$ 22,631	$ 12,564	$ 381,542	$ 339,473
Weighted-Average Common Shares Outstanding - Basic	109,693	109,202	109,510	109,053
Weighted-Average Common Shares Outstanding - Diluted	110,776	110,077	110,527	109,864
Earnings Per Weighted-Average Common Share Outstanding				
Income from continuing operations attributable to common shareholders - basic	$ 0.24	$ 0.11	$ 3.54	$ 3.01
Net income attributable to common shareholders - basic	$ 0.21	$ 0.12	$ 3.48	$ 3.11
Income from continuing operations attributable to common shareholders - diluted	$ 0.24	$ 0.11	$ 3.50	$ 2.99
Net income attributable to common shareholders - diluted	$ 0.20	$ 0.11	$ 3.45	$ 3.09
Amounts Attributable To Common Shareholders				
Income from continuing operations, net of tax	$ 26,865	$ 12,109	$ 387,380	$ 328,110
Discontinued operations, net of tax	(4,234)	455	(5,838)	11,363
Net income attributable to common shareholders	$ 22,631	$ 12,564	$ 381,542	$ 339,473

Exhibit 99.2

Last Updated 2/22/2013

Pinnacle West Capital Corporation

Quarterly Consolidated Statistical Summary

Periods Ended December 31, 2012 and 2011

Line		3 Months Ended December 31, 2012	3 Months Ended December 31, 2011	3 Months Ended December 31, Incr (Decr)	12 Months Ended December 31, 2012	12 Months Ended December 31, 2011	12 Months Ended December 31, Incr (Decr)
	EARNINGS CONTRIBUTION BY SUBSIDIARY (Dollars in Millions)						
1	Arizona Public Service	$ 35	$ 22	$ 13	$ 427	$ 364	$ 63
2	El Dorado	-	-	-	(2)	-	(2)
3	Parent Company	-	(2)	2	(6)	(8)	2
4	Income From Continuing Operations	35	20	15	419	356	63
	Income (Loss) From Discontinued Operations - Net of Tax						
5	SunCor	-	-	-	(2)	(2)	-
6	Other	(4)	-	(4)	(4)	13	(17)
7	Total	(4)	-	(4)	(6)	11	(17)
8	Net Income	31	20	11	413	367	46
9	Less: Net Income (Loss) Attributable to Noncontrolling Interests	8	7	1	31	28	3
10	Net Income Attributable to Common Shareholders	$ 23	$ 13	$ 10	$ 382	$ 339	$ 43
	EARNINGS PER SHARE BY SUBSIDIARY - DILUTED						
11	Arizona Public Service	$ 0.31	$ 0.20	$ 0.11	$ 3.86	$ 3.31	$ 0.55
12	El Dorado	-	-	-	(0.02)	-	(0.02)
13	Parent Company	-	(0.02)	0.02	(0.05)	(0.07)	0.02
14	Income From Continuing Operations	0.31	0.18	0.13	3.79	3.24	0.55
	Income (Loss) From Discontinued Operations - Net of Tax						
15	SunCor	-	-	-	(0.01)	(0.02)	0.01
16	Other	(0.04)	-	(0.04)	(0.04)	0.12	(0.16)
17	Total	(0.04)	-	(0.04)	(0.05)	0.10	(0.15)
18	Net Income	0.27	0.18	0.09	3.74	3.34	0.40
19	Less: Net Income (Loss) Attributable to Noncontrolling Interests	0.07	0.07	-	0.29	0.25	0.04
20	Net Income Attributable to Common Shareholders	$ 0.20	$ 0.11	$ 0.09	$ 3.45	$ 3.09	$ 0.36
21	**BOOK VALUE PER SHARE**	$ 36.20	$ 34.98	$ 1.22	$ 36.20	$ 34.98	$ 1.22
	COMMON SHARES OUTSTANDING (Thousands)						
22	Average - Diluted	110,776	110,077	699	110,527	109,864	663
23	End of Period	109,743	109,246	497	109,743	109,246	497

See Glossary of Terms.

Pinnacle West Capital Corporation

Quarterly Consolidated Statistical Summary

Periods Ended December 31, 2012 and 2011

Line		3 Months Ended December 31, 2012	3 Months Ended December 31, 2011	3 Months Ended December 31, Incr (Decr)	12 Months Ended December 31, 2012	12 Months Ended December 31, 2011	12 Months Ended December 31, Incr (Decr)
	ELECTRIC OPERATING REVENUES (Dollars in Millions)						
	Retail						
24	Residential	$ 291	$ 285	$ 6	$ 1,587	$ 1,539	$ 48
25	Business	344	335	9	1,472	1,454	18
26	Total retail	635	620	15	3,059	2,993	66
	Wholesale revenue on delivered electricity						
27	Traditional contracts	11	13	(2)	62	68	(6)
28	Off-system sales	25	11	14	89	59	30
29	Native load hedge liquidation	-	-	-	4	-	4
30	Transmission for others	6	6	-	29	30	(1)
31	Other miscellaneous services	10	17	(7)	50	87	(37)
32	Total electric operating revenues	$ 687	$ 667	$ 20	$ 3,293	$ 3,237	$ 56
	ELECTRIC SALES (GWH)						
	Retail sales						
33	Residential	2,552	2,599	(47)	13,256	13,290	(34)
34	Business	3,541	3,540	1	14,898	14,920	(22)
35	Total retail	6,093	6,139	(46)	28,154	28,210	(56)
	Wholesale electricity delivered						
36	Traditional contracts	103	185	(82)	761	959	(198)
37	Off-system sales	835	447	388	3,264	2,333	931
38	Retail load hedge management	48	31	17	269	153	116
39	Total electric sales	7,079	6,802	277	32,448	31,655	793

See Glossary of Terms.

Pinnacle West Capital Corporation

Quarterly Consolidated Statistical Summary

Periods Ended December 31, 2012 and 2011

Line		3 Months Ended December 31, 2012	3 Months Ended December 31, 2011	3 Months Ended December 31, Incr (Decr)	12 Months Ended December 31, 2012	12 Months Ended December 31, 2011	12 Months Ended December 31, Incr (Decr)
	AVERAGE ELECTRIC CUSTOMERS						
	Retail customers						
40	Residential	1,010,532	995,645	14,887	1,005,074	994,244	10,830
41	Business	127,687	126,497	1,190	127,222	125,992	1,230
42	Total retail customers	1,138,219	1,122,142	16,077	1,132,296	1,120,236	12,060
43	**Wholesale customers**	50	46	4	49	46	3
44	Total customers	1,138,269	1,122,188	16,081	1,132,345	1,120,282	12,063
45	Customer growth (% over prior year)	1.4%	0.6%	0.8%	1.1%	0.4%	0.7%
	RETAIL SALES (GWH) - WEATHER NORMALIZED						
46	Residential	2,554	2,519	35	13,255	13,226	29
47	Business	3,532	3,508	24	14,919	14,934	(15)
48	Total	6,086	6,027	59	28,174	28,160	14
	RETAIL USAGE (KWh/Average Customer)						
49	Residential	2,525	2,610	(85)	13,190	13,367	(177)
50	Business	27,733	27,988	(255)	117,100	118,421	(1,321)
	RETAIL USAGE - WEATHER NORMALIZED (KWh/Average Customer)						
51	Residential	2,527	2,530	(3)	13,188	13,303	(115)
52	Business	27,661	27,736	(75)	117,263	118,526	(1,263)
	ELECTRICITY DEMAND (MW)						
53	Native load peak demand	5,339	5,221	118	7,207	7,087	120
	WEATHER INDICATORS - RESIDENTIAL						
	Actual						
54	Cooling degree-days	53	62	(9)	1,791	1,820	(29)
55	Heating degree-days	279	442	(163)	705	1,056	(351)
56	Average humidity	26%	25%	1%	26%	22%	4%
	10-Year Averages						
57	Cooling degree-days	48	48	-	1,781	1,781	-
58	Heating degree-days	364	364	-	877	877	-
59	Average humidity	28%	28%	-	25%	25%	-

See Glossary of Terms.

