

STATISTICAL SUPPLEMENT **2001**

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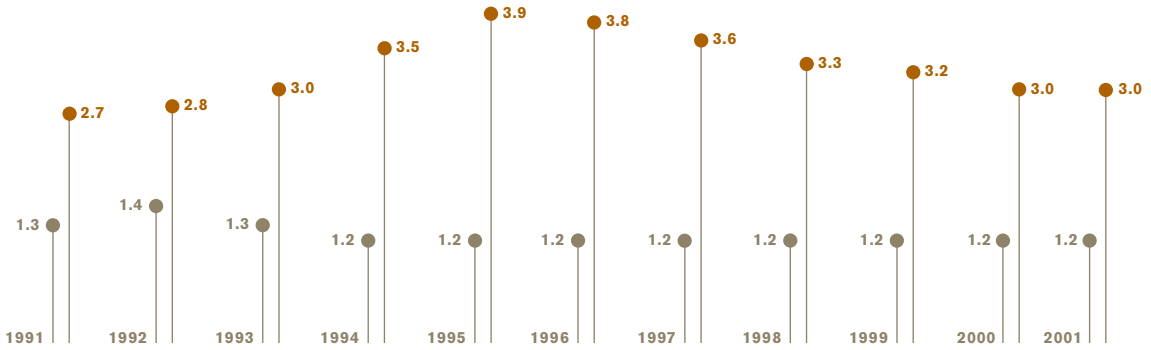
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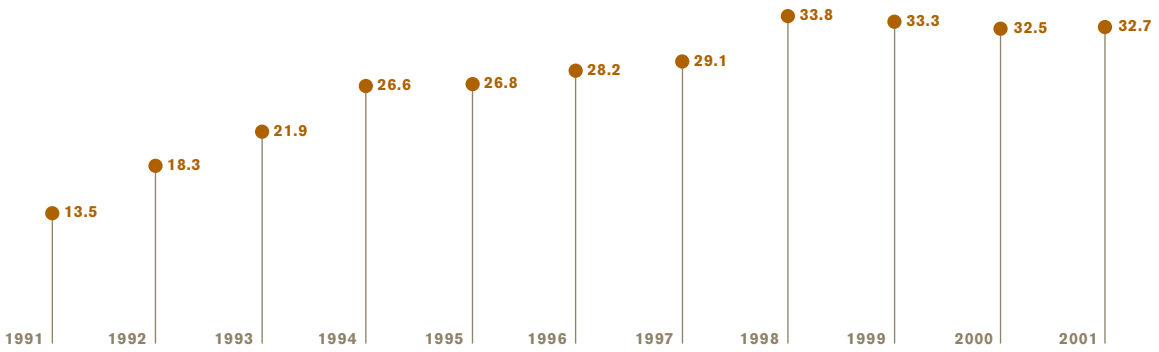
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**ARIZONA ECONOMIC OVERVIEW**

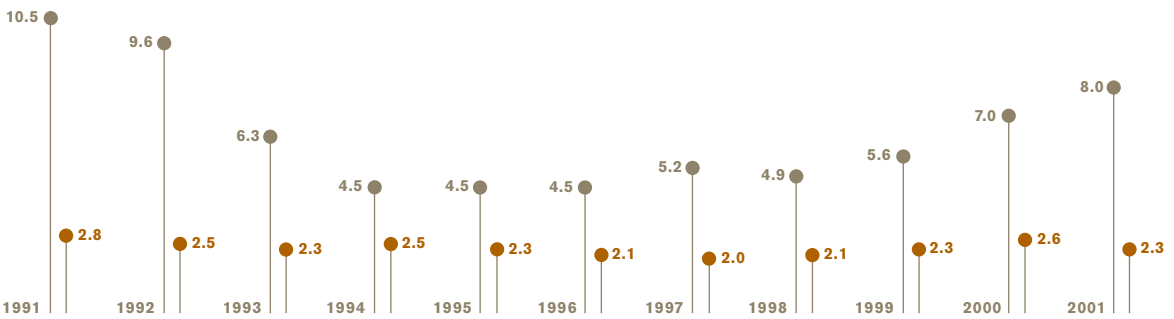


**ARIZONA VS. U.S. POPULATION GROWTH**  
(percentage change)

U.S. ●  
ARIZONA ●

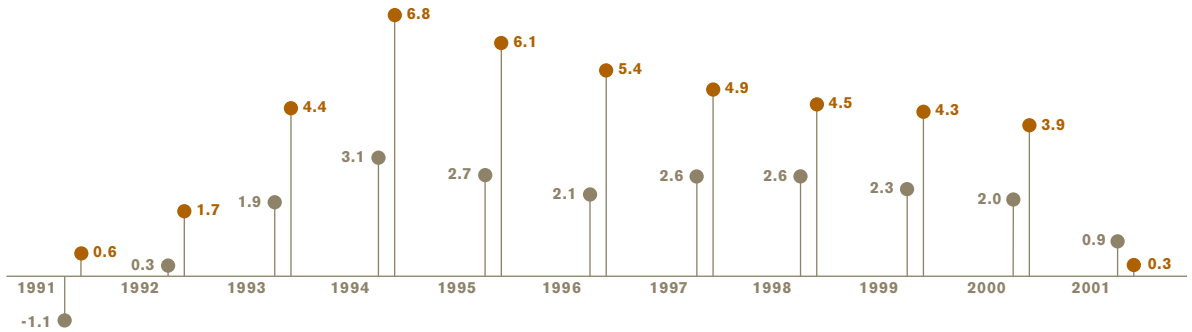


**PHOENIX SINGLE-FAMILY BUILDING PERMITS**  
(thousands)



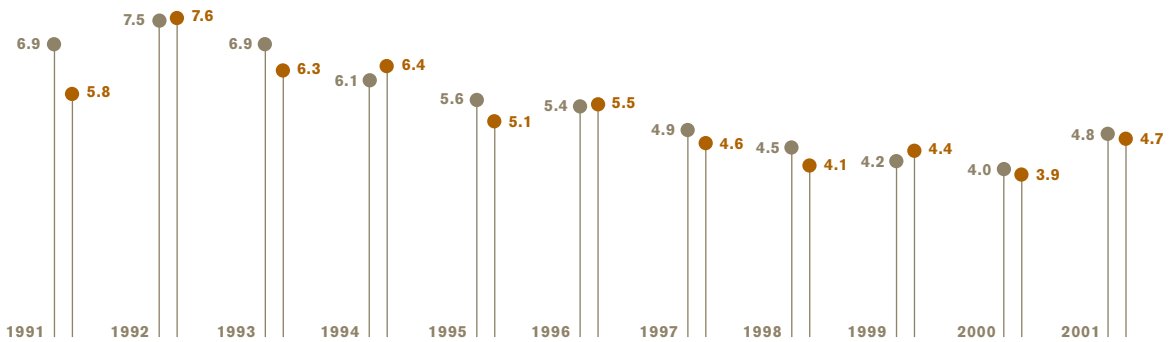
**PHOENIX RESIDENTIAL VACANCY RATES**  
(vacancy percentage)

SINGLE FAMILY ●  
MULTI-FAMILY ●



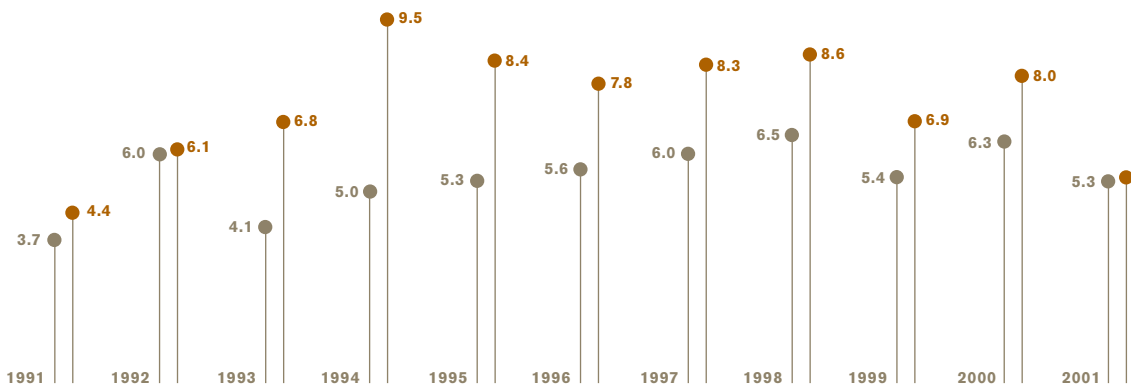
**ARIZONA VS. U.S. WAGE AND SALARY EMPLOYMENT GROWTH**  
(percentage change)

U.S. ●  
ARIZONA ●



**ARIZONA VS. U.S. UNEMPLOYMENT RATE**  
(percentage)

U.S. ●  
ARIZONA ●



**ARIZONA VS. U.S. PERSONAL INCOME GROWTH**  
(percentage change)

U.S. ●  
ARIZONA ●

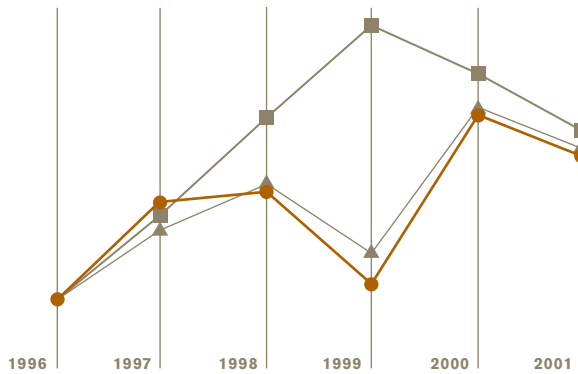
## CONSOLIDATED HISTORICAL GROWTH RATES

year ended December 31,	2001	2000	1999
Income from continuing operations (a)	8.3%	12.1%	11.1%
Earnings per share from continuing operations – diluted (a)	8.1%	12.3%	11.2%
Indicated annual dividend rate (year-end) (b)	6.7%	7.1%	7.7%
Electric revenues			
Total	24.1%	54.0%	14.3%
Retail	2.8%	5.8%	3.7%
Electric sales			
Total	(2.0)%	21.1%	19.5%
Retail sales	3.8%	6.9%	3.0%
Customers (average)	3.7%	4.1%	4.2%
Employees (year-end) (c)	5.2%	(4.4)%	2.7%

(a) Ten-year compounded annual growth rate excludes \$407 million after-tax regulatory write-off in 1991.

(b) The Company reinstated dividend payments in 1993.

(c) Decrease for 1996 determined after deducting all employees who accepted a late 1996 voluntary severance program.

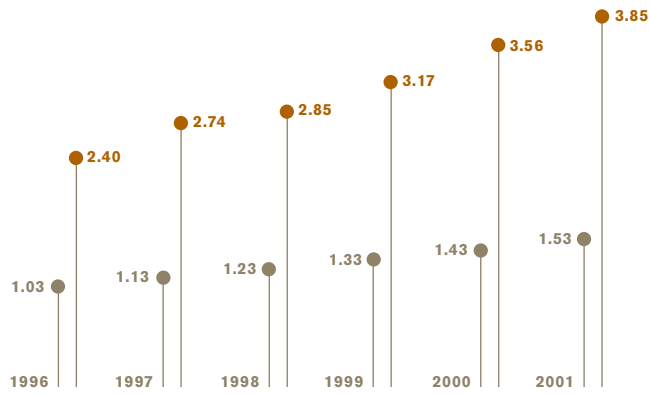


**PNW STOCK PERFORMANCE COMPARISON**  
(Value of \$100 Invested at Year-End 1996,  
with Dividends Reinvested)

● PINNACLE WEST  
■ S&P 500 INDEX  
▲ EEI ELECTRIC INDEX

ANNUAL COMPOUND GROWTH RATES

1998	1997	1996	5 YEARS 1996-2001	10 YEARS 1991-2001
3.0%	11.7%	5.7%	9.2%	17.2%
4.0%	14.2%	5.7%	9.9%	17.5%
8.3%	9.1%	10.0%	7.8%	—
6.8%	9.3%	6.4%	20.6%	12.2%
2.2%	2.2%	5.5%	3.3%	3.8%
6.0%	29.8%	9.4%	14.3%	8.1%
3.3%	4.2%	7.2%	4.2%	4.1%
4.0%	4.2%	4.1%	4.0%	3.7%
2.0%	(5.3)%	3.4%	(0.0)%	(0.3)%



**PNW EARNINGS PER SHARE (CONTINUING OPERATIONS)  
VS. DIVIDENDS PER SHARE (in dollars per share)**

● DIVIDENDS PER SHARE  
● EPS (CONTINUING OPERATIONS)

**CONSOLIDATING INCOME STATEMENT** (dollars in thousands)

year ended December 31, 2001	PINNACLE WEST PARENT	MARKETING AND TRADING*	APS	PINNACLE WEST ENERGY
<b>OPERATING REVENUES</b>				
Electric	\$ -	\$ 1,165,498	\$ 3,310,792	\$ 79,481
Real estate	-	-	-	-
Total	-	1,165,498	3,310,792	79,481
<b>FUEL EXPENSES</b>				
Fuel for electric generation	-	-	391,771	13,156
Purchased power	-	1,087,744	1,348,872	-
Total	-	1,087,744	1,740,643	13,156
<b>OPERATING EXPENSES</b>				
Operations and maintenance	(2,801)	18,970	465,561	33,972
Real estate operations	-	-	-	-
Depreciation and amortization	175	-	420,893	2,061
Taxes other than income taxes	-	-	101,077	-
Total	(2,626)	18,970	987,531	36,033
<b>OPERATING INCOME</b>				
	2,626	58,784	582,618	30,292
<b>INTEREST AND OTHER EXPENSES</b>				
Interest on long-term debt	28,768	-	126,118	-
Other interest	3,675	106	7,057	25,136
Capitalized interest	(146)	(106)	(14,964)	(25,136)
Other, net	(334,977)	-	583	619
Total	(302,680)	-	118,794	619
Income from continuing operations before income taxes	305,306	58,784	463,824	29,673
Income tax expense (benefit)	(6,860)	23,173	183,136	11,697
<b>INCOME FROM CONTINUING OPERATIONS</b>				
	312,166	35,611	280,688	17,976
Accounting change	-	-	(15,201)	-
<b>NET INCOME (LOSS)</b>				
	\$ 312,166	\$ 35,611	\$ 265,487	\$ 17,976

\*Marketing and Trading is a division of the parent company.

