

**CONSOLIDATED STATEMENTS OF INCOME**

YEAR ENDED DECEMBER 31,

(in thousands, except per share amounts)

	2000	1999	1998	1997	1996	1995
<b>OPERATING REVENUES</b>						
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
<b>OPERATING EXPENSES</b>						
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
<b>OPERATING INCOME</b>	675,971	578,777	567,128	557,506	543,859	562,424
<b>OTHER INCOME (EXPENSE)</b>						
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)
<b>INCOME BEFORE INTEREST AND INCOME TAXES</b>	675,785	588,554	558,034	549,272	525,228	544,776
<b>INTEREST EXPENSE</b>						
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
<b>INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES</b>	526,184	437,837	407,485	386,137	339,515	327,573
<b>INCOME TAXES</b>						
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
<b>INCOME FROM CONTINUING OPERATIONS</b>	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)
<b>NET INCOME</b>	\$ 302,332	\$ 167,887	\$ 242,892	\$ 235,856	\$ 181,180	\$ 188,037
<b>AVERAGE COMMON SHARES OUTSTANDING – BASIC</b>	84,733	84,717	84,774	85,503	87,442	87,419
<b>AVERAGE COMMON SHARES OUTSTANDING – DILUTED</b>	84,935	85,009	85,346	86,023	88,022	87,884
<b>EARNINGS PER AVERAGE COMMON SHARE OUTSTANDING</b>						
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
<b>DIVIDENDS DECLARED PER SHARE</b>	\$ 1.425	\$ 1.325	\$ 1.225	\$ 1.125	\$ 1.025	\$ 0.925

**CONSOLIDATED BALANCE SHEETS**

YEAR ENDED DECEMBER 31,

(dollars in thousands)

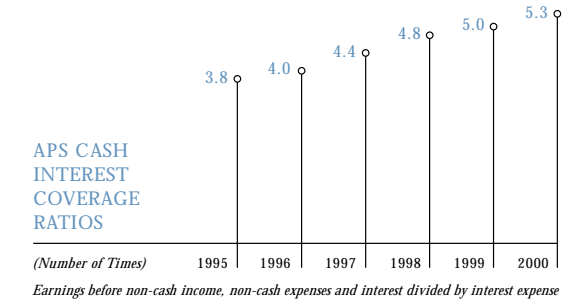
	<i>2000</i>	<i>1999</i>	<i>1998</i>	<i>1997</i>	<i>1996</i>	<i>1995</i>
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and cash equivalents	\$ 10,363	\$ 20,705	\$ 20,538	\$ 27,484	\$ 26,686	\$ 79,539
Customer and other receivables – net	513,822	244,599	233,876	183,507	169,237	131,393
Accrued utility 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
<b>INVESTMENTS AND OTHER ASSETS</b>						
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
<b>UTILITY PLANT</b>						
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
<b>DEFERRED DEBITS</b>						
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
<b>TOTAL ASSETS</b>	<b>\$ 7,149,151</b>	<b>\$ 6,608,506</b>	<b>\$ 6,824,546</b>	<b>\$ 6,850,417</b>	<b>\$ 6,989,289</b>	<b>\$ 6,997,052</b>

**CONSOLIDATED BALANCE SHEETS**

YEAR ENDED DECEMBER 31,

(dollars in thousands)

	2000	1999	1998	1997	1996	1995
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
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
<b>LONG-TERM DEBT LESS CURRENT MATURITIES</b>	1,955,083	2,206,052	2,048,961	2,244,248	2,372,113	2,510,709
<b>DEFERRED CREDITS AND OTHER</b>						
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
<b>COMMITMENTS AND CONTINGENCIES</b>						
<b>MINORITY INTERESTS</b>						
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
<b>COMMON STOCK EQUITY</b>						
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
<b>TOTAL LIABILITIES AND EQUITY</b>	\$ 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
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
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)
<b>Net Cash Flow Provided By Operating Activities</b>	<b>699,560</b>	<b>635,600</b>	<b>605,838</b>	<b>623,419</b>	<b>566,283</b>	<b>550,746</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
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
<b>Net Cash Flow Used For Investing Activities</b>	<b>(722,007)</b>	<b>(371,255)</b>	<b>(339,882)</b>	<b>(330,703)</b>	<b>(277,799)</b>	<b>(299,299)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
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)
<b>Net Cash Flow Used For Financing Activities</b>	<b>12,105</b>	<b>(264,178)</b>	<b>(272,902)</b>	<b>(291,918)</b>	<b>(341,337)</b>	<b>(206,627)</b>
<b>NET CASH FLOW</b>	<b>(10,342)</b>	<b>167</b>	<b>(6,946)</b>	<b>798</b>	<b>(52,853)</b>	<b>44,820</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>20,705</b>	<b>20,538</b>	<b>27,484</b>	<b>26,686</b>	<b>79,539</b>	<b>34,719</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 10,363</b>	<b>\$ 20,705</b>	<b>\$ 20,538</b>	<b>\$ 27,484</b>	<b>\$ 26,686</b>	<b>\$ 79,539</b>

**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
<b>BOOK VALUE PER SHARE AT YEAR-END</b>						
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
<b>EARNINGS PER SHARE FROM CONTINUING OPERATIONS - DILUTED</b>						
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
<b>STOCK PRICE HISTORY</b>						
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
<b>PARENT COMPANY REVOLVING CREDIT</b>						
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
<b>NOTES PAYABLE</b>						
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	—
<b>DEBENTURES</b>						
11.61% senior secured debentures due 2000	—	—	—	—	—	210,411
	—	—	—	—	—	210,411
<b>Total Parent Company</b>	<b>238,000</b>	<b>106,000</b>	<b>92,000</b>	<b>205,000</b>	<b>250,000</b>	<b>310,411</b>
<b>SUNCOR MORTGAGE BONDS</b>						
Variable-rate bonds due 1996-2002	—	—	—	—	—	30,000
<b>REVOLVING CREDIT</b>						
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
<b>BANK LOAN</b>						
Variable-rate loan due 2001	—	—	42,061	45,000	45,000	—
<b>NOTES PAYABLE</b>						
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
<b>BONDS PAYABLE</b>						
5.85% bonds due 2039	5,215	5,335	—	—	—	—
<b>Total SunCor</b>	<b>123,378</b>	<b>102,739</b>	<b>84,088</b>	<b>90,713</b>	<b>95,128</b>	<b>73,545</b>
<b>TOTAL NON-UTILITY LONG-TERM DEBT INCLUDING CURRENT MATURITIES</b>	<b>\$ 361,378</b>	<b>\$ 208,739</b>	<b>\$ 176,088</b>	<b>\$ 295,713</b>	<b>\$ 345,128</b>	<b>\$ 383,956</b>

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