Pinnacle West Capital Corporation

Quarterly Consolidated Statistical Summary

Periods Ended December 31, 2012 and 2011

Line		3 Months Ended December 31, 2012	3 Months Ended December 31, 2011	3 Months Ended December 31, Incr (Decr)	12 Months Ended December 31, 2012	12 Months Ended December 31, 2011	12 Months Ended December 31, Incr (Decr)
	ENERGY SOURCES (GWH)						
	Generation production						
60	Nuclear	2,115	2,041	74	9,293	9,102	191
61	Coal	2,939	2,929	11	10,877	12,248	(1,371)
62	Gas, oil and other	1,551	1,675	(124)	7,465	5,705	1,760
63	Total generation production	6,606	6,644	(39)	27,635	27,055	581
	Purchased power						
64	Firm load	769	576	193	6,288	5,419	869
65	Marketing and trading	62	79	(17)	306	933	(627)
66	Total purchased power	831	655	176	6,594	6,352	242
67	Total energy sources	7,436	7,299	137	34,229	33,407	823
	POWER PLANT PERFORMANCE						
	Capacity Factors						
68	Nuclear	84%	81%	3%	92%	91%	2%
69	Coal	76%	76%	-	71%	80%	(9)%
70	Gas, oil and other	20%	22%	(2)%	25%	19%	6%
71	System average	47%	48%	(1)%	49%	49%	-
	ECONOMIC INDICATORS						
72	Housing Permits - Metro Phoenix (a)	3,736	2,166	1,570	13,584	8,735	4,849
	Arizona Job Growth (b)						
73	Payroll job growth (% over prior year)	2.4%	1.3%	1.1%	2.1%	1.0%	1.1%
74	Unemployment rate (%, seasonally adjusted)	7.9%	9.1%	(1.2)%	8.3%	9.5%	(1.2)%

Sources:
(a) Arizona Real Estate Center, Arizona State University W.P. Carey College of Business
(b) Arizona Department of Economic Security

See Glossary of Terms.

Exhibit 99.3

PINNACLE WEST
CAPITAL CORPORATION

4th Quarter and Full-Year 2012 Results

Fourth Quarter 2012

Forward-Looking Statements

This presentation contains forward-looking statements based on current expectations, including statements regarding our earnings guidance and financial outlook and goals. These forward-looking statements are often identified by words such as "estimate," "predict," "may," "believe," "plan," "expect," "require," "intend," "assume" and similar words. Because actual results may differ materially from expectations, we caution you not to place undue reliance on these statements. A number of factors could cause future results to differ materially from historical results, or from outcomes currently expected or sought by Pinnacle West or APS. These factors include, but are not limited to: our ability to manage capital expenditures and operations and maintenance costs while maintaining reliability and customer service levels; variations in demand for electricity, including those due to weather, the general economy, customer and sales growth (or decline), and the effects of energy conservation measures and distributed generation; power plant and transmission system performance and outages; volatile fuel and purchased power costs; fuel and water supply availability; our ability to achieve timely and adequate rate recovery of our costs, including returns on debt and equity capital; regulatory and judicial decisions, developments and proceedings; new legislation or regulation, including those relating to environmental requirements and nuclear plant operations; our ability to meet renewable energy and energy efficiency mandates and recover related costs; risks inherent in the operation of nuclear facilities, including spent fuel disposal uncertainty; competition in retail and wholesale power markets; the duration and severity of the economic decline in Arizona and current real estate market conditions; the cost of debt and equity capital and the ability to access capital markets when required; changes to our credit ratings; the investment performance of the assets of our nuclear decommissioning trust, pension, and other postretirement benefit plans and the resulting impact on future funding requirements; the liquidity of wholesale power markets and the use of derivative contracts in our business; potential shortfalls in insurance coverage; new accounting requirements or new interpretations of existing requirements; generation, transmission and distribution facility and system conditions and operating costs; the ability to meet the anticipated future need for additional baseload generation and associated transmission facilities in our region; the willingness or ability of our counterparties, power plant participants and power plant land owners to meet contractual or other obligations or extend the rights for continued power plant operations; technological developments affecting the electric industry; and restrictions on dividends or other provisions in our credit agreements and Arizona Corporation Commission orders. These and other factors are discussed in Risk Factors described in Part I, Item 1A of the Pinnacle West/APS Annual Report on Form 10-K for the fiscal year ended December 31, 2012, which you should review carefully before placing any reliance on our financial statements, disclosures or earnings outlook. Neither Pinnacle West nor APS assumes any obligation to update these statements, even if our internal estimates change, except as required by law.

Amounts Attributable to Common Shareholders and Non-GAAP Financial Measures

PINNACLE WEST
CAPITAL CORPORATION

In this presentation, references to net income and earnings per share (EPS) refer to amounts attributable to common shareholders.

We present "gross margin" per diluted share of common stock. Gross margin refers to operating revenues less fuel and purchased power expenses. Gross margin is a "non-GAAP financial measure," as defined in accordance with SEC rules. The appendix contains a reconciliation of this non-GAAP financial measure to the referenced revenue and expense line items on our Consolidated Statements of Income, which are the most directly comparable financial measures calculated and presented in accordance with generally accepted accounting principles in the United States of America (GAAP). We view gross margin as an important performance measure of the core profitability of our operations.

We refer to "on-going earnings" in this presentation, which is also a non-GAAP financial measure. We believe on-going earnings provide investors with a useful indicator of our results that is comparable among periods because it excludes the effects of unusual items that may occur on an irregular basis. Reconciliations of on-going earnings to our net income attributable to common shareholders are included in this presentation.

Investors should note that these non-GAAP financial measures may involve judgments by management, including whether an item is classified as an unusual item. These measures are key components of our internal financial reporting and are used by our management in analyzing the operations of our business. We believe that investors benefit from having access to the same financial measures that management uses.

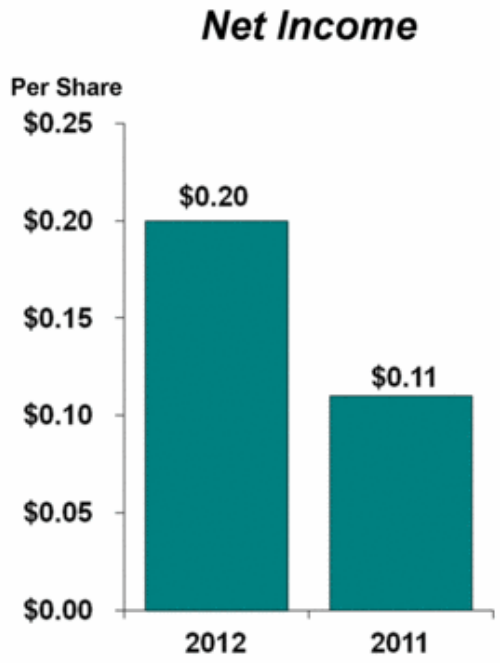
CEO Discussion Agenda

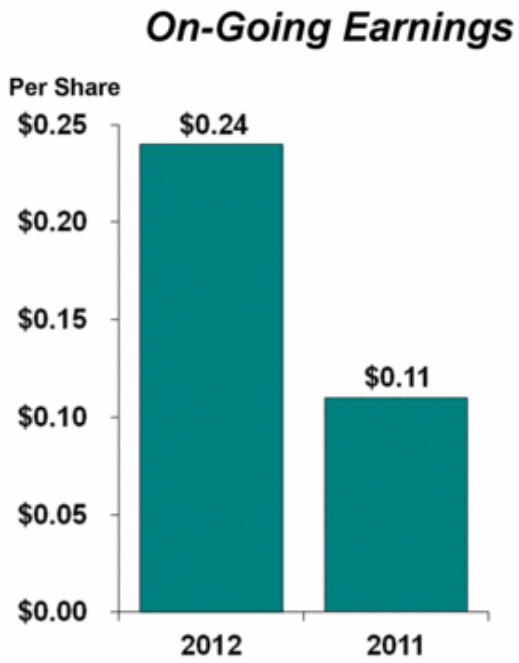
- Regulatory environment
- Capital investments
- Operational excellence
- Looking ahead