**EXPLANATIONS OF ELIMINATIONS AND ADJUSTMENTS**

- (a) Elimination of inter-company sales of electricity.
- (b) Reclassification of certain expenses.
- (c) Elimination of inter-company interest expense and income.
- (d) Elimination of parent company equity in earnings of subsidiaries.

SUNCOR	EL DORADO	APS ES	ELIMINATIONS AND ADJUSTMENTS	TOTAL
\$ -	\$ -	\$ 24,237	\$ (197,543)(a)	\$ 4,382,465
168,908	-	-	-	168,908
168,908	-	24,237	(197,543)	4,551,373
-	-	-	-	404,927
-	-	20,218	(197,543)(a)	2,259,291
-	-	20,218	(197,543)	2,664,218
-	-	14,384	9 (b)	530,095
153,365	-	-	97 (b)	153,462
3,775	-	999	-	427,903
-	-	-	(9)(b)	101,068
157,140	-	15,383	97	1,212,528
11,768	-	(11,364)	(97)	674,627
10,546	-	-	-	165,432
-	-	558	(26,142)(c)	10,390
(6,952)	-	(558)	-	(47,862)
2,582	(340)	(1,391)	338,689 (c,d)	5,765
6,176	(340)	(1,391)	312,547	133,725
5,592	340	(9,973)	(312,644)	540,902
2,255	134	-	-	213,535
3,337	206	(9,973)	(312,644)	327,367
-	-	-	-	(15,201)
\$ 3,337	\$ 206	\$ (9,973)	\$ (312,644)	\$ 312,166

**CONSOLIDATING BALANCE SHEETS** (dollars in thousands)

December 31, 2001	PINNACLE WEST PARENT	MARKETING AND TRADING*	APS	PINNACLE WEST ENERGY
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 472	\$ 145	\$ 16,821	\$ 534
Customer and other receivables – net	754,736	134,115	333,388	5,230
Accrued utility revenues	–	–	76,131	–
Materials and supplies (at average cost)	–	–	81,215	–
Fossil fuel (at average cost)	–	–	27,023	–
Assets from risk management and trading activities	–	56,876	10,097	–
Other current assets	3,344	–	42,009	3
Total current assets	758,552	191,136	586,684	5,767
<b>INVESTMENTS AND OTHER ASSETS</b>				
Real estate investments – net	–	–	–	–
Assets from risk management and trading activities – long-term	–	198,269	2,082	–
Other assets	2,732,859	–	278,358	–
Total investments and other	2,732,859	198,269	280,440	–
<b>PROPERTY, PLANT AND EQUIPMENT</b>				
Plant in service and held for future use	–	–	8,105,106	76,135
Less accumulated depreciation and amortization	–	–	3,374,098	2,061
Total	–	–	4,731,008	74,074
Nuclear fuel	–	–	49,282	–
Construction work in progress	–	4,459	321,305	700,335
Net property, plant and equipment	–	4,459	5,101,595	774,409
<b>DEFERRED DEBITS</b>				
Deferred income taxes	–	–	–	–
Regulatory assets	–	–	342,383	–
Other deferred debits	–	(98)	55,952	429
Total deferred debits	–	(98)	398,335	429
<b>TOTAL ASSETS</b>	<b>\$ 3,491,411</b>	<b>\$ 393,766</b>	<b>\$ 6,367,054</b>	<b>\$ 780,605</b>

\*Marketing and Trading is a division of the parent company.

**EXPLANATIONS OF ELIMINATIONS AND ADJUSTMENTS**

- (a) Elimination of inter-company receivables and payables.
- (b) Miscellaneous reclassifications.
- (c) Elimination of minority interests of SunCor joint venture partners.
- (d) Elimination of parent company investment in subsidiaries.

SUNCOR	EL DORADO	APS ES	ELIMINATIONS AND ADJUSTMENTS	TOTAL
\$ 9,176	\$ 44	\$ 1,427	\$ -	\$ 28,619
10,568	12,547	40,489	(923,832)(a)	367,241
-	-	-	-	76,131
-	-	-	-	81,215
-	-	-	-	27,023
-	-	-	-	66,973
33,729	-	1,118	-	80,203
53,473	12,591	43,034	(923,832)	727,405
430,107	-	-	(11,434)(b,c)	418,673
-	-	-	-	200,351
4,029	10,137	320	(2,704,679)(b,d)	321,024
434,136	10,137	320	(2,716,113)	940,048
-	-	22,647	-	8,203,888
-	-	1,930	-	3,378,089
-	-	20,717	-	4,825,799
-	-	-	-	49,282
-	-	6,135	-	1,032,234
-	-	26,852	-	5,907,315
25,091	-	-	(25,091)(b)	-
-	-	-	-	342,383
5,403	-	-	2,911 (b)	64,597
30,494	-	-	(22,180)	406,980
\$ 518,103	\$ 22,728	\$ 70,206	\$ (3,662,125)	\$ 7,981,748

**CONSOLIDATING BALANCE SHEETS** (dollars in thousands)

December 31, 2001	PINNACLE WEST PARENT	MARKETING AND TRADING*	APS	PINNACLE WEST ENERGY
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 21,357	\$ 74,683	\$ 98,959	\$ 35,060
Accrued taxes	6,355	(19,296)	107,595	(3,040)
Accrued interest	7,160	-	41,043	-
Short-term borrowings	246,000	-	-	-
Commercial paper, net	-	-	171,162	-
Current maturities of long-term debt	357	-	125,451	-
Customer deposits	-	-	28,664	-
Deferred income taxes	-	-	3,244	-
Liabilities from risk management and trading activities	-	14,154	21,840	-
Other current liabilities	32,445	146,207	117,770	662,510
Total current liabilities	313,674	215,748	715,728	694,530
<b>NON-CURRENT LIABILITIES</b>				
Long-term debt less current maturities	575,710	-	1,949,074	-
Total	575,710	-	1,949,074	-
<b>DEFERRED CREDITS AND OTHER</b>				
Liabilities from risk management and trading activities – long-term	-	112,417	95,159	-
Deferred income taxes	22,913	40,597	1,023,079	2,444
Unamortized gain-sale of utility plant	-	-	64,060	-
Other deferred credits	15,226	(7,740)	369,264	-
Total deferred credits	38,139	145,274	1,551,562	2,444
<b>COMMITMENTS AND CONTINGENCIES</b>				
<b>MINORITY INTERESTS</b>				
Joint ventures of SunCor	-	-	-	-
<b>COMMON STOCK EQUITY</b>				
Common stock	2,004,139	-	1,424,966	68,096
Accumulated other comprehensive loss	-	-	(64,565)	-
Retained earnings	559,749	32,744	790,289	15,535
Total	2,563,888	32,744	2,150,690	83,631
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 3,491,411</b>	<b>\$ 393,766</b>	<b>\$ 6,367,054</b>	<b>\$ 780,605</b>

\*Marketing and Trading is a division of the parent company.

**EXPLANATIONS OF ELIMINATIONS AND ADJUSTMENTS**

- (a) Elimination of inter-company receivables and payables.
- (b) Miscellaneous reclassifications.
- (c) Elimination of minority interests of SunCor joint venture partners.
- (d) Elimination of parent company equity interest in subsidiaries.

SUNCOR	EL DORADO	APS ES	ELIMINATIONS AND ADJUSTMENTS	TOTAL
\$ 17,268	\$ 546	\$ 21,251	\$ -	\$ 269,124
1,150	3,820	145	-	96,729
603	-	-	-	48,806
-	-	-	(11,400)(a)	234,600
-	-	-	-	171,162
332	-	-	-	126,140
1,568	-	-	-	30,232
-	-	-	-	3,244
-	-	-	-	35,994
26,808	737	5,892	(917,471)(a,b)	74,898
47,729	5,103	27,288	(928,871)	1,090,930
148,294	-	-	-	2,673,078
148,294	-	-	-	2,673,078
-	-	-	-	207,576
-	1,051	-	(25,091)(b)	1,064,993
-	-	-	-	64,060
-	-	-	5,039 (b)	381,789
-	1,051	-	(20,052)	1,718,418
16,187	-	-	(16,187)(c)	-
356,391	14,046	75,246	(2,411,846)(d)	1,531,038
-	-	-	-	(64,565)
(50,498)	2,528	(32,328)	(285,169)(d)	1,032,850
305,893	16,574	42,918	(2,697,015)	2,499,323
\$ 518,103	\$ 22,728	\$ 70,206	\$ (3,662,125)	\$ 7,981,748

**CONSOLIDATED STATEMENTS OF INCOME** (in thousands, except per share amounts)

year ended December 31,	2001	2000	1999
<b>OPERATING REVENUES</b>			
Electric	\$ 4,382,465	\$ 3,531,810	\$ 2,293,184
Real estate	168,908	158,365	130,169
Total	4,551,373	3,690,175	2,423,353
<b>OPERATING EXPENSES</b>			
Purchased power and fuel	2,664,218	1,932,792	793,931
Operations and maintenance	530,095	450,205	446,173
Real estate operations	153,462	134,422	119,516
Depreciation and amortization	427,903	431,229	419,842
Taxes other than income taxes	101,068	99,780	96,606
Total	3,876,746	3,048,428	1,876,068
<b>OPERATING INCOME</b>			
	674,627	641,747	547,285
<b>OTHER INCOME (EXPENSE)</b>			
Allowance for equity funds used during construction	-	-	-
Preferred stock dividend requirements of APS	-	-	(1,016)
Net other income and expense	(5,765)	(406)	10,573
Total	(5,765)	(406)	9,557
<b>INTEREST EXPENSE</b>			
Interest charges	175,822	166,447	157,142
Capitalized interest	(47,862)	(21,638)	(11,664)
Total	127,960	144,809	145,478
<b>INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES</b>			
	540,902	496,532	411,364
<b>INCOME TAXES</b>			
	213,535	194,200	141,592
<b>INCOME FROM CONTINUING OPERATIONS</b>			
	327,367	302,332	269,772
Income tax benefit from discontinued operations	-	-	38,000
Loss from discontinued operations – net of income taxes	-	-	-
Extraordinary charge for regulatory disallowance – net of income taxes	-	-	(139,885)
Extraordinary charge for early retirement of debt – net of income taxes	-	-	-
Cumulative effect of change in accounting for derivatives – net of income taxes	(15,201)	-	-
<b>NET INCOME</b>			
	\$ 312,166	\$ 302,332	\$ 167,887
<b>WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING – BASIC</b>			
	84,718	84,733	84,717
<b>WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING – DILUTED</b>			
	84,930	84,935	85,009
<b>EARNINGS PER WEIGHTED-AVERAGE COMMON SHARE OUTSTANDING</b>			
Continuing operations – basic	\$ 3.86	\$ 3.57	\$ 3.18
Net income – basic	3.68	3.57	1.98
Continuing operations – diluted	3.85	3.56	3.17
Net income – diluted	3.68	3.56	1.97
<b>DIVIDENDS DECLARED PER SHARE</b>			
	\$ 1.525	\$ 1.425	\$ 1.325

