

CONSOLIDATED STATEMENTS OF INCOME

YEAR ENDED DECEMBER 31,

(in thousands, except per share amounts)

	2000	1999	1998	1997	1996	1995
OPERATING REVENUES						
Electric	\$ 3,531,810	\$ 2,293,184	\$ 2,006,398	\$ 1,878,553	\$ 1,718,272	\$ 1,614,952
Real estate	158,365	130,169	124,188	116,473	99,488	54,846
Total	3,690,175	2,423,353	2,130,586	1,995,026	1,817,760	1,669,798
OPERATING EXPENSES						
Fuel and purchased power	1,934,783	796,109	545,297	443,571	329,489	275,487
Utility operations and maintenance	450,809	446,777	419,433	406,025	441,626	408,514
Real estate operations	134,422	119,516	115,331	111,628	96,080	50,344
Depreciation and amortization	394,410	385,568	379,679	368,285	299,507	243,989
Taxes other than income taxes	99,780	96,606	103,718	108,011	107,199	129,040
Total	3,014,204	1,844,576	1,563,458	1,437,520	1,273,901	1,107,374
OPERATING INCOME	675,971	578,777	567,128	557,506	543,859	562,424
OTHER INCOME (EXPENSE)						
Allowance for equity funds used during construction	—	—	—	—	5,209	4,982
Preferred stock dividend requirements of APS	—	(1,016)	(9,703)	(12,803)	(17,092)	(19,134)
Net other income and expense	(186)	10,793	609	4,569	(6,748)	(3,496)
Total	(186)	9,777	(9,094)	(8,234)	(18,631)	(17,648)
INCOME BEFORE INTEREST AND INCOME TAXES	675,785	588,554	558,034	549,272	525,228	544,776
INTEREST EXPENSE						
Interest charges	171,239	162,381	169,145	182,838	198,569	228,752
Capitalized interest	(21,638)	(11,664)	(18,596)	(19,703)	(12,856)	(11,549)
Total	149,601	150,717	150,549	163,135	185,713	217,203
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	526,184	437,837	407,485	386,137	339,515	327,573
INCOME TAXES						
Income tax expense	223,852	168,065	164,593	150,281	128,456	127,965
Non-recurring income tax benefit	—	—	—	—	—	—
Total	223,852	168,065	164,593	150,281	128,456	127,965
INCOME FROM CONTINUING OPERATIONS	302,332	269,772	242,892	235,856	211,059	199,608
Income tax benefit from discontinued operations	—	38,000	—	—	—	—
Loss from discontinued operations – net of income taxes	—	—	—	—	(9,539)	—
Extraordinary charge for regulatory disallowance – net of income taxes	—	(139,885)	—	—	—	—
Extraordinary charge for early retirement of debt – net of income taxes	—	—	—	—	(20,340)	(11,571)
NET INCOME	\$ 302,332	\$ 167,887	\$ 242,892	\$ 235,856	\$ 181,180	\$ 188,037
AVERAGE COMMON SHARES OUTSTANDING – BASIC	84,733	84,717	84,774	85,503	87,442	87,419
AVERAGE COMMON SHARES OUTSTANDING – DILUTED	84,935	85,009	85,346	86,023	88,022	87,884
EARNINGS PER AVERAGE COMMON SHARE OUTSTANDING						
Continuing operations – basic	\$ 3.57	\$ 3.18	\$ 2.87	\$ 2.76	\$ 2.41	\$ 2.28
Net income – basic	3.57	1.98	2.87	2.76	2.07	2.15
Continuing operations – diluted	3.56	3.17	2.85	2.74	2.40	2.27
Net income – diluted	3.56	1.97	2.85	2.74	2.06	2.14
DIVIDENDS DECLARED PER SHARE	\$ 1.425	\$ 1.325	\$ 1.225	\$ 1.125	\$ 1.025	\$ 0.925

CONSOLIDATED BALANCE SHEETS

YEAR ENDED DECEMBER 31,

(dollars in thousands)