CFO Agenda

- 4th quarter results
- Full-year 2012 results
- Arizona economic outlook
- Credit ratings upgrades and financing plans
- Earnings guidance and financial outlook

Consolidated EPS Comparisons
4th Quarter 2012 vs. 4th Quarter 2011

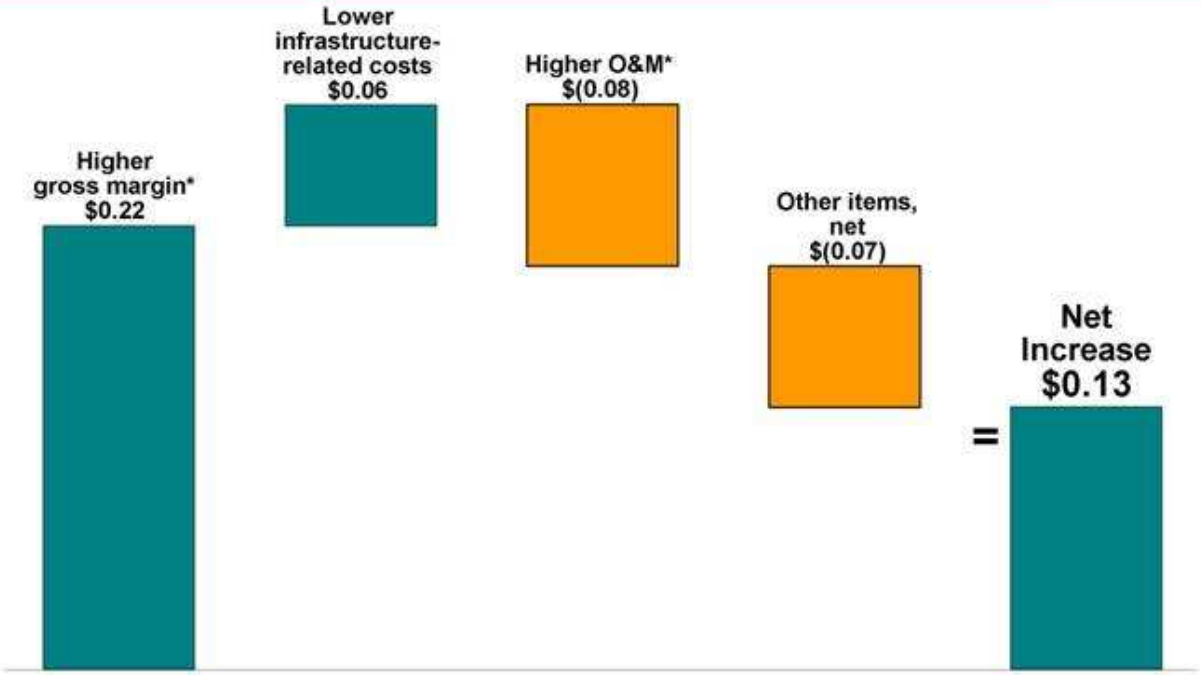




Non-GAAP EPS Reconciliation
4th Quarter 2012 vs. 4th Quarter 2011

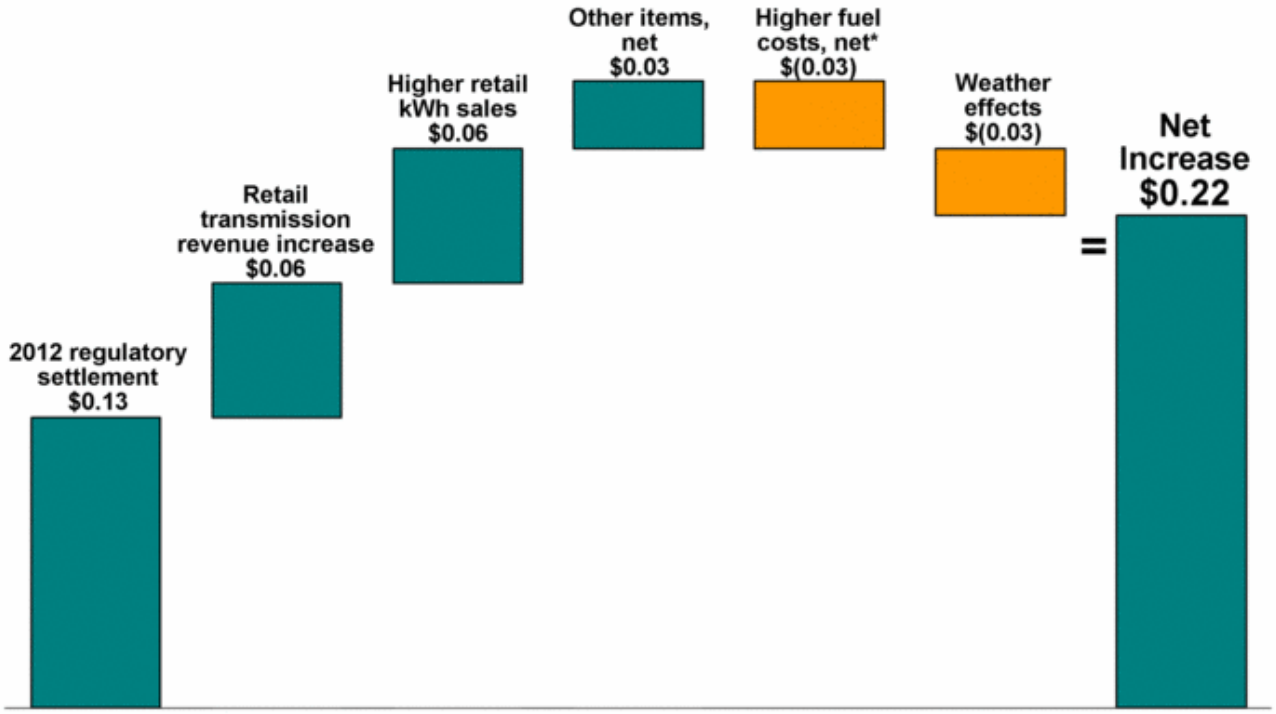
	4th Qtr 2012	4th Qtr 2011	Change
EPS as reported	$ 0.20	$ 0.11	$ 0.09
Adjustments:			
Loss (income) from discontinued operations	0.04	-	0.04
On-going EPS	$ 0.24	$ 0.11	$ 0.13

On-Going EPS Variances
4th Quarter 2012 vs. 4th Quarter 2011



* Excludes costs, and offsetting operating revenues, associated with renewable energy (net of AZ Sun), energy efficiency and similar regulatory programs. See non-GAAP reconciliation for gross margin in appendix.

Gross Margin EPS Drivers
4th Quarter 2012 vs. 4th Quarter 2011



See non-GAAP reconciliation in appendix.
* Higher fuel and purchased power costs, net of off-system sales and mark-to-market.