	1998	1997	1996
	\$ 2,006,398	\$ 1,878,553	\$ 1,718,272
	124,188	116,473	99,488
	2,130,586	1,995,026	1,817,760
	543,153	441,533	327,490
	418,829	405,421	441,026
	115,331	111,628	96,080
	413,381	399,500	336,982
	103,718	108,011	107,199
	1,594,412	1,466,093	1,308,777
	536,174	528,933	508,983
	-	-	5,209
	(9,703)	(12,803)	(17,092)
	389	4,349	(6,968)
	(9,314)	(8,454)	(18,851)
	163,975	177,383	192,705
	(18,596)	(19,703)	(12,856)
	145,379	157,680	179,849
	381,481	362,799	310,283
	138,589	126,943	99,224
	242,892	235,856	211,059
	-	-	-
	-	-	(9,539)
	-	-	-
	-	-	(20,340)
	-	-	-
	\$ 242,892	\$ 235,856	\$ 181,180
	84,774	85,503	87,442
	85,346	86,023	88,022
	\$ 2.87	\$ 2.76	\$ 2.41
	2.87	2.76	2.07
	2.85	2.74	2.40
	2.85	2.74	2.06
	\$ 1.225	\$ 1.125	\$ 1.025

**CONSOLIDATED BALANCE SHEETS** (dollars in thousands)

December 31,	2001	2000	1999
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 28,619	\$ 10,363	\$ 20,705
Customer and other receivables – net	367,241	513,822	244,599
Accrued utility revenues	76,131	74,566	72,919
Materials and supplies (at average cost)	81,215	71,966	69,977
Fossil fuel (at average cost)	27,023	19,405	21,869
Deferred income taxes	–	5,793	8,163
Assets from risk management and trading activities	66,973	17,506	–
Other current assets	80,203	80,492	60,562
Total current assets	727,405	793,913	498,794
<b>INVESTMENTS AND OTHER ASSETS</b>			
Real estate investments – net	418,673	371,323	344,293
Assets from risk management and trading activities – long-term	200,351	32,955	–
Other assets	321,024	299,128	267,458
Total investments and other assets	940,048	703,406	611,751
<b>PROPERTY, PLANT AND EQUIPMENT</b>			
Plant in service and held for future use	8,203,888	7,809,566	7,546,314
Less accumulated depreciation and amortization	3,378,089	3,188,302	3,026,194
Total	4,825,799	4,621,264	4,520,120
Construction work in progress	1,032,234	464,540	209,281
Nuclear fuel, net of accumulated amortization	49,282	47,389	49,114
Net property, plant and equipment	5,907,315	5,133,193	4,778,515
<b>DEFERRED DEBITS</b>			
Regulatory assets	342,383	469,867	613,729
Other deferred debits	64,597	62,606	105,717
Total deferred debits	406,980	532,473	719,446
<b>TOTAL ASSETS</b>	<b>\$ 7,981,748</b>	<b>\$ 7,162,985</b>	<b>\$ 6,608,506</b>

	1998	1997	1996
\$	20,538	\$ 27,484	\$ 26,686
	233,876	183,507	169,237
	67,740	58,559	55,470
	69,074	70,634	74,120
	13,978	9,621	13,928
	3,999	57,887	69,688
	-	-	-
	47,594	41,408	41,140
	456,799	449,100	450,269
	331,021	365,921	398,527
	-	-	-
	236,562	215,027	173,109
	567,583	580,948	571,636
	7,265,604	7,009,059	6,803,211
	2,814,762	2,620,607	2,426,143
	4,450,842	4,388,452	4,377,068
	228,643	237,492	226,935
	51,078	51,624	51,137
	4,730,563	4,677,568	4,655,140
	980,084	1,080,799	1,221,878
	89,517	62,002	90,366
	1,069,601	1,142,801	1,312,244
\$	6,824,546	\$ 6,850,417	\$ 6,989,289

**CONSOLIDATED BALANCE SHEETS** (dollars in thousands)

December 31,	2001	2000	1999
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 269,124	\$ 375,805	\$ 186,524
Accrued taxes	96,729	89,246	70,510
Accrued interest	48,806	42,954	33,253
Short-term borrowings	405,762	82,775	38,300
Current maturities of long-term debt	126,140	463,469	114,798
Customer deposits	30,232	26,189	26,098
Deferred income taxes	3,244	-	-
Liabilities from risk management and trading activities	35,994	37,179	-
Other current liabilities	74,898	73,681	26,007
Total current liabilities	1,090,929	1,191,298	495,490
<b>LONG-TERM DEBT LESS CURRENT MATURITIES</b>	<b>2,673,078</b>	<b>1,955,083</b>	<b>2,206,052</b>
<b>DEFERRED CREDITS AND OTHER</b>			
Liabilities from risk management and trading activities – long-term	207,576	14,711	-
Deferred income taxes	1,064,993	1,143,040	1,183,855
Unamortized gain – sale of utility plant	64,060	68,636	73,212
Other	381,789	407,503	444,164
Total deferred credits and other	1,718,418	1,633,890	1,701,231
<b>COMMITMENTS AND CONTINGENCIES</b>			
<b>MINORITY INTERESTS</b>			
Non-redeemable preferred stock of APS	-	-	-
Redeemable preferred stock of APS	-	-	-
<b>COMMON STOCK EQUITY</b>			
Common stock, no par value	1,531,038	1,532,831	1,537,449
Retained earnings	1,032,850	849,883	668,284
Accumulated other comprehensive loss	(64,565)	-	-
Total common stock equity	2,499,323	2,382,714	2,205,733
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 7,981,748</b>	<b>\$ 7,162,985</b>	<b>\$ 6,608,506</b>

	1998	1997	1996
\$	155,800	\$ 117,429	\$ 184,095
	62,520	84,610	82,413
	31,866	32,974	39,652
	178,830	130,750	16,900
	168,045	108,695	156,277
	28,510	30,672	34,222
	-	-	-
	-	-	-
	14,632	18,534	37,056
	640,203	523,664	550,615
	2,048,961	2,244,248	2,372,113
	-	-	-
	1,343,536	1,363,461	1,359,312
	77,787	82,363	86,939
	455,467	438,084	431,314
	1,876,790	1,883,908	1,877,565
	85,840	142,051	165,673
	9,401	29,110	53,000
	1,550,643	1,553,771	1,636,354
	612,708	473,665	333,969
	-	-	-
	2,163,351	2,027,436	1,970,323
\$	6,824,546	\$ 6,850,417	\$ 6,989,289

**CONSOLIDATED STATEMENTS OF CASH FLOWS** (dollars in thousands)

year ended December 31,	2001	2000	1999
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income from continuing operations	\$ 327,367	\$ 302,332	\$ 269,772
Items not requiring cash			
Depreciation and amortization	427,903	431,229	419,842
Nuclear fuel amortization	28,362	30,083	31,371
Deferred income taxes – net	(16,939)	(38,625)	(43,886)
Deferred investment tax credit	(264)	740	(23,514)
Mark-to-market gains – trading	(125,521)	(11,752)	(975)
Mark-to-market gains – system	(8,052)	–	–
Allowance for equity funds used during construction	–	–	–
Changes in current assets and liabilities			
Customers and other receivables – net	146,581	(269,223)	(10,723)
Accrued utility revenues	(1,565)	(1,647)	(5,179)
Materials, supplies and fossil fuel	(16,867)	475	(8,794)
Other current assets	289	(37,436)	(12,968)
Accounts payable	(127,782)	193,502	28,193
Accrued taxes	7,483	18,736	12,591
Accrued interest	5,852	9,701	1,387
Other current liabilities	5,260	98,493	14,047
Change in El Dorado partnership investment	1,671	(3,773)	(25,786)
Increase in real estate investments	(44,173)	(25,937)	(12,542)
Increase in regulatory assets	(17,516)	(14,138)	(12,262)
Other – net	(21,159)	30,634	15,026
Net Cash Flow Provided By Operating Activities	570,930	713,394	635,600
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditures	(1,040,585)	(658,608)	(343,448)
Capitalized interest	(47,862)	(21,638)	(11,664)
Other – net	(31,357)	(55,595)	(16,143)
Net Cash Flow Used For Investing Activities	(1,119,804)	(735,841)	(371,255)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Issuance of long-term debt	995,447	651,000	607,791
Short-term borrowings – net	322,987	44,475	(140,530)
Dividends paid on common stock	(129,199)	(120,733)	(112,311)
Repurchase and retirement of common stock	–	–	–
Repayment of long-term debt	(621,057)	(558,019)	(510,693)
Redemption of preferred stock	–	–	(96,499)
Extraordinary charge for early retirement of debt	–	–	–
Other – net	(1,048)	(4,618)	(11,936)
Net Cash Flow Provided By (Used For) Financing Activities	567,130	12,105	(264,178)
<b>NET CASH FLOW</b>	<b>18,256</b>	<b>(10,342)</b>	<b>167</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>10,363</b>	<b>20,705</b>	<b>20,538</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 28,619</b>	<b>\$ 10,363</b>	<b>\$ 20,705</b>

	1998	1997	1996
\$	242,892	\$ 235,856	\$ 211,059
	413,381	399,500	336,982
	32,856	32,702	33,566
	15,258	1,471	(15,840)
	(23,516)	(23,518)	(23,518)
	-	-	-
	-	-	-
	-	-	(5,209)
	(50,369)	(14,270)	(38,106)
	(9,181)	(3,089)	(1,951)
	(2,797)	7,793	11,945
	(6,186)	(109)	(8,949)
	34,386	(54,882)	65,586
	(22,090)	2,197	(7,088)
	(1,108)	(6,678)	(9,306)
	(5,235)	(23,087)	1,515
	-	-	-
	33,405	33,010	19,894
	(10,582)	-	-
	(35,276)	36,523	(4,297)
	605,838	623,419	566,283
	(319,142)	(307,876)	(258,598)
	(18,596)	(19,703)	(12,856)
	(2,144)	(3,124)	(6,345)
	(339,882)	(330,703)	(277,799)
	148,229	146,013	557,067
	48,080	113,850	(160,900)
	(103,849)	(96,160)	(89,614)
	-	(79,997)	-
	(286,314)	(325,526)	(575,332)
	(75,517)	(47,201)	(50,360)
	-	-	(20,340)
	(3,531)	(2,897)	(1,858)
	(272,902)	(291,918)	(341,337)
	(6,946)	798	(52,853)
	27,484	26,686	79,539
\$	20,538	\$ 27,484	\$ 26,686

**SELECTED CONSOLIDATED FINANCIAL DATA** (dollars per share)

	2001	2000	1999	1998	1997	1996
<b>BOOK VALUE PER SHARE</b>						
<b>AT YEAR-END</b>						
APS	\$ 25.35	\$ 24.99	\$ 23.38	\$ 23.29	\$ 21.80	\$ 19.76
SunCor	3.61	3.57	3.67	3.59	3.42	3.69
El Dorado	0.20	0.19	0.33	0.32	0.41	0.44
APS Energy Services	0.51	0.08	0.03	–	–	–
Pinnacle West Energy	0.99	0.16	–	–	–	–
Parent company	(1.20)	(0.90)	(1.41)	(1.70)	(1.73)	(1.38)
Total	\$ 29.46	\$ 28.09	\$ 26.00	\$ 25.50	\$ 23.90	\$ 22.51
Common Shares						
Outstanding at Year-End	84,824,947	84,824,947	84,824,947	84,824,947	84,824,947	87,515,847
<b>EARNINGS PER SHARE</b>						
<b>FROM CONTINUING OPERATIONS - DILUTED</b>						
APS	\$ 3.30	\$ 3.61	\$ 3.14	\$ 2.88	\$ 2.77	\$ 2.57
SunCor	0.04	0.14	0.07	0.52(a)	0.06	0.05
El Dorado	–	0.02	0.14	0.05	0.10	–
APS Energy Services	(0.12)	(0.16)	(0.11)	–	–	–
Pinnacle West Energy	0.21	(0.03)	–	–	–	–
Parent company	0.42	(0.02)	(0.07)	(0.60)(a)	(0.19)	(0.22)
Total	\$ 3.85	\$ 3.56	\$ 3.17	\$ 2.85	\$ 2.74	\$ 2.40
<b>STOCK PRICE HISTORY</b>						
High	\$ 50.70	\$ 52.22	\$ 43.38	\$ 49.25	\$ 42.75	\$ 32.25
Low	37.65	26.25	30.19	39.38	27.63	26.25
Close	41.85	47.63	30.56	42.38	42.38	31.75

(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 inter-company 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** (dollars in thousands)

year ended December 31,	2001	2000	1999	1998	1997	1996
<b>PARENT COMPANY</b>						
<b>REVOLVING CREDIT</b>						
Variable-rate loan due 2001	\$ -	\$ 188,000	\$ 56,000	\$ 42,000	\$ 155,000	\$ 200,000
Floating notes due 2003	250,000	-	-	-	-	-
	250,000	188,000	56,000	42,000	155,000	200,000
<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	25,000
6.40% senior notes due 2006	300,000	-	-	-	-	-
	325,000	50,000	50,000	50,000	50,000	50,000
Total Parent Company	575,000	238,000	106,000	92,000	205,000	250,000
<b>SUNCOR</b>						
<b>REVOLVING CREDIT</b>						
Variable-rate facility due 2000	-	-	-	-	40,600	42,432
Variable-rate facility due 2001	-	-	-	38,139	-	-
Variable-rate facility due 2003	-	110,000	94,000	-	-	-
Variable-rate facility due 2003	128,000	-	-	-	-	-
	128,000	110,000	94,000	38,139	40,600	42,432
<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
5.39% note due 1998-1999	-	-	-	399	1,563	3,044
9.25% note due 1999	-	-	-	-	-	234
Variable-rate notes due 2006-2008	7,912	8,163	3,404	3,489	3,550	3,481
	7,912	8,163	3,404	3,888	5,113	7,696
<b>BONDS PAYABLE</b>						
5.85% bonds due 2039	-	5,215	5,335	-	-	-
5.95% bonds due 2024	5,215	-	-	-	-	-
6.75% bonds due 2026	7,500	-	-	-	-	-
	12,715	5,215	5,335	-	-	-
Total SunCor	148,627	123,378	102,739	84,088	90,713	95,128
<b>TOTAL NON-UTILITY LONG-TERM DEBT INCLUDING CURRENT MATURITIES</b>						
	\$ 723,627	\$ 361,378	\$ 208,739	\$ 176,088	\$ 295,713	\$ 345,128

See Note 6 of Notes to Consolidated Financial Statements on pages 47-48.