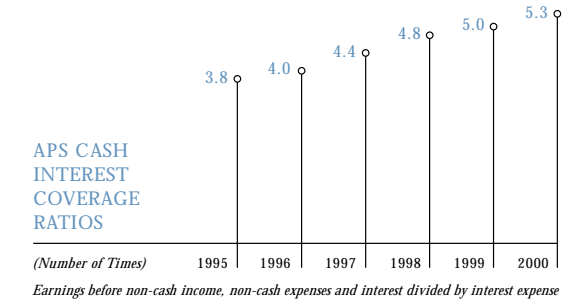
	<i>2000</i>	<i>1999</i>	<i>1998</i>	<i>1997</i>	<i>1996</i>	<i>1995</i>
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	\$ 10,363	\$ 20,705	\$ 20,538	\$ 27,484	\$ 26,686	\$ 79,539
Customer and other receivables – net	513,822	244,599	233,876	183,507	169,237	131,393
Accrued utility revenues	74,566	72,919	67,740	58,559	55,470	53,519
Materials and supplies (at average cost)	71,966	69,977	69,074	70,634	74,120	78,271
Fossil fuel (at average cost)	19,405	21,869	13,978	9,621	13,928	21,722
Deferred income taxes	5,793	8,163	3,999	57,887	69,688	46,355
Other current assets	97,998	60,562	47,594	41,408	41,140	19,671
Total current assets	793,913	498,794	456,799	449,100	450,269	430,470
INVESTMENTS AND OTHER ASSETS						
Real estate investments – net	371,323	344,293	331,021	365,921	398,527	411,693
Other assets	318,249	267,458	236,562	215,027	173,109	151,127
Total investments and other assets	689,572	611,751	567,583	580,948	571,636	562,820
UTILITY PLANT						
Electric plant in service and held for future use	7,809,566	7,546,314	7,265,604	7,009,059	6,803,211	6,544,860
Less accumulated depreciation and amortization	3,188,302	3,026,194	2,814,762	2,620,607	2,426,143	2,231,614
Total	4,621,264	4,520,120	4,450,842	4,388,452	4,377,068	4,313,246
Construction work in progress	464,540	209,281	228,643	237,492	226,935	281,757
Nuclear fuel, net of amortization	47,389	49,114	51,078	51,624	51,137	52,084
Net utility plant	5,133,193	4,778,515	4,730,563	4,677,568	4,655,140	4,647,087
DEFERRED DEBITS						
Regulatory assets	469,867	613,729	980,084	1,080,799	1,221,878	1,290,268
Other deferred debits	62,606	105,717	89,517	62,002	90,366	66,407
Total deferred debits	532,473	719,446	1,069,601	1,142,801	1,312,244	1,356,675
TOTAL ASSETS	\$ 7,149,151	\$ 6,608,506	\$ 6,824,546	\$ 6,850,417	\$ 6,989,289	\$ 6,997,052

CONSOLIDATED BALANCE SHEETS

YEAR ENDED DECEMBER 31,

(dollars in thousands)

	2000	1999	1998	1997	1996	1995
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Accounts payable	\$ 375,805	\$ 186,524	\$ 155,800	\$ 117,429	\$ 184,095	\$ 114,963
Accrued taxes	89,246	70,510	62,520	84,610	82,413	95,962
Accrued interest	42,954	33,253	31,866	32,974	39,652	48,958
Short-term borrowings	82,775	38,300	178,830	130,750	16,900	177,800
Current maturities of long-term debt	463,469	114,798	168,045	108,695	156,277	8,780
Customer deposits	26,189	26,098	28,510	30,672	34,222	32,746
Other current liabilities	110,860	26,007	14,632	18,534	37,056	25,284
Total current liabilities	1,191,298	495,490	640,203	523,664	550,615	504,493
LONG-TERM DEBT LESS CURRENT MATURITIES	1,955,083	2,206,052	2,048,961	2,244,248	2,372,113	2,510,709
DEFERRED CREDITS AND OTHER						
Deferred income taxes	1,143,040	1,183,855	1,343,536	1,363,461	1,359,312	1,327,881
Unamortized gain – sale of utility plant	68,636	73,212	77,787	82,363	86,939	91,514
Other	408,380	444,164	455,467	438,084	431,314	412,807
Total deferred credits and other	1,620,056	1,701,231	1,876,790	1,883,908	1,877,565	1,832,202
COMMITMENTS AND CONTINGENCIES						
MINORITY INTERESTS						
Non-redeemable preferred stock of APS	—	—	85,840	142,051	165,673	193,561
Redeemable preferred stock of APS	—	—	9,401	29,110	53,000	75,000
COMMON STOCK EQUITY						
Common stock, no par value	1,532,831	1,537,449	1,550,643	1,553,771	1,636,354	1,638,684
Retained earnings	849,883	668,284	612,708	473,665	333,969	242,403
Total common stock equity	2,382,714	2,205,733	2,163,351	2,027,436	1,970,323	1,881,087
TOTAL LIABILITIES AND EQUITY	\$ 7,149,151	\$ 6,608,506	\$ 6,824,546	\$ 6,850,417	\$ 6,989,289	\$ 6,997,052