Consolidated EPS Comparisons
Full-Year 2012 vs. Full-Year 2011

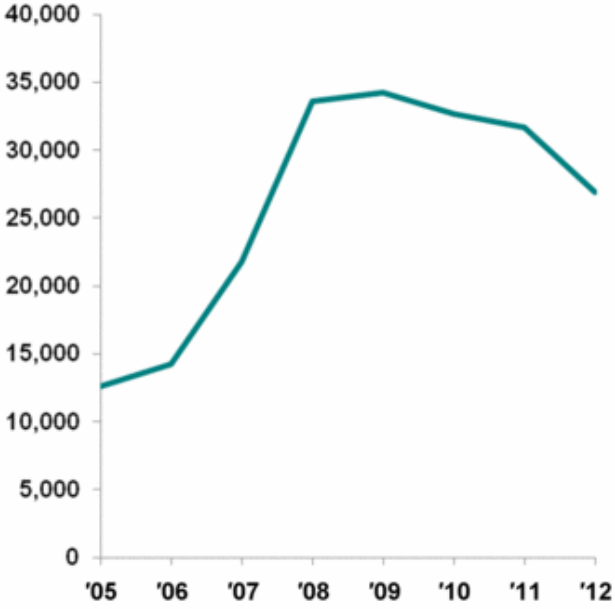
*See non-GAAP reconciliation in appendix.

Arizona Economic Indicators
Employment & Excess Housing

Non-Farm Job Growth

Metro Phoenix Excess Housing

APS Service Territory

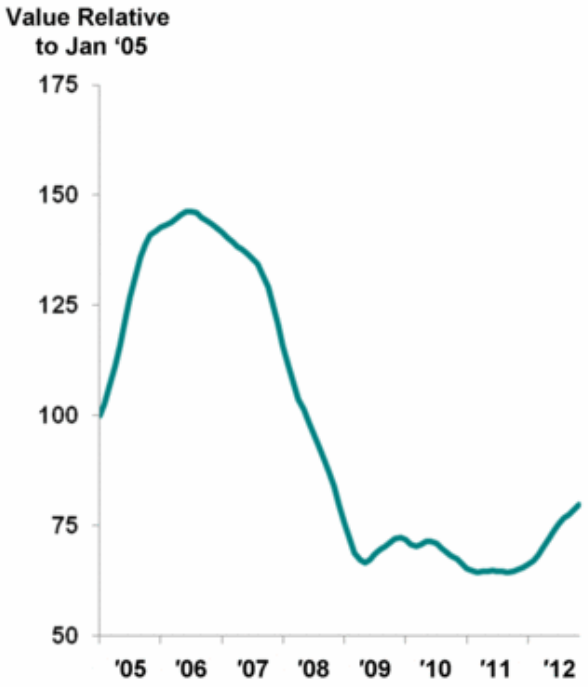


Arizona Economic Indicators

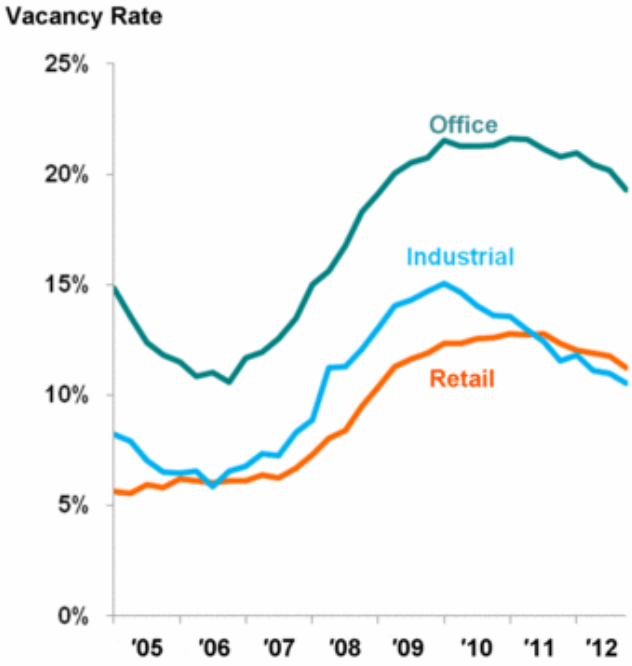
Metro Phoenix Housing Prices & Nonresidential Vacancy

PINNACLE WEST
CAPITAL CORPORATION

Home Prices



Nonresidential Building Vacancy



Investment-Grade Credit Ratings

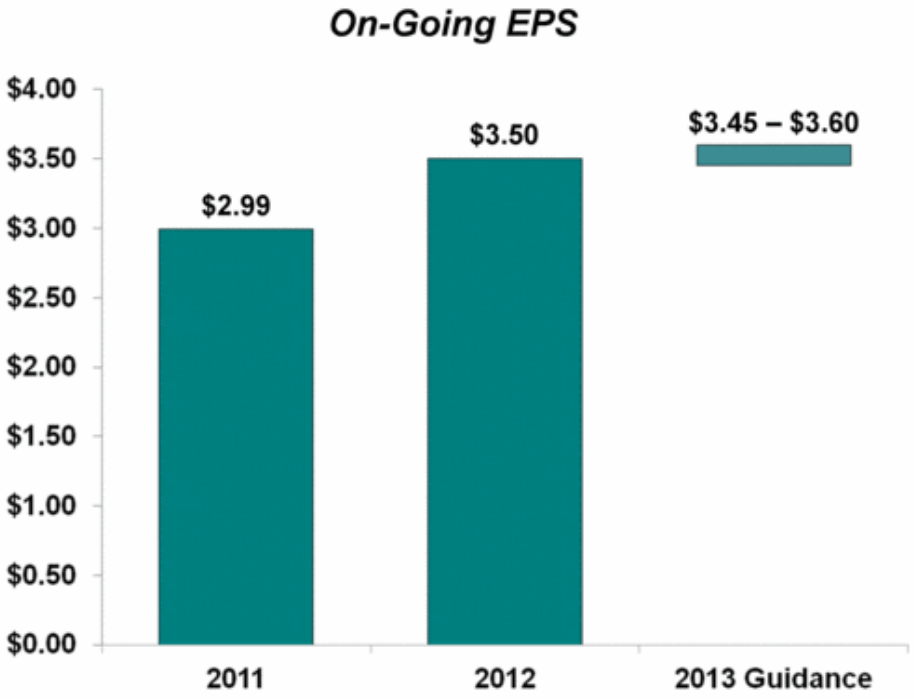
PINNACLE WEST
CAPITAL CORPORATION

	APS	Parent
Corporate Credit Ratings		
Moody's	Baa1	Baa2
S&P	BBB+	BBB+
Fitch	BBB	BBB
Senior Unsecured		
Moody's	Baa1	-
S&P	BBB+	-
Fitch	BBB+	-
Outlook		
Moody's	Stable	Stable
S&P	Stable	Stable
Fitch	Stable	Stable

We are disclosing these ratings to enhance understanding of our sources of liquidity and the effects of our ratings on our costs of funds.