## CONSOLIDATED ELECTRIC REVENUE ANALYSIS

year ended December 31,	2001		2000	
<b>ELECTRIC REVENUES (THOUSANDS OF DOLLARS)</b>				
<b>RETAIL SALES</b>				
Residential	\$ 914,711	20.9%	\$ 880,468	24.9%
Commercial	805,326	18.4	771,909	21.9
Industrial	133,663	3.0	146,088	4.1
Irrigation	1,975	–	6,498	0.2
Other	11,663	0.3	10,719	0.3
Total retail	1,867,338	42.6	1,815,682	51.4
<b>WHOLESALE REVENUE ON DELIVERED ELECTRICITY</b>				
Traditional contracts	73,305	1.6	120,618	3.4
Retail load hedge management	577,784	13.2	560,493	15.9
Marketing and trading – delivered				
Generation sales other than native load (a)	148,316	3.4	115,476	3.3
Other delivered electricity (a)	1,560,185	35.6	874,619	24.7
Total delivered marketing and trading	1,708,501	39.0	990,095	28.0
Total delivered wholesale electricity	2,359,590	53.8	1,671,206	47.3
<b>OTHER MARKETING AND TRADING</b>				
Realized margins on delivered commodities other than electricity	(13,646)	(0.3)	(8,789)	(0.2)
Prior period mark-to-market (gains) losses on contracts delivered during current period	(1,059)	–	(2,079)	(0.1)
Change in mark-to-market for future-period deliveries	126,580	2.9	13,831	0.4
Total other marketing and trading	111,875	2.6	2,963	0.1
Transmission for others	25,971	0.6	14,765	0.4
Other miscellaneous services	17,691	0.4	27,194	0.8
Total electric operating revenues	\$ 4,382,465	100.0%	\$ 3,531,810	100.0%
<b>INCREASE (DECREASE) VS. PRIOR YEAR</b>				
Retail revenues	2.8%		5.8%	
Delivered wholesale electricity	41.2%		207.6%	
Total operating revenues	24.1%		54.0%	
<b>AVERAGE REVENUE PER KWH</b>				
<b>RETAIL</b>				
Residential	8.85¢		9.00¢	
Commercial	7.67¢		7.67¢	
Industrial	5.49¢		5.82¢	
Irrigation	7.35¢		7.46¢	
<b>WHOLESALE REVENUE ON DELIVERED ELECTRICITY</b>				
Delivered marketing and trading	10.68¢		7.22¢	
Delivered wholesale electricity	11.65¢		7.60¢	
Total operating revenues	10.04¢		7.93¢	

(a) The break-out of generation sales other than native load is not available for 1996-1998.

1999		1998		1997		1996					
\$	805,173	35.1%	\$	766,378	38.2%	\$	746,937	39.8%	\$	721,877	42.0%
	733,038	32.0		699,016	34.8		687,988	36.6		678,130	39.5
	159,329	7.0		172,296	8.6		164,696	8.8		162,324	9.5
	7,374	0.3		7,288	0.4		8,706	0.5		9,448	0.5
	11,708	0.5		10,644	0.5		11,842	0.6		13,078	0.8
	1,716,622	74.9		1,655,622	82.5		1,620,169	86.3		1,584,857	92.3
	60,486	2.6		58,184	2.9		63,027	3.4		64,110	3.7
	108,153	4.7		-	-		-	-		-	-
	29,551	1.3		-	-		-	-		-	-
	345,067	15.1		258,058	12.9		163,801	8.7		34,450	2.0
	374,618	16.4		258,058	12.9		163,801	8.7		34,450	2.0
	543,257	23.7		316,242	15.8		226,828	12.1		98,560	5.7
	2,483	0.1		7,192	0.4		3,618	0.2		-	-
	-	-		-	-		-	-		-	-
	975	-		-	-		-	-		-	-
	3,458	0.1		7,192	0.4		3,618	0.2		-	-
	11,348	0.5		11,058	0.5		10,295	0.5		10,240	0.6
	18,499	0.8		16,284	0.8		17,643	0.9		24,615	1.4
\$	2,293,184	100.0%	\$	2,006,398	100.0%	\$	1,878,553	100.0%	\$	1,718,272	100.0%
	3.7%			2.2%			2.2%			5.5%	
	71.8%			39.4%			130.1%			13.9%	
	14.3%			6.8%			9.3%			6.4%	
	9.18¢			9.22¢			9.37¢			9.57¢	
	7.68¢			8.04¢			8.07¢			8.24¢	
	6.22¢			5.25¢			5.27¢			5.34¢	
	7.40¢			8.61¢			7.75¢			7.76¢	
	2.75¢			2.90¢			2.11¢			1.84¢	
	3.46¢			3.07¢			2.46¢			2.93¢	
	6.24¢			6.52¢			6.47¢			7.67¢	

## CONSOLIDATED ELECTRIC SALES ANALYSIS

year ended December 31,	2001		2000	
<b>ELECTRIC SALES (MWh)</b>				
<b>RETAIL SALES</b>				
Residential	10,334,860	23.7%	9,780,680	22.0%
Commercial	10,504,044	24.1	10,057,707	22.6
Industrial	2,433,438	5.6	2,511,292	5.6
Irrigation	26,860	–	87,073	0.2
Other	99,810	0.2	97,772	0.2
Total retail	23,399,012	53.6	22,534,524	50.6
<b>WHOLESALE ELECTRICITY DELIVERED</b>				
Traditional contracts	1,213,704	2.8	1,610,032	3.6
Retail load hedge management	3,039,905	7.0	6,673,658	15.0
Marketing and trading – delivered				
Generation sales other than native load (a)	1,387,860	3.2	1,494,299	3.4
Other delivered electricity (a)	14,612,997	33.4	12,219,368	27.4
Total delivered marketing and trading	16,000,857	36.6	13,713,667	30.8
Total delivered wholesale electricity	20,254,466	46.4	21,997,357	49.4
Total electric sales	43,653,478	100.0%	44,531,881	100.0%
<b>INCREASE (DECREASE) VS. PRIOR YEAR</b>				
Retail sales	3.8%		6.9%	
Delivered wholesale electricity	(7.9)%		40.2%	
Total sales	(2.0)%		21.1%	

(a) The break-out of generation sales other than native load is not available for 1996-1998.

1999		1998		1997		1996	
8,774,822	23.9%	8,310,689	27.0%	7,970,309	27.4%	7,541,440	33.7%
9,543,853	25.9	8,697,397	28.3	8,524,882	29.3	8,233,762	36.8
2,561,349	7.0	3,279,430	10.6	3,123,283	10.8	3,039,357	13.6
99,669	0.3	84,640	0.3	112,363	0.4	121,775	0.5
94,877	0.2	90,927	0.3	86,090	0.3	84,362	0.4
21,074,570	57.3	20,463,083	66.5	19,816,927	68.2	19,020,696	85.0
1,421,522	3.9	1,410,392	4.6	1,486,439	5.1	1,490,270	6.6
630,945	1.7	-	-	-	-	-	-
1,267,349	3.4	-	-	-	-	-	-
12,374,018	33.7	8,906,999	28.9	7,747,134	26.7	1,876,964	8.4
13,641,367	37.1	8,906,999	28.9	7,747,134	26.7	1,876,964	8.4
15,693,834	42.7	10,317,391	33.5	9,233,573	31.8	3,367,234	15.0
36,768,404	100.0%	30,780,474	100.0%	29,050,500	100.0%	22,387,930	100.0%
3.0%		3.3%		4.2%		7.2%	
52.1%		11.7%		174.2%		23.8%	
19.5%		6.0%		29.8%		9.4%	

**CONSOLIDATED MARKETING AND TRADING GROSS MARGIN SUMMARY** (dollars in thousands)

year ended December 31,	2001	2000	1999
<b>REALIZED AND MARK-TO-MARKET COMPONENTS (a)</b>			
Current period effects			
Realized margin on delivered commodities			
Electricity			
Generation sales other than native load (b)	\$ 79,328	\$ 54,396	\$ 7,043
Other electricity marketing and trading (b)	117,324	68,585	7,103
Total electricity	196,652	122,981	14,146
Other commodities	(13,646)	(8,789)	2,483
Total realized margin	183,006	114,192	16,629
Prior-period mark-to-market (gains) losses			
on contracts delivered during current period			
Electricity	(10,954)	(2,071)	–
Other commodities	25,197	(8)	–
Charge related to trading activities with			
Enron and its affiliates	(7,940)	–	–
Subtotal	6,303	(2,079)	–
Total current period effects	189,309	112,113	16,629
Change in mark-to-market gains (losses) for future			
period deliveries			
Electricity	145,749	7,205	1,548
Other commodities	(18,348)	6,545	(573)
Total future period effects	127,401	13,750	975
Total gross margin before income taxes	\$ 316,710	\$ 125,863	\$ 17,604
<b>BY COMMODITY SOLD OR TRADED</b>			
Electricity	\$ 327,274	\$ 128,115	\$ 15,695
Other commodities	(10,564)	(2,252)	1,909
Total gross margin before income taxes	\$ 316,710	\$ 125,863	\$ 17,604
<b>ACCUMULATED MARK-TO-MARKET GAINS (LOSSES)</b>			
<b>AT END OF YEAR (c)</b>	\$ 137,926	\$ 12,405	\$ 653
<b>BY PINNACLE WEST ENTITY</b>			
Parent company marketing and trading division			
Electricity marketing and trading	\$ 59,681	\$ (1,717)	\$ –
Other commodities marketing and trading	18,073	–	–
APS			
Generation sales other than native load	79,328	54,396	7,043
Electricity marketing and trading	180,787	76,216	8,651
Other commodities marketing and trading	(24,870)	(2,253)	1,910
Pinnacle West Energy			
Generation sales other than native load	–	–	–
Electricity marketing and trading	–	–	–
APS ES			
Electricity marketing and trading	3,711	(779)	–
Total gross margin before income taxes	\$ 316,710	\$ 125,863	\$ 17,604

(a) Refer to page 14 for further description of line items.

(b) The break-out of generation sales other than native load is not available for 1996-1998.

(c) As of December 31, 2001, Pinnacle West had accumulated mark-to-market net gains of \$138.0 million related to our power marketing and trading activities. We estimate that these gains will be reclassified to realized gains as the underlying commodities are delivered, as follows: 2002, \$43.0 million; 2003, \$22.6 million; 2004, \$23.6 million; 2005 and thereafter, \$48.8 million.

	1998		1997		1996
	\$ -		\$ -		\$ -
	20,643		7,041		7,543
	20,643		7,041		7,543
	8,337		2,998		4,917
	28,980		10,039		12,460
	-		-		-
	-		-		-
	-		-		-
	-		-		-
	28,980		10,039		12,460
	-		-		-
	-		-		-
	-		-		-
	\$ 28,980		\$ 10,039		\$ 12,460
	\$ 20,643		\$ 7,041		\$ 7,543
	8,337		2,998		4,917
	\$ 28,980		\$ 10,039		\$ 12,460
	\$ -		\$ -		\$ -
	\$ -		\$ -		\$ -
	-		-		-
	20,643		7,041		7,543
	8,337		2,998		4,917
	-		-		-
	-		-		-
	-		-		-
	\$ 28,980		\$ 10,039		\$ 12,460

## APS SELECTED FINANCIAL DATA

December 31,	2001	2000	1999
<b>OPERATING STATISTICS</b>			
Electric revenues (thousands)	\$ 3,310,792	\$ 3,480,252	\$ 2,292,798
Electric sales (MWh)	33,230,065	44,055,293	36,768,404
Employees (year-end) (a)	5,517	5,406	6,234
Average annual use per residential customer (kWh)	13,312	13,053	12,191
<b>FINANCIAL STATISTICS (b)</b>			
Cash interest coverage	5.96x	5.68x	5.23x
Non-cash income as percent of earnings	14.4%	11.9%	15.2%
Net cash flow as percent of capital expenditures	108.5%	108.6%	137.3%
<b>CAPITALIZATION RATIOS (YEAR-END)</b>			
Long-term debt excluding current maturities	44.3%	42.4%	48.3%
Current maturities of long-term debt	2.9	5.9	2.8
Short-term debt	3.9	1.9	0.9
Total debt	51.1	50.2	52.0
Preferred stock	—	—	—
Common stock equity	48.9	49.8	48.0
Total capitalization	100.0%	100.0%	100.0%
Debt adjusted for Palo Verde Unit 2 sale and leaseback	55.4%	54.9%	56.8%

(a) For 1996, includes employees who accepted a late 1996 voluntary severance program.