CONSOLIDATED STATEMENTS OF CASH FLOWS

YEAR ENDED DECEMBER 31,

(dollars in thousands)

	2000	1999	1998	1997	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES						
Income from continuing operations	\$ 302,332	\$ 269,772	\$ 242,892	\$ 235,856	\$ 211,059	\$ 199,608
Items not requiring cash						
Depreciation and amortization	394,410	385,568	379,679	368,285	299,507	243,989
Nuclear fuel amortization	30,083	31,371	32,856	32,702	33,566	31,587
Deferred income taxes – net	(8,973)	(17,413)	41,262	24,809	13,392	61,076
Deferred investment tax credit	740	(23,514)	(23,516)	(23,518)	(23,518)	(23,529)
Allowance for equity funds used during construction	—	—	—	—	(5,209)	(4,982)
Other – net	478	(12,476)	1,190	(3,854)	1,370	16,811
Changes in current assets and liabilities						
Customers and other receivables – net	(269,223)	(10,723)	(50,369)	(14,270)	(38,106)	4,653
Accrued utility revenues	(1,647)	(5,179)	(9,181)	(3,089)	(1,951)	1,913
Materials, supplies and fossil fuel	475	(8,794)	(2,797)	7,793	11,945	25,606
Other current assets	(37,436)	(12,968)	(6,186)	(109)	(8,949)	(4,249)
Accounts payable	193,502	28,193	34,386	(54,882)	65,586	(2,093)
Accrued taxes	18,736	12,591	(22,090)	2,197	(7,088)	6,818
Accrued interest	9,701	1,387	(1,108)	(6,678)	(9,306)	(7,100)
Other current liabilities	89,714	15,047	(5,235)	(23,087)	1,515	3,714
Decrease (increase) in land held	(25,937)	(12,542)	33,405	33,010	19,894	(2,176)
Other – net	2,605	(4,720)	(39,350)	48,254	2,576	(900)
Net Cash Flow Provided By Operating Activities	699,560	635,600	605,838	623,419	566,283	550,746
CASH FLOWS FROM INVESTING ACTIVITIES						
Capital expenditures	(658,608)	(343,448)	(319,142)	(307,876)	(258,598)	(295,772)
Capitalized interest	(21,638)	(11,664)	(18,596)	(19,703)	(12,856)	(11,549)
Other – net	(41,761)	(16,143)	(2,144)	(3,124)	(6,345)	8,022
Net Cash Flow Used For Investing Activities	(722,007)	(371,255)	(339,882)	(330,703)	(277,799)	(299,299)
CASH FLOWS FROM FINANCING ACTIVITIES						
Issuance of long-term debt	651,000	607,791	148,229	146,013	557,067	225,128
Short-term borrowings – net	44,475	(140,530)	48,080	113,850	(160,900)	46,300
Dividends paid on common stock	(120,733)	(112,311)	(103,849)	(96,160)	(89,614)	(80,855)
Repurchase and retirement of common stock	—	—	—	(79,997)	—	—
Repayment of long-term debt	(558,019)	(510,693)	(286,314)	(325,526)	(575,332)	(383,117)
Redemption of preferred stock	—	(96,499)	(75,517)	(47,201)	(50,360)	—
Extraordinary charge for early retirement of debt	—	—	—	—	(20,340)	(11,571)
Other – net	(4,618)	(11,936)	(3,531)	(2,897)	(1,858)	(2,512)
Net Cash Flow Used For Financing Activities	12,105	(264,178)	(272,902)	(291,918)	(341,337)	(206,627)
NET CASH FLOW	(10,342)	167	(6,946)	798	(52,853)	44,820
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	20,705	20,538	27,484	26,686	79,539	34,719
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 10,363	\$ 20,705	\$ 20,538	\$ 27,484	\$ 26,686	\$ 79,539

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

YEAR ENDED DECEMBER 31,

(dollars in thousands)	2000	1999	1998	1997	1996	1995
Retained Earnings at Beginning of Year	\$ 668,284	\$ 612,708	\$ 473,665	\$ 333,969	\$ 242,403	\$ 135,221
Net Income	302,332	167,887	242,892	235,856	181,180	188,037
Common Stock Dividends	(120,733)	(112,311)	(103,849)	(96,160)	(89,614)	(80,855)
Retained Earnings at End of Year	\$ 849,883	\$ 668,284	\$ 612,708	\$ 473,665	\$ 333,969	\$ 242,403