Consolidated Financial Outlook

As of February 22, 2013



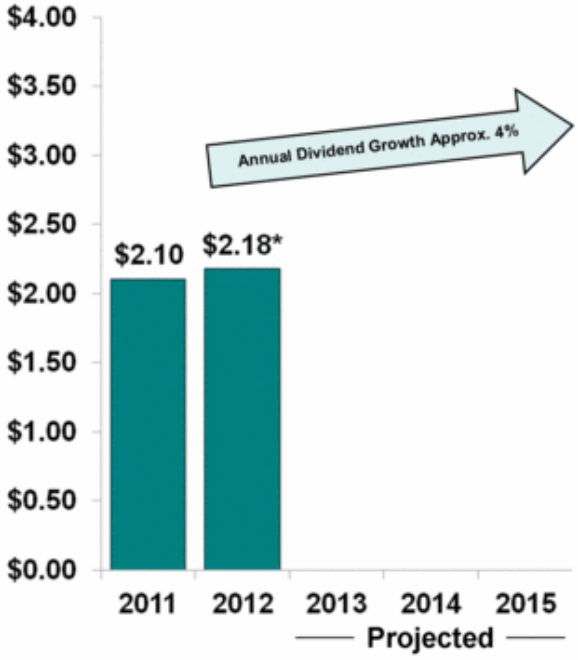
See key factors and assumptions in appendix.

Consolidated Financial Outlook

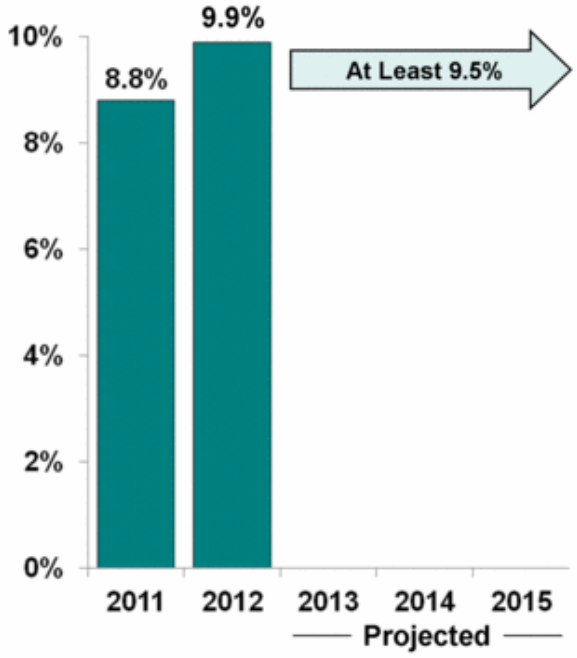
As of February 22, 2013

Dividend Growth Goal

Indicated Annual Dividend Rate at Year-End



Consolidated Earned ROE Goal



* Increase effective 4th quarter 2012

Future dividends subject to declaration at Board of Directors' discretion.

PINNACLE WEST
CAPITAL CORPORATION

Appendix

Fourth Quarter 2012

2013 On-Going EPS Guidance

Key Factors & Assumptions as of February 22, 2013

- Electricity gross margin* (operating revenues, net of fuel and purchased power expenses) about $2.17 billion to $2.22 billion
  - Retail customer growth about 1.5%
  - Weather-normalized retail electricity sales volume about flat to prior year taking into account effects of customer conservation and energy efficiency and distributed renewable generation initiatives
  - Normal weather patterns
- Operating expenses* (operations and maintenance, depreciation and amortization, and taxes other than income taxes) about $1.34 billion to $1.37 billion
- Interest expense, net of allowances for borrowed and equity funds used during construction, about $175 million to $185 million
- Net income attributable to noncontrolling interests about $30 million to $35 million
- Effective tax rate about 35%

* Excludes O&M of $123 million, and offsetting operating revenues, associated with renewable energy and energy efficiency programs

2013-2015 Financial Outlook

Key Drivers & Assumptions as of February 22, 2013

- **2012 retail rate settlement effective July 1, 2012**
  - **Revenue provisions**
    - **Retail base rate changes effective July 1, 2012**
    - **Adjustment mechanisms**
      - **Four Corners acquisition**
      - **AZ Sun additions to flow through RES until next base rate case**
      - **Lost Fixed Cost Recovery (LFCR) mechanism assumed to offset 30-40% of revenues lost due to ACC-mandated energy efficiency and distributed renewable generation initiatives**
      - **Environmental Improvement Surcharge (EIS) assumed to recover up to $5 million annually of carrying costs for government-mandated environmental capital expenditures**
  - **Cost mitigation provisions**
    - **Power Supply Adjustor (PSA) – 100% pass-through**
    - **Potential property tax deferrals – assume 60% of property tax increases relate to tax rates, therefore, will be eligible for deferrals**
      - **Deferral rates: 50% in 2013; 75% in 2014 and thereafter**

(continued)

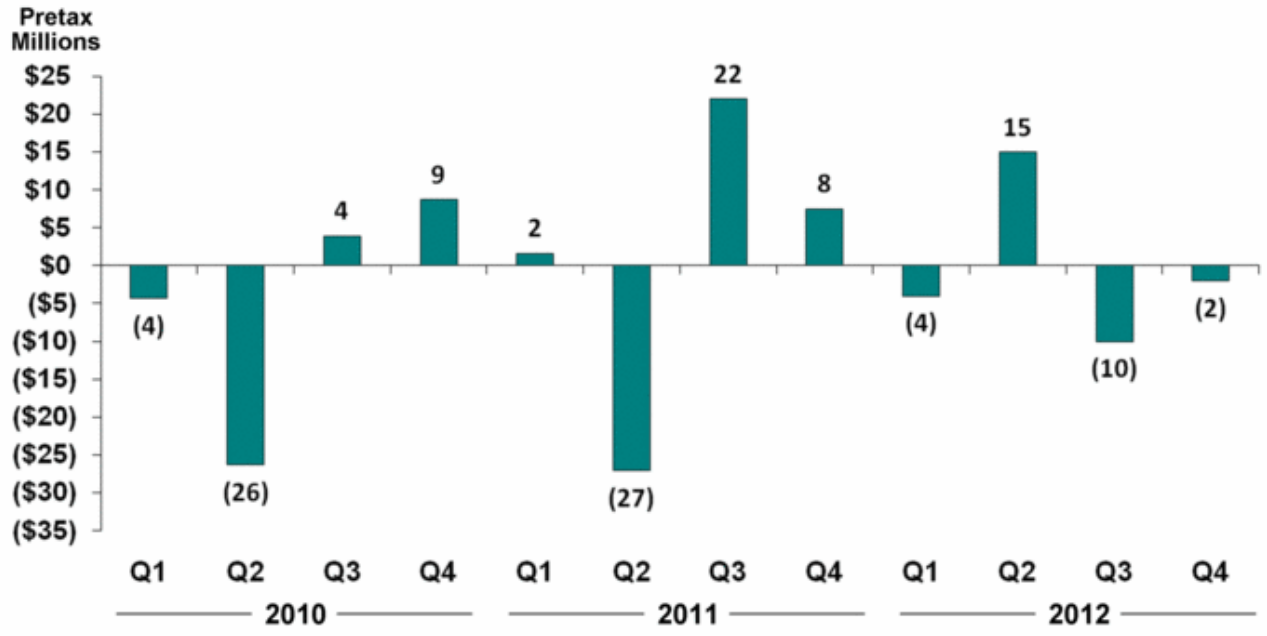
2013-2015 Financial Outlook

Key Drivers & Assumptions as of February 22, 2013 (cont.)