(b) Non-cash income includes capitalized interest, AFUDC and other significant items resulting from regulatory orders.

## APS HISTORICAL GROWTH RATES

December 31,	2001	2000	1999
Electric revenues			
Total	(4.9)%	51.8%	14.3%
Retail	2.8%	5.8%	3.7%
Peak load			
Actual	3.8%	11.0%	(2.7)%
Weather-adjusted	(0.9)%	10.1%	4.3%
Electric sales			
Total	(24.6)%	19.8%	19.5%
Retail sales	3.8%	6.9%	3.0%
Customers (average)	3.7%	4.1%	4.2%
Employees (year-end) (a,b)	2.1%	(13.3)%	2.6%

(a) Decrease for 1996 determined after deducting all employees who accepted a late 1996 voluntary severance program.

(b) Employees performing shared, corporate services were transferred to the parent as of the beginning of 2000.

	1998	1997	1996
	\$ 2,006,398	\$ 1,878,553	\$ 1,718,272
	30,780,474	29,050,500	22,387,930
	6,075	5,981	6,365
	12,047	12,013	11,853
	4.96x	4.53x	4.15x
	15.3%	15.7%	15.9%
	128.6%	118.2%	126.8%
	43.7%	46.4%	48.9%
	3.8	2.5	3.7
	4.2	3.1	0.4
	51.7	52.0	53.0
	2.2	4.1	5.3
	46.1	43.9	41.7
	100.0%	100.0%	100.0%
	56.4%	56.8%	57.8%

ANNUAL COMPOUND GROWTH RATES

	1998	1997	1996	5 YEARS 1996-2001	10 YEARS 1991-2001
	6.8%	9.3%	6.4%	14.0%	9.1%
	2.2%	2.2%	5.5%	3.3%	3.8%
	10.1%	0.7%	3.5%	4.4%	4.9%
	4.1%	7.0%	4.0%	4.9%	3.6%
	6.0%	29.8%	9.4%	8.2%	5.2%
	3.3%	4.2%	7.2%	4.2%	4.1%
	4.0%	4.2%	4.1%	4.0%	3.7%
	1.6%	(6.0)%	(1.8)%	(2.8)%	(2.4)%

**APS STATEMENTS OF INCOME** (dollars in thousands)

year ended December 31,	2001	2000	1999
<b>ELECTRIC OPERATING REVENUES</b>	\$ 3,310,792	\$ 3,480,252	\$ 2,292,798
<b>PURCHASED POWER AND FUEL COSTS</b>			
Purchased power	1,348,872	1,547,464	551,645
Fuel for electric generation	391,771	331,274	241,671
Total	1,740,643	1,878,738	793,316
<b>OPERATING REVENUES LESS PURCHASED POWER AND FUEL COSTS</b>	1,570,149	1,601,514	1,499,482
<b>OTHER OPERATING EXPENSES</b>			
Operations and maintenance	465,561	430,092	437,125
Depreciation and amortization	420,893	425,479	416,331
Income taxes	183,640	199,977	165,629
Other taxes	101,077	99,730	96,579
Total	1,171,171	1,155,278	1,115,664
<b>OPERATING INCOME</b>	398,978	446,236	383,818
<b>OTHER INCOME (DEDUCTIONS)</b>			
Income taxes	504	4,312	32,614
Allowance for equity funds used during construction	-	-	-
Other – net	(583)	(10,857)	(11,757)
Total	(79)	(6,545)	20,857
<b>INCOME BEFORE INTEREST DEDUCTIONS</b>	398,899	439,691	404,675
<b>INTEREST DEDUCTIONS</b>			
Interest on long-term debt	126,118	134,431	132,676
Interest on short-term borrowings	4,407	7,455	8,272
Debt discount, premium and expense	2,650	2,105	2,084
Capitalized interest	(14,964)	(10,894)	(6,679)
Total	118,211	133,097	136,353
<b>INCOME BEFORE EXTRAORDINARY CHARGE AND CUMULATIVE EFFECT ADJUSTMENT</b>	280,688	306,594	268,322
Extraordinary charge – net of income taxes	-	-	(139,885)
Cumulative effect of change in accounting for derivatives – net of income taxes	(15,201)	-	-
<b>NET INCOME</b>	265,487	306,594	128,437
Preferred stock dividend requirements	-	-	1,016
<b>EARNINGS FOR COMMON STOCK</b>	\$ 265,487	\$ 306,594	\$ 127,421

	1998	1997	1996
	\$ 2,006,398	\$ 1,878,553	\$ 1,718,272
	313,330	242,230	99,096
	229,823	199,303	228,394
	543,153	441,533	327,490
	1,463,245	1,437,020	1,390,782
	418,829	405,421	441,026
	410,276	396,886	334,685
	166,290	161,486	149,368
	102,076	106,724	106,226
	1,097,471	1,070,517	1,031,305
	365,774	366,503	359,477
	32,838	31,500	45,639
	-	-	5,209
	(12,523)	(10,047)	(15,764)
	20,315	21,453	35,084
	386,089	387,956	394,561
	137,214	140,931	147,666
	7,481	9,404	10,621
	2,410	2,336	2,312
	(16,263)	(16,208)	(9,509)
	130,842	136,463	151,090
	255,247	251,493	243,471
	-	-	-
	-	-	-
	255,247	251,493	243,471
	9,703	12,803	17,092
	\$ 245,544	\$ 238,690	\$ 226,379

**APS BALANCE SHEETS** (dollars in thousands)

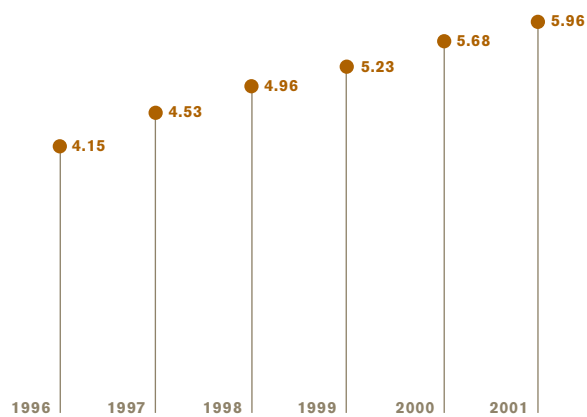
December 31,	2001	2000	1999
<b>ASSETS</b>			
<b>UTILITY PLANT</b>			
Electric plant in service	\$ 8,104,081	\$ 7,772,330	\$ 7,513,206
Plant held for future use	1,025	32,695	32,369
Subtotal	8,105,106	7,805,025	7,545,575
Less accumulated depreciation and amortization	3,374,098	3,187,328	3,026,041
Subtotal	4,731,008	4,617,697	4,519,534
Construction work in progress	321,305	245,749	184,764
Nuclear fuel, net of accumulated amortization	49,282	47,389	49,114
Net utility plant	5,101,595	4,910,835	4,753,412
<b>INVESTMENTS AND OTHER ASSETS</b>			
Decommissioning trust accounts	202,036	204,716	175,733
Assets from risk management and trading activities – long-term	2,082	32,955	–
Other assets	76,322	45,841	32,724
Total investments and other assets	280,440	283,512	208,457
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	16,821	2,609	7,477
Accounts receivable			
Service customers	182,749	422,012	201,704
Other	153,988	48,711	35,684
Allowance for doubtful accounts	(3,349)	(2,380)	(1,538)
Accrued utility revenues	76,131	74,566	72,919
Materials and supplies (at average cost)	81,215	71,966	69,977
Fossil fuel (at average cost)	27,023	19,405	21,869
Deferred income taxes	–	5,793	8,163
Assets from risk management and trading activities	10,097	17,506	–
Other	42,009	38,414	30,885
Total current assets	586,684	698,602	447,140
<b>DEFERRED DEBITS</b>			
Regulatory assets	342,383	469,867	613,729
Unamortized debt issue costs	13,163	12,805	15,172
Other	42,789	37,928	79,714
Total deferred debits	398,335	520,600	708,615
<b>TOTAL ASSETS</b>	<b>\$ 6,367,054</b>	<b>\$ 6,413,549</b>	<b>\$ 6,117,624</b>

	1998	1997	1996
	\$ 7,233,578	\$ 6,976,964	\$ 6,771,116
	32,026	32,095	32,095
	7,265,604	7,009,059	6,803,211
	2,814,762	2,620,607	2,426,143
	4,450,842	4,388,452	4,377,068
	228,643	237,492	226,935
	51,078	51,624	51,137
	4,730,563	4,677,568	4,655,140
	145,552	124,603	95,504
	-	-	-
	37,997	40,303	18,162
	183,549	164,906	113,666
	5,558	12,552	12,521
	205,999	141,022	111,715
	23,213	31,313	49,898
	(1,725)	(1,338)	(1,685)
	67,740	58,559	55,470
	69,074	70,634	74,120
	13,978	9,621	13,928
	3,999	3,496	8,424
	-	-	-
	26,695	24,529	22,767
	414,531	350,388	347,158
	980,084	1,080,799	1,221,878
	14,916	15,303	16,692
	69,656	42,178	68,688
	1,064,656	1,138,280	1,307,258
	\$ 6,393,299	\$ 6,331,142	\$ 6,423,222

**APS BALANCE SHEETS** (dollars in thousands)

December 31,	2001	2000	1999
<b>LIABILITIES</b>			
<b>CAPITALIZATION</b>			
Common stock	\$ 178,162	\$ 178,162	\$ 178,162
Additional paid-in capital	1,246,804	1,246,804	1,246,804
Retained earnings	790,289	694,802	558,208
Accumulated other comprehensive loss	(64,565)	-	-
Common stock equity	2,150,690	2,119,768	1,983,174
Non-redeemable preferred stock	-	-	-
Redeemable preferred stock	-	-	-
Long-term debt less current maturities	1,949,074	1,806,908	1,997,400
Total capitalization	4,099,764	3,926,676	3,980,574
<b>CURRENT LIABILITIES</b>			
Commercial paper	171,162	82,100	38,300
Current maturities of long-term debt	125,451	250,266	114,711
Accounts payable	98,959	267,999	170,662
Accrued taxes	107,595	106,515	62,858
Accrued interest	41,043	39,488	32,299
Customer deposits	28,664	24,498	24,682
Deferred income taxes	3,244	-	-
Liabilities from risk management and trading activities	21,840	37,179	-
Other	117,770	104,947	26,248
Total current liabilities	715,728	912,992	469,760
<b>DEFERRED CREDITS AND OTHER</b>			
Deferred income taxes	1,023,079	1,110,437	1,178,085
Deferred investment tax credit	4,306	4,570	4,839
Liabilities from risk management and trading activities – long-term	95,159	14,711	-
Unamortized gain – sale of utility plant	64,060	68,636	73,212
Customer advances for construction	69,293	40,694	38,150
Other	295,665	334,833	373,004
Total deferred credits and other	1,551,562	1,573,881	1,667,290
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 6,367,054</b>	<b>\$ 6,413,549</b>	<b>\$ 6,117,624</b>

	1998	1997	1996
\$	178,162	\$ 178,162	\$ 178,162
	1,195,625	1,142,364	1,091,122
	601,968	528,798	460,106
	-	-	-
	1,975,755	1,849,324	1,729,390
	85,840	142,051	165,673
	9,401	29,110	53,000
	1,876,540	1,953,162	2,029,482
	3,947,536	3,973,647	3,977,545
	178,830	130,750	16,900
	164,378	104,068	153,780
	145,139	107,423	174,394
	59,827	85,886	86,327
	31,218	31,660	39,115
	26,815	29,116	32,137
	-	-	-
	-	-	-
	16,755	19,588	21,150
	622,962	508,491	523,803
	1,312,007	1,345,177	1,414,242
	32,465	60,093	87,723
	-	-	-
	77,787	82,363	86,939
	31,451	29,294	24,044
	369,091	332,077	308,926
	1,822,801	1,849,004	1,921,874
\$	6,393,299	\$ 6,331,142	\$ 6,423,222