SELECTED CONSOLIDATED FINANCIAL DATA

(dollars per share)	2000	1999	1998	1997	1996	1995
BOOK VALUE PER SHARE AT YEAR-END						
APS	\$ 24.99	\$ 23.38	\$ 23.29	\$ 21.80	\$ 19.76	\$ 18.53
SunCor	3.57	3.67	3.59	3.42	3.69	3.95
El Dorado	0.19	0.33	0.32	0.41	0.44	0.42
APS Energy Services	0.08	0.03	—	—	—	—
Pinnacle West Energy	0.16	—	—	—	—	—
Parent company	(0.90)	(1.41)	(1.70)	(1.73)	(1.38)	(1.41)
Total	\$ 28.09	\$ 26.00	\$ 25.50	\$ 23.90	\$ 22.51	\$ 21.49
Common Shares Outstanding at Year-End	84,824,947	84,824,947	84,824,947	84,824,947	87,515,847	87,515,847
EARNINGS PER SHARE FROM CONTINUING OPERATIONS - DILUTED						
APS	\$ 3.61	\$ 3.14	\$ 2.88	\$ 2.77	\$ 2.57	\$ 2.51
SunCor	0.14	0.07	0.52(a)	0.06	0.05	0.05
El Dorado	0.02	0.14	0.05	0.10	—	0.10
APS Energy Services	(0.16)	(0.11)	—	—	—	—
Pinnacle West Energy	(0.03)	—	—	—	—	—
Parent company	(0.02)	(0.07)	(0.60)(a)	(0.19)	(0.22)	(0.39)
Total	\$ 3.56	\$ 3.17	\$ 2.85	\$ 2.74	\$ 2.40	\$ 2.27
STOCK PRICE HISTORY						
High	52 2/9	43 3/8	49 1/4	42 3/4	32 1/4	28 7/8
Low	26 1/4	30 3/16	39 3/8	27 5/8	26 1/4	19 5/8
Close	47 5/8	30 9/16	42 3/8	42 3/8	31 3/4	28 3/4

(a) SunCor includes \$37.2 million from recognition of a deferred tax asset related to net operating losses and book/tax basis differences. SunCor is expected to realize these benefits in subsequent periods pursuant to an intercompany tax allocation agreement. On a consolidated basis, the parent company had already recognized the income tax benefits; therefore, there was no impact on consolidated net income in 1998.

NON-UTILITY LONG-TERM DEBT SCHEDULE

YEAR ENDED DECEMBER 31,

(dollars in thousands)	2000	1999	1998	1997	1996	1995
PARENT COMPANY REVOLVING CREDIT						
Variable-rate loan due 2000	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 100,000
Variable-rate loan due 2001	188,000	56,000	42,000	155,000	200,000	—
	188,000	56,000	42,000	155,000	200,000	100,000
NOTES PAYABLE						
6.62% senior notes due 2001	25,000	25,000	25,000	25,000	25,000	—
6.87% senior notes due 2003	25,000	25,000	25,000	25,000	25,000	—
	50,000	50,000	50,000	50,000	50,000	—
DEBENTURES						
11.61% senior secured debentures due 2000	—	—	—	—	—	210,411
	—	—	—	—	—	210,411
Total Parent Company	238,000	106,000	92,000	205,000	250,000	310,411
SUNCOR MORTGAGE BONDS						
Variable-rate bonds due 1996-2002	—	—	—	—	—	30,000
REVOLVING CREDIT						
Variable-rate facility due 1998	—	—	—	—	—	25,000
Variable-rate facility due 2000	—	—	—	40,600	42,432	—
Variable-rate facility due 2001	—	—	38,139	—	—	15,000
Variable-rate facility due 2003	110,000	94,000	—	—	—	—
	110,000	94,000	38,139	40,600	42,432	40,000
BANK LOAN						
Variable-rate loan due 2001	—	—	42,061	45,000	45,000	—
NOTES PAYABLE						
Variable-rate notes due 1994-1998	—	—	—	—	937	3,545
5.39% note due 1998-1999	—	—	399	1,563	3,044	—
9.25% note due 1999	—	—	—	—	234	—
Variable-rate note due 2006	8,163	3,404	3,489	3,550	3,481	—
	8,163	3,404	3,888	5,113	7,696	3,545
BONDS PAYABLE						
5.85% bonds due 2039	5,215	5,335	—	—	—	—
Total SunCor	123,378	102,739	84,088	90,713	95,128	73,545
TOTAL NON-UTILITY LONG-TERM DEBT INCLUDING CURRENT MATURITIES	\$ 361,378	\$ 208,739	\$ 176,088	\$ 295,713	\$ 345,128	\$ 383,956

See Note 6 of Notes to Consolidated Financial Statements on pages 42-43.