PINNACLE WEST CAPITAL CORPORATION

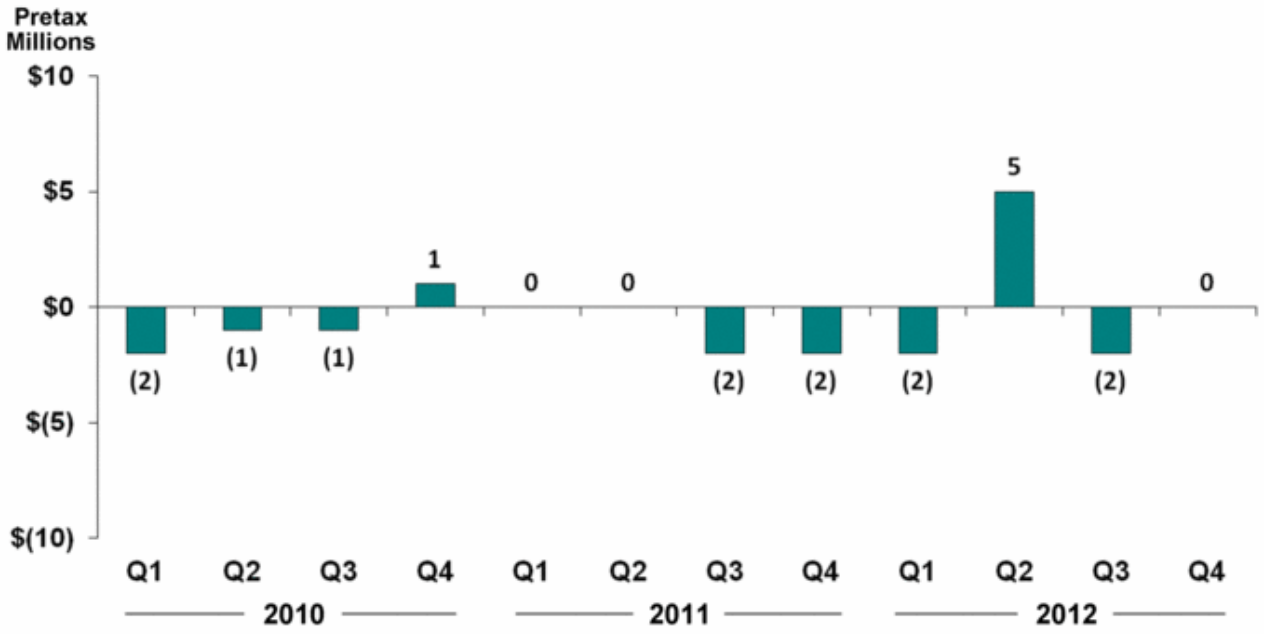
- Modestly improving Arizona and U.S. economic conditions
- Retail customer growth to average 2% annually
- Weather-normalized retail electricity sales volume growth:
  - Relatively flat after customer conservation and energy efficiency and distributed renewable generation initiatives
  - Average 2.5% annually before customer conservation and energy efficiency and distributed renewable generation initiatives
- Rate base growth to average 6% annually
- AZ Sun Program
- Transmission rate adjustments (FERC formula rates and retail adjustor)
- Four Corners cost deferrals between dates acquired and included in retail rates
- Company-wide operating and capital cost management
- Financing to maintain balanced capital structure for credit ratings and retail regulatory test year
- Interest rates
- Normal weather

Gross Margin Effects of Weather Variances Versus Normal*



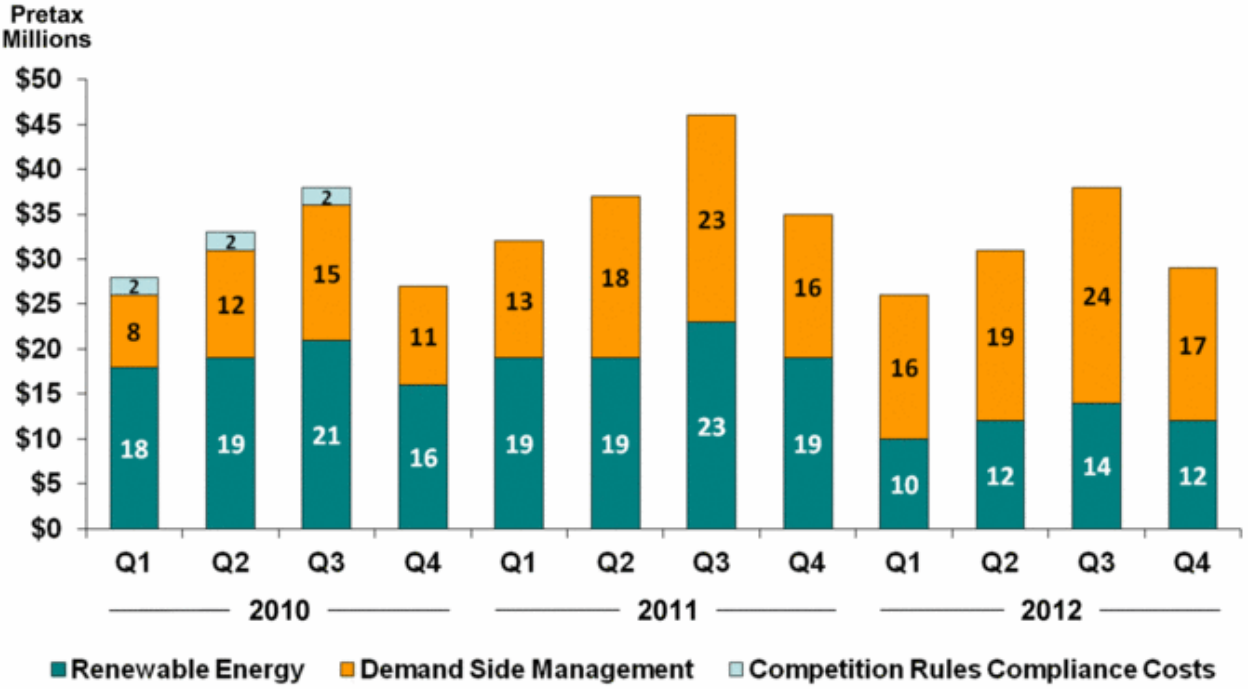
*All periods recalculated to conform to current presentation.

Quarterly Mark-to-Market on Hedge Contracts*



* Related to APS 10% share under Power Supply Adjustor (PSA), net of related deferrals.

Renewable Energy, Demand Side Management and Similar Regulatory Expenses*



* O&M expenses related to Renewable Energy Standard and similar regulatory programs are offset by comparable revenue amounts.

Non-GAAP Measure Reconciliation
Gross Margin

$ millions pretax, except per share amounts	Three Months Ended December 31, 2012	Three Months Ended December 31, 2011	EPS Change
Operating revenues*	$ 693	$ 668	
Fuel and purchased power expenses*	(211)	(216)	
Gross margin	482	452	$ 0.16
Less			
Renewable energy (excluding AZ Sun), energy efficiency and similar regulatory programs	(25)	(35)	0.06
Gross margin - adjusted	$ 457	$ 417	$ 0.22

* Line items from Consolidated Statements of Income

Non-GAAP EPS Reconciliation
Consolidated On-Going EPS Guidance

	Year 2011 Actual	Year 2012 Actual	Year 2013 Guidance*
Net income attributable to common shareholders	$ 3.09	$ 3.45	
Adjustments:			
Loss (income) from discontinued operations	(0.10)	0.05	
On-going EPS	$ 2.99	$ 3.50	$3.45 - $3.60

* As of February 22, 2013

Exhibit 99.4

Pinnacle West Capital Corporation
Earnings Variance Explanations

For the Three-Month and Twelve-Month Periods Ended December 31, 2012 and 2011

The following discussion includes the earnings variance explanations for Pinnacle West Capital Corporation ("Pinnacle West") for the three months and twelve months ended December 31, 2012 and 2011. We suggest that this discussion be read in connection with the Pinnacle West/APS Annual Report on Form 10-K for the fiscal year ended December 31, 2012. Additional operating and financial statistics and a glossary of terms are available on our website (www.pinnaclewest.com).