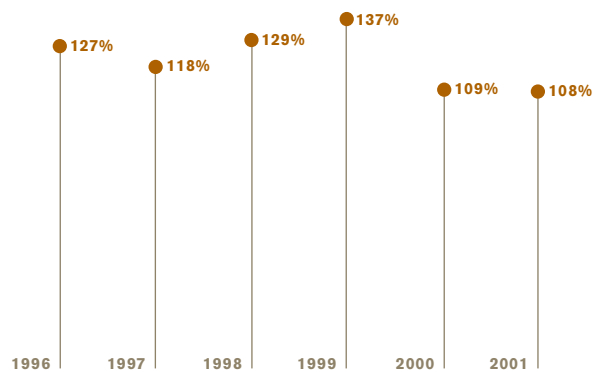


**APS CASH INTEREST COVERAGE RATIOS**

**APS STATEMENTS OF CASH FLOWS** (dollars in thousands)

year ended December 31,	2001	2000	1999
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income	\$ 265,487	\$ 306,594	\$ 128,437
Items not requiring cash			
Depreciation and amortization	420,893	425,479	416,331
Nuclear fuel amortization	28,362	30,083	31,371
Allowance for equity funds used during construction	-	-	-
Deferred income taxes – net	(26,252)	(65,457)	(56,127)
Deferred investment tax credit – net	(264)	(269)	(27,626)
Mark-to-market gains – trading	(91,978)	(11,752)	(975)
Mark-to-market gains – system	(8,052)	-	-
Extraordinary charge – net of income taxes	-	-	139,885
Cumulative effect of change in accounting – net of income taxes	15,201	-	-
Changes in certain current assets and liabilities			
Accounts receivable – net	226,933	(232,493)	(8,363)
Accrued utility revenues	(1,565)	(1,647)	(5,179)
Materials, supplies and fossil fuel	(16,867)	475	(8,794)
Other current assets	(3,595)	(25,035)	(4,190)
Accounts payable	(190,141)	101,558	22,992
Accrued taxes	1,080	43,657	3,031
Accrued interest	1,555	7,189	1,081
Other current liabilities	16,989	124,473	6,833
Increase in regulatory assets	(17,516)	(14,138)	(12,262)
Other – net	(13,164)	34,954	1,514
Net Cash Flow Provided by Operating Activities	607,106	723,671	627,959
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Capital expenditures	(467,391)	(464,368)	(322,547)
Capitalized interest	(14,964)	(10,894)	(6,679)
Other	(41,926)	(72,189)	(8,173)
Net Cash Flow Used For Investing Activities	(524,281)	(547,451)	(337,399)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Issuance of long-term debt	396,072	300,000	392,952
Short-term borrowings – net	89,062	43,800	(140,530)
Common equity infusion from Pinnacle West	-	-	50,000
Dividends paid on common stock	(170,000)	(170,000)	(170,000)
Dividends paid on preferred stock	-	-	(1,393)
Repayment of preferred stock	-	-	(96,499)
Repayment and reacquisition of long-term debt	(383,747)	(354,888)	(323,171)
Net Cash Flow Used For Financing Activities	(68,613)	(181,088)	(288,641)
<b>NET CASH FLOW</b>	14,212	(4,868)	1,919
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	2,609	7,477	5,558
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 16,821	\$ 2,609	\$ 7,477

	1998	1997	1996
\$	255,247	\$ 251,493	\$ 243,471
	410,276	396,886	334,685
	32,856	32,702	33,566
	-	-	(5,209)
	(52,378)	(78,616)	(41,949)
	(27,628)	(27,630)	(27,630)
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	(56,490)	(11,069)	(33,044)
	(9,181)	(3,089)	(1,951)
	(2,797)	7,793	11,945
	(2,166)	(1,762)	(4,928)
	33,731	(56,710)	68,788
	(26,059)	(441)	3,500
	(442)	(7,455)	(2,565)
	(4,654)	(3,997)	(522)
	(10,582)	-	-
	(26,757)	38,748	(627)
	512,976	536,853	577,530
	(319,142)	(307,876)	(258,598)
	(16,263)	(16,208)	(9,509)
	(8,593)	(15,982)	(102)
	(343,998)	(340,066)	(268,209)
	126,245	109,906	205,830
	48,080	113,850	(160,900)
	50,000	50,000	50,000
	(170,000)	(170,000)	(170,000)
	(10,279)	(13,307)	(17,416)
	(75,517)	(47,201)	(50,360)
	(144,501)	(240,004)	(172,343)
	(175,972)	(196,756)	(315,189)
	(6,994)	31	(5,868)
	12,552	12,521	18,389
\$	5,558	\$ 12,552	\$ 12,521



**APS NET CASH FLOW AFTER DIVIDENDS  
AS A PERCENT OF CAPITAL EXPENDITURES**

**APS LONG-TERM DEBT SCHEDULE** (dollars in thousands)

year ended December 31,	2001	2000	1999	1998	1997	1996
<b>FIRST MORTGAGE BONDS</b>						
7.125% series due Jan. 15, 1997	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 150,000
7.625% series due March 15, 1998	-	-	-	-	100,000	100,000
7.625% series due June 15, 1999	-	-	-	100,000	100,000	100,000
5.75% series due Sept. 15, 2000	-	-	100,000	100,000	100,000	100,000
8.125% series due March 15, 2002	125,000	125,000	125,000	125,000	125,000	125,000
6.625% series due March 1, 2004	80,000	80,000	80,000	85,000	85,000	100,000
10.25% series due May 15, 2020	-	-	100,550	100,550	109,550	114,550
9.5% series due April 15, 2021	-	45,140	45,140	45,140	45,140	50,810
9% series due Dec. 15, 2021	-	72,370	72,370	72,370	72,370	72,500
7.25% series due Aug. 1, 2023	54,150	70,650	70,650	91,900	97,150	100,000
8.75% series due Jan. 15, 2024	121,668	121,668	121,668	121,668	121,918	148,500
8% series due Feb. 1, 2025	33,075	33,075	47,075	88,300	88,500	116,900
5.5% series due Aug. 15, 2028	25,000	25,000	25,000	25,000	25,000	25,000
5.875% series due Aug. 15, 2028	154,000	154,000	154,000	154,000	154,000	154,000
Unamortized discount and premium	(5,266)	(5,993)	(5,860)	(6,482)	(7,033)	(8,412)
Total first mortgage bonds	587,627	720,910	935,593	1,102,446	1,216,595	1,448,848
<b>POLLUTION CONTROL BONDS</b>						
Due May 1, 2024	49,400	49,400	49,400	49,400	49,400	49,400
Due Sept. 1, 2024	65,750	65,750	65,750	65,750	65,750	65,750
Due Sept. 1, 2024	31,500	31,500	31,500	31,500	31,500	31,500
Due May 1, 2029	106,980	106,980	106,980	106,980	106,980	106,980
Due May 1, 2029	90,000	90,000	90,000	90,000	90,000	90,000
Due May 1, 2029	57,000	57,000	57,000	57,000	57,000	57,000
Due Oct. 1, 2029	32,650	32,650	32,650	32,650	32,650	32,650
Due Dec. 1, 2031	6,710	6,710	6,710	6,710	6,710	6,710
Due Nov. 1, 2033	16,870	16,870	16,870	16,870	-	-
Due April 1, 2034	20,000	20,000	20,000	-	-	-
Less securities held by trustee related to certain pollution control indebtedness	-	-	(1,236)	-	-	-
Total pollution control bonds	476,860	476,860	475,624	456,860	439,990	439,990

See Note 6 of Notes to Consolidated Financial Statements on pages 47-48.

	2001	2000	1999	1998	1997	1996
<b>OTHER LONG-TERM DEBT</b>						
6.125% collateralized loan due 1999	\$ -	\$ -	\$ -	\$ -	\$ 10,000	\$ -
5.875% collateralized loan due 1999	-	-	-	10,000	-	-
6.72% senior notes due April 1, 1999	-	-	-	50,000	50,000	-
5.375% collateralized loan due 2000	-	-	10,000	10,000	-	-
Floating rate note due Nov. 15, 2001	-	250,000	250,000	-	-	-
Term loans due June 18, 2003	-	-	50,000	125,000	150,000	100,000
5.875% unsecured note due Feb. 15, 2004	125,000	125,000	125,000	-	-	-
6.25% unsecured note due Jan. 15, 2005	100,000	100,000	100,000	100,000	-	-
7.625% unsecured note due Aug. 1, 2005	300,000	300,000	-	-	-	-
6.75% senior notes due Nov. 15, 2006	83,695	83,695	83,695	100,000	100,000	100,000
6.375% senior notes due Oct. 15, 2011	400,000	-	-	-	-	-
10% debentures due Jan. 31, 2025	-	-	75,000	75,000	75,000	75,000
Capitalized lease obligation	1,343	709	7,199	11,612	15,645	19,424
Total other long-term debt	1,010,038	859,404	700,894	481,612	400,645	294,424
Total Long-Term Debt	2,074,525	2,057,174	2,112,111	2,040,918	2,057,230	2,183,262
<b>LESS CURRENT MATURITIES</b>						
First mortgage bonds	(125,000)	-	(100,000)	(100,000)	(100,000)	(150,000)
Senior notes	-	-	-	(50,000)	-	-
Collateralized loan	-	-	(10,000)	(10,000)	-	-
Floating rate note	-	(250,000)	-	-	-	-
Capitalized lease obligation	(451)	(266)	(4,711)	(4,378)	(4,068)	(3,780)
Total Current Maturities	(125,451)	(250,266)	(114,711)	(164,378)	(104,068)	(153,780)
<b>LONG-TERM DEBT LESS CURRENT MATURITIES</b>	\$1,949,074	\$1,806,908	\$1,997,400	\$1,876,540	\$1,953,162	\$2,029,482
<b>WEIGHTED-AVERAGE INTEREST RATE ON LONG-TERM DEBT AT YEAR-END</b>	6.54%	6.50%	6.37%	6.54%	6.63%	6.65%

## APS ELECTRIC REVENUE ANALYSIS

year ended December 31,	2001		2000	
<b>ELECTRIC REVENUE (THOUSANDS OF DOLLARS)</b>				
<b>RETAIL SALES</b>				
Residential	\$ 914,711	27.6%	\$ 880,468	25.3%
Commercial	805,326	24.3	771,909	22.2
Industrial	133,663	4.0	146,088	4.2
Irrigation	1,975	0.1	6,498	0.2
Other	11,663	0.4	10,719	0.3
Total retail	1,867,338	56.4	1,815,682	52.2
<b>WHOLESALE REVENUE ON DELIVERED ELECTRICITY</b>				
Traditional contracts	73,305	2.2	120,618	3.5
Retail load hedge management	577,784	17.5	560,493	16.1
Marketing and trading – delivered:				
Generation sales other than native load (a)	148,316	4.5	115,476	3.3
Other delivered electricity (a)	540,511	16.3	823,061	23.6
Total delivered marketing and trading	688,827	20.8	938,537	26.9
Total delivered wholesale electricity	1,339,916	40.5	1,619,648	46.5
<b>OTHER MARKETING AND TRADING</b>				
Realized margins on delivered commodities other than electricity	(31,645)	(1.0)	(8,789)	(0.2)
Prior period mark-to-market (gains) losses on contracts delivered during current period	6,941	0.2	(2,079)	(0.1)
Change in mark-to-market for future-period deliveries	84,580	2.6	13,831	0.4
Total other marketing and trading	59,876	1.8	2,963	0.1
Transmission for others	25,971	0.8	14,765	0.4
Other miscellaneous services	17,691	0.5	27,194	0.8
Total electric operating revenues	\$ 3,310,792	100.0%	\$ 3,480,252	100.0%
<b>INCREASE (DECREASE) VS. PRIOR YEAR</b>				
Retail revenues	2.8%		5.8%	
Delivered wholesale electricity	(17.3)%		198.1%	
Total operating revenues	(4.9)%		51.8%	
<b>AVERAGE REVENUE PER kWh</b>				
<b>RETAIL</b>				
Residential	8.85¢		9.00¢	
Commercial	7.67¢		7.67¢	
Industrial	5.49¢		5.82¢	
Irrigation	7.35¢		7.46¢	
<b>WHOLESALE REVENUE ON DELIVERED ELECTRICITY</b>				
Delivered marketing and trading	12.35¢		7.09¢	
Delivered wholesale electricity	13.63¢		7.53¢	
Total operating revenues	9.96¢		7.90¢	
<b>REVENUE PER AVERAGE CUSTOMER (DOLLARS)</b>				
Residential	\$ 1,178		\$ 1,175	
Commercial and industrial	\$ 9,698		\$ 9,894	

(a) The break-out of generation sales other than native load is not available for 1996-1998.

1999		1998		1997		1996					
\$	805,173	35.1%	\$	766,378	38.2%	\$	746,937	39.8%	\$	721,877	42.0%
	733,038	32.0		699,016	34.8		687,988	36.6		678,130	39.5
	159,329	7.0		172,296	8.6		164,696	8.8		162,324	9.5
	7,374	0.3		7,288	0.4		8,706	0.5		9,448	0.5
	11,322	0.5		10,644	0.5		11,842	0.6		13,078	0.8
	1,716,236	74.9		1,655,622	82.5		1,620,169	86.3		1,584,857	92.3
	60,486	2.6		58,184	2.9		63,027	3.4		64,110	3.7
	108,153	4.7		-	-		-	-		-	-
	29,551	1.3		-	-		-	-		-	-
	345,067	15.1		258,058	12.9		163,801	8.7		34,450	2.0
	374,618	16.4		258,058	12.9		163,801	8.7		34,450	2.0
	543,257	23.7		316,242	15.8		226,828	12.1		98,560	5.7
	2,483	0.1		7,192	0.4		3,618	0.2		-	-
	-	-		-	-		-	-		-	-
	975	-		-	-		-	-		-	-
	3,458	0.1		7,192	0.4		3,618	0.2		-	-
	11,348	0.5		11,058	0.5		10,295	0.5		10,240	0.6
	18,499	0.8		16,284	0.8		17,643	0.9		24,615	1.4
\$	2,292,798	100.0%	\$	2,006,398	100.0%	\$	1,878,553	100.0%	\$	1,718,272	100.0%
	3.7%			2.2%			2.2%			5.5%	
	71.8%			39.4%			130.1%			13.9%	
	14.3%			6.8%			9.3%			6.4%	
	9.18¢			9.22¢			9.37¢			9.57¢	
	7.68¢			8.04¢			8.07¢			8.24¢	
	6.22¢			5.25¢			5.27¢			5.34¢	
	7.40¢			8.61¢			7.75¢			7.76¢	
	2.75¢			2.90¢			2.11¢			1.84¢	
	3.46¢			3.07¢			2.46¢			2.93¢	
	6.24¢			6.52¢			6.47¢			7.67¢	
\$	1,119		\$	1,111		\$	1,126		\$	1,135	
\$	10,051		\$	10,109		\$	10,285		\$	10,545	

## APS ELECTRIC SALES ANALYSIS

year ended December 31,	2001		2000	
<b>ELECTRIC SALES (MWh)</b>				
<b>RETAIL SALES</b>				
Residential	10,334,860	31.1%	9,780,680	22.2%
Commercial	10,504,044	31.6	10,057,707	22.9
Industrial	2,433,438	7.3	2,511,292	5.7
Irrigation	26,860	0.1	87,073	0.2
Other	99,810	0.3	97,772	0.2
Total retail	23,399,012	70.4	22,534,524	51.2
<b>WHOLESALE ELECTRICITY DELIVERED</b>				
Traditional contracts	1,213,704	3.7	1,610,032	3.7
Retail load hedge management	3,039,905	9.1	6,673,658	15.1
Marketing and trading – delivered:				
Generation sales other than native load (a)	1,387,860	4.2	1,494,299	3.4
Other delivered electricity (a)	4,189,584	12.6	11,742,780	26.6
Total delivered marketing and trading	5,577,444	16.8	13,237,079	30.0
Total delivered wholesale electricity	9,831,053	29.6	21,520,769	48.8
Total electric sales	33,230,065	100.0%	44,055,293	100.0%
<b>INCREASE (DECREASE) VS. PRIOR YEAR</b>				
Retail sales	3.8%		6.9%	
Delivered wholesale electricity	(54.3)%		37.1%	
Total sales	(24.6)%		19.8%	
<b>ANNUAL USE PER AVERAGE CUSTOMER (kWh)</b>				
Residential	13,312		13,053	
Commercial and industrial	133,625		135,468	

(a) The break-out of generation sales other than native load is not available for 1996-1998.

1999		1998		1997		1996	
8,774,822	23.9%	8,310,689	27.0%	7,970,309	27.4%	7,541,440	33.7%
9,543,853	25.9	8,697,397	28.3	8,524,882	29.3	8,233,762	36.8
2,561,349	7.0	3,279,430	10.6	3,123,283	10.8	3,039,357	13.6
99,669	0.3	84,640	0.3	112,363	0.4	121,775	0.5
94,877	0.2	90,927	0.3	86,090	0.3	84,362	0.4
21,074,570	57.3	20,463,083	66.5	19,816,927	68.2	19,020,696	85.0
1,421,522	3.9	1,410,392	4.6	1,486,439	5.1	1,490,270	6.6
630,945	1.7	-	-	-	-	-	-
1,267,349	3.4	-	-	-	-	-	-
12,374,018	33.7	8,906,999	28.9	7,747,134	26.7	1,876,964	8.4
13,641,367	37.1	8,906,999	28.9	7,747,134	26.7	1,876,964	8.4
15,693,834	42.7	10,317,391	33.5	9,233,573	31.8	3,367,234	15.0
36,768,404	100.0%	30,780,474	100.0%	29,050,500	100.0%	22,387,930	100.0%

3.0%	3.3%	4.2%	7.2%
52.1%	11.7%	174.2%	23.8%
19.5%	6.0%	29.8%	9.4%

12,191	12,047	12,013	11,853
136,349	138,952	140,493	141,436

## APS CUSTOMER DATA

	2001	2000	1999	1998	1997	1996
<b>CUSTOMERS - AVERAGE</b>						
Residential	776,339	749,285	719,774	689,871	663,493	636,239
Commercial	93,499	89,539	85,616	83,028	79,754	76,708
Industrial	3,320	3,243	3,165	3,166	3,155	2,997
Irrigation	366	412	798	747	810	836
Other	1,013	934	917	890	857	830
Total retail	874,537	843,413	810,270	777,702	748,069	717,610
Sales for resale	66	67	69	60	59	41
Total customers	874,603	843,480	810,339	777,762	748,128	717,651
Increase Over Prior Year	3.7%	4.1%	4.2%	4.0%	4.2%	4.1%

## RATE REGULATION

### ARIZONA REGULATION

The Arizona Corporation Commission (ACC) has jurisdiction to establish retail rates and to regulate securities issues of Arizona electric, gas, water and telephone utilities and transport companies. The functions of the ACC combine legislative, executive and judicial powers.

### ACC ORGANIZATION

The ACC currently consists of three elected commissioners with staggered terms. As approved in the 2000 general election, two additional commission members will be elected in the 2002 general election, each for an initial two-year term that begins in January 2003. Thereafter, all terms will be for four-year terms with a limit of two consecutive terms in office. Mid-term vacancies (due to resignation, etc.) are filled by appointment of the Governor for a term expiring at the next general election.

Commissioner	Commissioner Since	Current Term Expires
William Mundell (Rep.) (Chairman)	June 1999	January 2005
James Irvin (Rep.)	January 1997	January 2003
Marc Spitzer (Rep.)	January 2001	January 2007

### TEST PERIOD

A historical test period has been used in past rate cases; however, the ACC has discretion to consider matters subsequent to the historic year.

### FUEL ADJUSTMENT CLAUSE

APS does not have a fuel adjustment clause. Changes in fuel and purchased power costs are reflected in current earnings and are addressed in general rate proceedings.

### DETAILED DISCUSSIONS OF REGULATORY DEVELOPMENTS

The electric utility industry is continuing a transition to a market-based, competitive structure. In September 1999, the ACC approved rules that provide a framework for introduction of retail electric competition in Arizona. The rules provided a phase-in of retail competition, with all customers eligible for retail choice as of January 1, 2001.

In January 2002, at the request of the ACC chairman, the ACC established a generic docket to "determine if changed circumstances require the [ACC] to take another look at electric restructuring in Arizona." In February 2002, the ACC's chief administrative law judge issued a procedural order which, among other things, consolidated the generic docket with several other pending ACC dockets, including the docket relating to APS' October 2001 filing requesting a partial variance from the ACC electric competition rules and approval of a purchase power agreement (see below).

Developments to date are discussed in a number of sections in the Annual Report. See "Competition and Industry Restructuring" in Management's Discussion and Analysis of Financial Condition and Results of Operations on pages 27-28 for further information on introduction of retail electric competition in Arizona. See Note 3 of Notes to Consolidated Financial Statements on pages 42-45 for details of the retail competition rules, the 1999 Settlement Agreement, the 1996 regulatory agreement, and APS' proposed rule variance and purchase power agreement.

## RATE REGULATION (CONTINUED)

### **APS REQUEST FOR PARTIAL VARIANCE AND APPROVAL OF A PURCHASE POWER AGREEMENT**

APS is currently required to transfer all of its generation assets to an unregulated affiliate by the end of 2002. APS has been addressing the legal and regulatory requirements necessary to complete the transfer of its generation assets to Pinnacle West Energy. In response to certain market conditions and as part of a long-term plan to provide reliable power to our customers, in a filing with the ACC on October 18, 2001, APS requested the ACC to:

- 1) grant a partial variance from an ACC Rule that would obligate APS to purchase 50% of its generation requirements through a competitive bidding process for its standard offer customers beginning in January 2003.
- 2) approve a long-term purchase power agreement between APS and Pinnacle West.

### **1999 SETTLEMENT AGREEMENT**

In September 1999, the ACC approved a settlement agreement related to implementation of retail electric competition by APS. The 1999 Settlement Agreement provisions include, but are not limited to, the phase-in of retail competition in APS' service territory, substantial recovery of stranded costs and regulatory assets; a series of electricity price decreases in 1999 through 2003, unbundled tariffs, and parameters for transferring APS' existing generation assets to an unregulated affiliate no later than the end of 2002. APS' service territory was opened for the first phase of customer choice as of October 1, 1999 and was opened for 100 percent choice on January 1, 2001.

### **1996 REGULATORY AGREEMENT**

In April 1996, the ACC approved a retail regulatory agreement which provided for an annual price reduction of about \$49 million (\$29 million after income taxes), or 3.4%, for all customers except for certain contract customers, effective July 1, 1996; recovery of substantially all of APS' present regulatory assets through accelerated amortization beginning July 1, 1996; a price reduction formula for sharing future cost savings between customers and shareholders referencing an APS return on equity (as defined) of 11.25%; a moratorium on filing for permanent price changes prior to July 2, 1999, with specified exceptions; and equity infusions into APS by the parent company.

In accordance with the terms of the 1996 regulatory agreement, the ACC approved annual retail price reductions of approximately \$17 million (\$10 million after income taxes), or 1.1%, and \$17.6 million (\$10.5 million after income taxes), or 1.2%, which became effective July 1, 1998, and July 1, 1997, respectively. The rate reduction initially intended to be effective July 1, 1999, under this agreement, was incorporated within the 1.5% rate reduction under the 1999 Settlement Agreement.

### **1994 RATE SETTLEMENT**

In May 1994, the ACC issued an order approving a retail rate settlement agreement which provided for a net annual rate reduction of approximately 2.2% effective June 1, 1994. As part of the settlement, APS accelerated amortization of substantially all deferred investment tax credits (ITCs) over a five-year period that ended on December 31, 1999. The amortization of ITCs decreased annual consolidated income tax expense by approximately \$24 million. Beginning in 2000, no further benefits will be reflected in income tax expense related to acceleration of the ITCs. See Note 4 of Notes to Consolidated Financial Statements on pages 45-46.

### **FEDERAL REGULATION**

APS is also subject to regulation by the Federal Energy Regulatory Commission (FERC) in certain matters which include wholesale electric rates and transmission charges. In 2001, approximately 57% of Pinnacle West's Consolidated electric operating revenue and approximately 45% of APS' electric operating revenue were derived from sales and charges regulated by FERC. There have been no wholesale power FERC rate case decisions since December 1990.

## APS LOADS AND RESOURCES AT PEAK

year ended December 31,	2001	2000	1999	1998	1997	1996
<b>PEAK LOAD (KW)</b>						
Actual	5,687,200	5,478,500	4,934,700	5,072,000	4,608,600	4,574,700
Weather-adjusted (a)	5,547,800	5,597,900	5,082,400	4,874,800	4,685,000	4,377,800
Increase (decrease) vs. Prior Year						
Actual	3.8%	11.0%	(2.7)%	10.1%	0.7%	3.5%
Weather-adjusted	(0.9)%	10.1%	4.3%	4.1%	7.0%	4.0%
<b>FIRM POWER SALES (KW)</b>						
	–	50,000	–	–	50,000	50,000
<b>RESOURCES AVAILABLE</b>						
<b>AT PEAK (KW)</b>						
Generating capacity	3,234,500	3,501,600	3,587,100	3,972,600	3,972,600	4,025,300
Purchased power contracts (b)	2,490,000	1,933,000	1,643,000	1,167,000	572,000	652,000
Total resources	5,724,500	5,434,600	5,230,100	5,139,600	4,544,600	4,677,300
<b>RESERVE MARGIN</b>						
	1.1%	6.4%	9.1%	3.1%	(1.5)%	2.7%
Annual load factor – net	53.2%	53.4%	54.1%	52.5%	56.0%	54.4%

(a) Prior years have been restated to reflect average weather statistics for the ten-year period ended December 31, 2000.