RESULTS OF OPERATIONS

Pinnacle West's reportable business segment is our regulated electricity segment, which consists of traditional regulated retail and wholesale electricity businesses (primarily electricity service to Native Load customers) and related activities and includes electricity generation, transmission and distribution.

APSES's and SunCor's operations have been classified as discontinued operations. Pinnacle West sold its investment in APSES in August 2011. In February 2012, SunCor filed for protection under the United States Bankruptcy Code to complete an orderly liquidation of its business (see Note 21).

Operating Results — Three-month period ended December 31, 2012 compared with three-month period ended December 31, 2011

Our consolidated net income attributable to common shareholders for the three months ended December 31, 2012 was $23 million, compared with net income of $13 million for the comparable prior-year period. The results reflect an increase of approximately $11 million for the regulated electricity segment primarily due to increases related to the retail regulatory settlement effective July 1, 2012 (see Note 3), higher retail transmission revenues, lower net interest charges due to lower debt balances and lower interest rates in the current period, and lower depreciation and amortization due to 20-year Palo Verde license extensions received in 2011. These positive factors were partially offset by an increase in operations and maintenance expenses and the effects of milder weather as compared with the prior-year period.

The following table presents net income attributable to common shareholders by business segment compared with the prior-year period:

	Three Months Ended December 31, 2012	Three Months Ended December 31, 2011	Net Change
		(dollars in millions)	
Regulated Electricity Segment:			
Operating revenues less fuel and purchased power expenses	$ 476	$ 451	$ 25
Operations and maintenance	(237)	(229)	(8)
Depreciation and amortization	(103)	(108)	5
Taxes other than income taxes	(39)	(35)	(4)
Other income (expenses), net	(1)	3	(4)
Interest charges, net of allowance for borrowed funds used during construction	(48)	(55)	7
Income taxes	(16)	(7)	(9)
Less income related to noncontrolling interests (Note 20)	(8)	(7)	(1)
Regulated electricity segment net income	24	13	11
All other	3	—	3
Income from Continuing Operations Attributable to Common Shareholders	27	13	14
Loss from Discontinued Operations Attributable to Common Shareholders (a)	(4)	—	(4)
Net Income Attributable to Common Shareholders	$ 23	$ 13	$ 10

(a) Includes activities related to APSES and SunCor.

Operating revenues less fuel and purchased power expenses Regulated electricity segment operating revenues less fuel and purchased power expenses were $25 million higher for the three months ended December 31, 2012 compared with the prior-year period. The following table summarizes the major components of this change:

	Increase (Decrease)		
	Operating revenues	Fuel and purchased power expenses	Net change
		(dollars in millions)	
Impacts of retail regulatory settlement effective July 1, 2012	$ 26	$ 1	$ 25
Higher retail transmission revenues	11	—	11
Higher customer usage	13	2	11
Effects of weather	(10)	(4)	(6)
Higher fuel and purchased power costs, net of related deferrals and off-system sales	(10)	(5)	(5)
Lower demand-side management, renewable energy and similar regulatory surcharges	(6)	3	(9)
Miscellaneous items, net	(4)	(2)	(2)
Total	$ 20	$ (5)	$ 25

Operations and maintenance Operations and maintenance expenses increased $8 million for the three months ended December 31, 2012 compared with the prior-year period primarily because of:

- An increase of $6 million in information technology costs primarily related to higher software maintenance;
- An increase of $5 million related to amortization of pension and other postretirement benefit costs in 2012 compared with deferral of such costs in 2011;
- An increase of $3 million related to employee benefit costs;
- A decrease of $4 million in fossil generation costs as a result of less planned maintenance being completed in the current year quarter than in the same quarter a year ago;
- A decrease of $6 million related to costs for demand-side management, renewable energy and similar regulatory programs; and
- An increase of $4 million due to other miscellaneous factors.

Depreciation and amortization Depreciation and amortization expenses were $5 million lower for the three months ended December 31, 2012 compared with the prior-year period primarily due to impacts of the Palo Verde operating license extensions, partially offset by increased plant in service.

Interest charges, net of allowance for borrowed funds used during construction Interest charges, net of allowance for borrowed funds used during construction, decreased $7 million for the three months ended December 31, 2012 compared with the prior-year period primarily because of lower debt balances and lower interest rates in the current period.

Income taxes Income taxes were $9 million higher for the three months ended December 31, 2012 compared with the prior-year period primarily due to higher pretax income in the current period.

Operating Results — 2012 compared with 2011

Our consolidated net income attributable to common shareholders for the year ended December 31, 2012 was $382 million, compared with net income of $339 million for the prior year. The results reflect an increase of approximately $59 million for the regulated electricity segment primarily due to increases related to the retail regulatory settlement effective July 1, 2012 (see Note 3), higher retail transmission revenues, lower depreciation and amortization due to 20-year Palo Verde license extensions received in 2011, and lower net interest charges due to lower debt balances and lower interest rates in the current year.

The $17 million decrease in discontinued operations is primarily related to a contribution Pinnacle West expects to make to SunCor's estate as part of a negotiated resolution to the bankruptcy (see Note 21) and absence of the 2011 gain on sale of our investment in APSES.

The following table presents net income attributable to common shareholders by business segment compared with the prior year:

	Year Ended December 31,		
	2012	2011	Net Change
		(dollars in millions)	
Regulated Electricity Segment:			
Operating revenues less fuel and purchased power expenses (a)	$ 2,299	$ 2,228	$ 71
Operations and maintenance (a)	(885)	(904)	19
Depreciation and amortization	(404)	(427)	23
Taxes other than income taxes	(159)	(148)	(11)
Other income (expenses), net	6	16	(10)
Interest charges, net of allowance for borrowed funds used during construction	(200)	(224)	24
Income taxes	(237)	(184)	(53)
Less income related to noncontrolling interests (Note 20)	(32)	(28)	(4)
Regulated electricity segment net income	388	329	59
All other	—	(1)	1
Income from Continuing Operations Attributable to Common Shareholders	388	328	60
Income (Loss) from Discontinued Operations Attributable to Common Shareholders (b)	(6)	11	(17)
Net Income Attributable to Common Shareholders	$ 382	$ 339	$ 43

(a) Includes effects of 2011 settlement of certain transmission right-of-way costs, which did not affect net income, but increased both electric operating revenues and operations and maintenance expenses by $28 million. Costs related to the settlement were offset by related revenues from SCE, which leases the related transmission line from APS.

(b) Includes activities related to APSES and SunCor.

Operating revenues less fuel and purchased power expenses Regulated electricity segment operating revenues less fuel and purchased power expenses were $71 million higher for the year ended December 31, 2012 compared with the prior year. The following table summarizes the major components of this change:

	Increase (Decrease)		
	Operating revenues	Fuel and purchased power expenses	Net change
		(dollars in millions)	
Impacts of retail regulatory settlement effective July 1, 2012	$ 64	$ 1	$ 63
Higher retail transmission revenues	41	—	41
Lower fuel and purchased power costs, net of related deferrals and off-system sales	(11)	(14)	3
Lower demand-side management, renewable energy and similar regulatory surcharges	(3)	4	(7)
Settlement in 2011 of certain prior-period transmission right-of-way revenues	(28)	—	(28)
Miscellaneous items, net	(7)	(6)	(1)
Total	$ 56	$ (15)	$ 71

Operations and maintenance Operations and maintenance expenses decreased $19 million for the year ended December 31, 2012 compared with the prior year primarily because of:

- A decrease of $28 million related to settlement in 2011 of certain transmission right-of-way costs, which was offset in operating revenues;
- A decrease of $22 million related to costs for demand-side management, renewable energy and similar regulatory programs;
- A decrease of $15 million in generation costs, primarily related to lower nuclear generation costs;
- An increase of $21 million related to employee benefit costs, including approximately $12 million of pension and other postretirement costs;
- An increase of $9 million related to higher stock compensation costs resulting from an improved company stock price and estimated performance results;

- An increase of $7 million in information technology costs, primarily related to higher software maintenance; and
- An increase of $9 million due to other miscellaneous factors.

Depreciation and amortization Depreciation and amortization expenses were $23 million lower for the year ended December 31, 2012 compared with the prior year primarily due to the impacts of Palo Verde operating license extensions, partially offset by increased plant in service.

Taxes other than income taxes Taxes other than income taxes increased $11 million for the year ended December 31, 2012 compared with the prior year primarily because of higher property tax rates in the current year.

Other income (expenses), net Other income (expenses), net, decreased $10 million for the year ended December 31, 2012 compared with the prior year primarily because of higher investment losses of approximately $2 million and other non-operating expenses of approximately $8 million in the current year.

Interest charges, net of allowance for borrowed funds used during construction Interest charges, net of allowance for borrowed funds used during construction, decreased $24 million for the year ended December 31, 2012 compared with the prior year primarily because of lower debt balances and lower interest rates in the current year.

Income taxes Income taxes were $53 million higher for the year ended December 31, 2012 compared with the prior year primarily due to higher pre-tax income in the current year and a lower effective tax rate in 2011.

Discontinued Operations

Results from discontinued operations decreased $17 million primarily due to a contribution Pinnacle West expects to make to SunCor's estate as part of a negotiated resolution to the bankruptcy (see Note 21) and absence of a gain related to the sale of our investment in APSES in 2011.

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

	THREE MONTHS ENDED DECEMBER 31,		Increase (Decrease)		
	2012	2011	Amount	Percent	
Operating Revenues	$ 693,122	$ 667,892	$ 25,230	3.8%	B
Operating Expenses					
Fuel and purchased power	210,864	215,512	(4,648)	2.2%	B
Operations and maintenance	237,141	228,632	8,509	3.7%	W
Depreciation and amortization	103,268	107,504	(4,236)	3.9%	B
Taxes other than income taxes	39,052	35,406	3,646	10.3%	W
Other expenses	1,508	2,123	(615)	29.0%	B
Total	591,833	589,177	2,656	0.5%	W
Operating Income	101,289	78,715	22,574	28.7%	B
Other Income (Deductions)					
Allowance for equity funds used during construction	6,797	5,010	1,787	35.7%	B
Other income	249	565	(316)	55.9%	W
Other expense	(7,409)	(2,614)	(4,795)	183.4%	W
Total	(363)	2,961	(3,324)	112.3%	W
Interest Expense					
Interest charges	52,407	58,744	(6,337)	10.8%	B
Allowance for borrowed funds used during construction	(4,543)	(3,987)	(556)	13.9%	B
Total	47,864	54,757	(6,893)	12.6%	B
Income From Continuing Operations Before Income Taxes	53,062	26,919	26,143	97.1%	B
Income Taxes	18,157	7,375	10,782	146.2%	W
Income From Continuing Operations	34,905	19,544	15,361	78.6%	B
Income (Loss) From Discontinued Operations Net of Income Taxes	(4,234)	446	(4,680)	1049.3%	W
Net Income	30,671	19,990	10,681	53.4%	B
Less: Net income attributable to noncontrolling interests	8,040	7,426	614	8.3%	W
Net Income Attributable To Common Shareholders	$ 22,631	$ 12,564	$ 10,067	80.1%	B
Weighted-Average Common Shares Outstanding - Basic	109,693	109,202	491	0.4%	
Weighted-Average Common Shares Outstanding - Diluted	110,776	110,077	699	0.6%	
Earnings Per Weighted-Average Common Share Outstanding					
Income from continuing operations attributable to common shareholders - basic	$ 0.24	$ 0.11	$ 0.13	118.2%	B
Net income attributable to common shareholders - basic	$ 0.21	$ 0.12	$ 0.09	75.0%	B
Income from continuing operations attributable to common shareholders - diluted	$ 0.24	$ 0.11	$ 0.13	118.2%	B
Net income attributable to common shareholders - diluted	$ 0.20	$ 0.11	$ 0.09	81.8%	B
Amounts Attributable To Common Shareholders					
Income from continuing operations, net of tax	$ 26,865	$ 12,109	$ 14,756	121.9%	B
Discontinued operations, net of tax	(4,234)	455	(4,689)	1030.5%	W
Net income attributable to common shareholders	$ 22,631	$ 12,564	$ 10,067	80.1%	B

B — Better
W — Worse

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

	TWELVE MONTHS ENDED DECEMBER 31,		Increase (Decrease)		
	2012	2011	Amount	Percent	
Operating Revenues	$ 3,301,804	$ 3,241,379	$ 60,425	1.9%	B
Operating Expenses					
Fuel and purchased power	994,790	1,009,464	(14,674)	1.5%	B
Operations and maintenance	884,769	904,286	(19,517)	2.2%	B
Depreciation and amortization	404,336	427,054	(22,718)	5.3%	B
Taxes other than income taxes	159,323	147,408	11,915	8.1%	W
Other expenses	6,831	6,659	172	2.6%	W
Total	2,450,049	2,494,871	(44,822)	1.8%	B
Operating Income	851,755	746,508	105,247	14.1%	B
Other Income (Deductions)					
Allowance for equity funds used during construction	22,436	23,707	(1,271)	5.4%	W
Other income	1,606	3,111	(1,505)	48.4%	W
Other expense	(19,842)	(10,451)	(9,391)	89.9%	W
Total	4,200	16,367	(12,167)	74.3%	W
Interest Expense					
Interest charges	214,616	241,995	(27,379)	11.3%	B
Allowance for borrowed funds used during construction	(14,971)	(18,358)	3,387	18.4%	W
Total	199,645	223,637	(23,992)	10.7%	B
Income From Continuing Operations Before Income Taxes	656,310	539,238	117,072	21.7%	B
Income Taxes	237,317	183,604	53,713	29.3%	W
Income From Continuing Operations	418,993	355,634	63,359	17.8%	B
Income (Loss) From Discontinued Operations Net of Income Taxes	(5,829)	11,306	(17,135)	151.6%	W
Net Income	413,164	366,940	46,224	12.6%	B
Less: Net income attributable to noncontrolling interests	31,622	27,467	4,155	15.1%	W
Net Income Attributable To Common Shareholders	$ 381,542	$ 339,473	$ 42,069	12.4%	B
Weighted-Average Common Shares Outstanding - Basic	109,510	109,053	457	0.4%	
Weighted-Average Common Shares Outstanding - Diluted	110,527	109,864	663	0.6%	
Earnings Per Weighted-Average Common Share Outstanding					
Income from continuing operations attributable to common shareholders - basic	$ 3.54	$ 3.01	$ 0.53	17.6%	B
Net income attributable to common shareholders - basic	$ 3.48	$ 3.11	$ 0.37	11.9%	B
Income from continuing operations attributable to common shareholders - diluted	$ 3.50	$ 2.99	$ 0.51	17.1%	B
Net income attributable to common shareholders - diluted	$ 3.45	$ 3.09	$ 0.36	11.7%	B
Amounts Attributable To Common Shareholders					
Income from continuing operations, net of tax	$ 387,380	$ 328,110	$ 59,270	18.1%	B
Discontinued operations, net of tax	(5,838)	11,363	(17,201)	151.4%	W
Net income attributable to common shareholders	$ 381,542	$ 339,473	$ 42,069	12.4%	B

B — Better
W — Worse