(b) Including firm seasonal purchases and unit contingent purchases.

## APS POWER PLANT OPERATING PERFORMANCE

year ended December 31,	2001	2000	1999	1998	1997	1996
<b>NUCLEAR (NET CAPACITY FACTORS)</b>						
Palo Verde Unit 1	88.7%	100.4%	88.7%	87.9%	98.9%	80.8%
Palo Verde Unit 2	93.2%	87.3%	90.0%	101.8%	85.9%	86.7%
Palo Verde Unit 3	83.9%	90.3%	100.3%	87.9%	86.8%	99.9%
Palo Verde site average	88.6%	92.7%	93.0%	92.5%	90.6%	89.1%
<b>COAL (NET CAPACITY FACTORS)</b>						
Four Corners	85.6%	83.0%	82.1%	81.7%	80.8%	73.5%
Cholla	81.2%	82.8%	77.2%	74.4%	71.4%	67.6%
Navajo	84.7%	84.4%	76.0%	71.0%	66.5%	62.0%
Total coal average	83.8%	83.2%	79.2%	77.1%	74.8%	69.3%

**GENERATION RESOURCES** (in service as of December 31, 2001)

PLANT TYPE AND NAME	LOCATION	OWNERSHIP OR INTEREST (a)	NUMBER OF UNITS	APS SHARE (kW)
<b>ARIZONA PUBLIC SERVICE</b>				
<b>NUCLEAR-FUELED STEAM PLANT</b>				
Palo Verde	Wintersburg, Arizona	29.1%	3	1,086,300
<b>COAL-FUELED STEAM PLANTS</b>				
Four Corners	Farmington, New Mexico	100	3	560,000
Four Corners	Farmington, New Mexico	15	2	222,000
Cholla	Joseph City, Arizona	100	3	615,000
Navajo	Page, Arizona	14	3	315,000
			11	1,712,000
<b>GAS- OR OIL-FUELED STEAM PLANTS (b)</b>				
Ocotillo	Tempe, Arizona	100	2	220,000
Saguaro	Red Rock, Arizona	100	2	210,000
			4	430,000
<b>GAS- OR OIL-FUELED COMBUSTION TURBINES</b>				
Yucca	Yuma, Arizona	100	4	147,000
West Phoenix	Phoenix, Arizona	100	2	110,000
Ocotillo	Tempe, Arizona	100	2	110,000
Saguaro	Red Rock, Arizona	100	2	110,000
Douglas	Douglas, Arizona	100	1	16,000
			11	493,000
<b>GAS- OR OIL-FUELED COMBINED CYCLE PLANT</b>				
West Phoenix 1-3	Phoenix, Arizona	100	3	255,000
<b>HYDRO AND SOLAR GENERATION</b>				
		100	13	6,585
Total APS facilities				3,982,885
<b>PINNACLE WEST ENERGY CORPORATION</b>				
West Phoenix 4			1	112,000
<b>TOTAL GENERATION RESOURCES (c)</b>				
			46	4,094,885

(a) Includes leased generating plants.

(b) Excludes West Phoenix steam units (108,300 kW), which were removed from mothballs and placed in service for 2001 summer reliability.

(c) Consolidated accredited capacity.

**PINNACLE WEST ENERGY GENERATION EXPANSION PROGRAM** (as of December 31, 2001)

PLANT TYPE AND NAME	LOCATION	MW	EXPECTED IN-SERVICE DATES (a)
<b>NATURAL GAS-FUELED COMBINED CYCLE</b>			
Redhawk Unit 1	Arlington, Arizona	530	2002
Redhawk Unit 2	Arlington, Arizona	530	2002
Saguaro Unit 3	Red Rock, Arizona	80	2002
West Phoenix 5	Phoenix, Arizona	530	2003
Silverhawk (b)	Las Vegas, Nevada	570	2004
Redhawk Unit 3	Arlington, Arizona	530	2007
Redhawk Unit 4	Arlington, Arizona	530	2007
<b>TOTAL</b>		3,300	

(a) Our expansion plan will be sized to meet native load growth, cash flow and market conditions.

(b) Southern Nevada Water Authority has signed a participation agreement for 25% of the total project's 570 MW.

## APS SOURCE AND DISPOSITION OF ELECTRIC ENERGY AND FUEL MIX

year ended December 31,	2001	2000	1999	1998	1997	1996
<b>APS SOURCE OF ENERGY (MWh)</b>						
Steam generation						
Nuclear	8,384,724	8,840,745	8,848,660	8,805,876	8,588,632	8,392,319
Coal	12,538,085	12,470,732	11,837,782	11,466,081	11,128,183	10,415,420
Gas	1,390,286	1,195,084	857,282	589,037	412,355	269,390
Oil	133,000	28,372	5,913	6,829	6,600	2,657
Combustion turbines						
Gas	734,743	445,796	141,193	129,052	72,848	39,647
Oil	100,585	51,907	2,347	7,802	2,175	1,080
Combined cycle						
Gas	1,131,172	1,048,237	756,967	599,925	418,861	505,497
Oil	60	19,404	482	2,665	1,150	1,170
Hydro and solar	33,660	33,746	33,908	32,035	33,154	30,866
Total generation	24,446,315	24,134,023	22,484,534	21,639,302	20,663,958	19,658,046
Purchased power (a)						
Firm load	2,961,204	2,514,500	2,479,342	2,468,001	–	–
Marketing and trading	7,687,803	18,013,073	14,594,983	7,930,505	9,793,805	4,063,355
Total	10,649,007	20,527,573	17,074,325	10,398,506	9,793,805	4,063,355
Total source of energy	35,095,322	44,661,596	39,558,859	32,037,808	30,457,763	23,721,401
<b>APS DISPOSITION OF ENERGY (MWh)</b>						
Sales to ultimate customers	23,399,012	22,534,524	21,074,570	20,463,083	19,816,927	19,020,696
Sales for resale (a)	9,831,053	21,520,769	15,693,834	10,317,391	9,233,573	3,367,234
Losses and company use	1,865,257	606,303	2,790,455	1,257,334	1,407,263	1,333,471
Total disposition of energy	35,095,322	44,661,596	39,558,859	32,037,808	30,457,763	23,721,401
<b>APS ENERGY FUEL MIX (%)</b>						
Nuclear	23.9%	19.8%	22.4%	27.5%	28.2%	35.4%
Coal	35.7%	27.9%	29.9%	36.2%	36.5%	43.9%
Gas	9.3%	6.0%	4.4%	3.9%	3.0%	3.4%
Other (b)	0.8%	0.3%	0.1%	0.1%	0.1%	0.2%
Purchased power and interchange – net	30.3%	46.0%	43.2%	32.3%	32.2%	17.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

(a) Purchased power and sales for resale include interchange purchases and sales, respectively.

(b) "Other" includes oil, hydro and solar generation.

## EL DORADO INVESTMENT COMPANY FINANCIAL HIGHLIGHTS

year ended December 31,	2001	2000	1999	1998	1997	1996
<b>NET INCOME (LOSS)</b>	\$ 206	\$ 1,983	\$ 11,483	\$ 4,528	\$ 8,190	\$ 371
<b>DIVIDENDS DECLARED TO PARENT</b>	-	14,000	10,000	12,000	12,500	-

December 31,	2001	2000	1999	1998	1997	1996
<b>ASSETS</b>						
Investments	\$ 9,241	\$ 13,945	\$ 9,586	\$ 17,310	\$ 23,836	\$ 27,819
Investments in funds managed by others	782	6,911	21,344	6,985	7,388	7,533
Cash and other assets	12,705	572	5,685	2,848	3,292	3,455
Total assets	\$ 22,728	\$ 21,428	\$ 36,615	\$ 27,143	\$ 34,516	\$ 38,807
<b>LIABILITIES AND EQUITY</b>						
Deferred taxes	\$ 1,051	\$ 1,546	\$ 7,774	\$ -	\$ -	\$ -
Other liabilities	5,103	3,514	457	237	137	118
Stockholder's equity	16,574	16,368	28,384	26,906	34,379	38,689
Total liabilities and equity	\$ 22,728	\$ 21,428	\$ 36,615	\$ 27,143	\$ 34,516	\$ 38,807

## INVESTMENT SUMMARY as of December 31, 2001

### INVESTMENTS

Book value, \$9.2 million

At December 31, 2001, El Dorado held various investments including a company specializing in nuclear spent fuel technology, a company specializing in digital and fiber optic solutions for the control and measurement of high voltage electric power, an interest in a venture capital partnership, venture capital partnership and interests in two professional sports teams.

### INVESTMENTS IN FUNDS MANAGED BY OTHERS

Book value, \$0.8 million

At December 31, 2001, El Dorado had an investment in a venture capital partnership at a carrying value of \$0.8 million. This partnership is primarily invested in high-tech companies.

**SUNCOR FINANCIAL HIGHLIGHTS** (dollars in thousands)

year ended December 31,	2001	2000	1999	1998	1997	1996
<b>OPERATING REVENUES</b>	\$ 168,908	\$ 158,365	\$ 130,169	\$ 124,188	\$ 116,473	\$ 99,488
<b>NET INCOME</b>	3,337	11,538	6,064	44,719(a)	5,334	4,154
<b>DIVIDENDS DECLARED TO PARENT</b>	–	–	20,000	30,000	38,000	27,000

December 31,	2001	2000	1999	1998	1997	1996
<b>ASSETS</b>						
Land and improvements	\$ 266,480	\$ 222,850	\$ 228,045	\$ 220,434	\$ 251,109	\$ 284,457
Investment in and advances to real estate partnership	(6,069)	8,510	7,940	9,546	11,662	11,222
Investment in real estate joint ventures	41,280	38,010	37,390	42,836	46,670	48,576
Commercial properties	110,155	97,104	61,668	52,044	49,588	45,604
Home inventory	33,729	33,954	29,803	20,994	16,744	17,939
Deferred tax asset	25,091	26,980	33,257	37,200	–	–
Notes receivable – other	4,795	4,384	9,571	8,605	6,478	9,891
Cash and other assets	26,455	24,545	29,567	15,378	14,534	14,739
Total assets	\$ 501,916	\$ 456,337	\$ 437,241	\$ 407,037	\$ 396,785	\$ 432,428
<b>LIABILITIES AND EQUITY</b>						
Long-term debt	\$ 148,627	\$ 123,378	\$ 102,739	\$ 84,088	\$ 90,713	\$ 95,128
Other liabilities	47,396	30,403	23,486	17,997	15,840	14,402
Stockholder's equity	305,893	302,556	311,016	304,952	290,232	322,898
Total liabilities and equity	\$ 501,916	\$ 456,337	\$ 437,241	\$ 407,037	\$ 396,785	\$ 432,428

(a) Includes \$37.2 million from recognition of a deferred tax asset related to net operating losses and book/tax basis differences. SunCor is recognizing these benefits in subsequent periods pursuant to an inter-company 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.

## SUNCOR MAJOR PROPERTY LOCATIONS

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### METROPOLITAN PHOENIX AREA

#### PALM VALLEY

8,000-acre master-planned, golf course community west of Phoenix

#### SCOTTSDALE MOUNTAIN

1,400-acre master-planned community northeast of Phoenix

#### SUNRIDGE CANYON

950-acre master-planned, golf course community northeast of Phoenix (joint venture with landowner)

#### MARKETPLACE/AUTOPLEX

420-acre mixed-use commercial and industrial development southeast of Phoenix

#### HIDDEN HILLS

420-acre master-planned community northeast of Phoenix (joint venture with landowner)

#### TALAVI

140-acre commercial and industrial park northwest of Phoenix

#### HAYDEN FERRY LAKESIDE

18-acre mixed-use commercial and residential development east of Phoenix (joint venture)

### PRESCOTT VALLEY AREA

#### STONERIDGE

1,850-acre master-planned community with an 18-hole championship golf course

#### SEDONA AREA

#### SEDONA GOLF RESORT

300-acre residential golf community

#### SANTA FE AREA

#### RANCHO VIEJO

11,000-acre master-planned community (joint venture with landowners), 2,500-acre first phase

#### ST. GEORGE AREA

#### CORAL CANYON

2,300-acre master-planned community with an 18-hole championship golf course



## BOARD OF DIRECTORS

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**PAMELA GRANT**  
(63) 1980\*  
Civic Leader  
Committees:  
Human Resources, Chairman  
Audit



**HUMBERTO S. LOPEZ**  
(56) 1995  
President, HSL Properties, Inc.  
Committee:  
Audit



**MARTHA O. HESSE**  
(59) 1991  
President, Hesse Gas Company  
Committees:  
Audit, Chairman  
Finance and Operating



**MICHAEL L. GALLAGHER**  
(57) 1997  
Chairman Emeritus  
Gallagher & Kennedy, P.A.  
Committee:  
Human Resources



**THE REV. BILL JAMIESON, JR.**  
(58) 1991  
President, Institute for Servant  
Leadership of Asheville,  
North Carolina  
Committee:  
Human Resources



**BRUCE J. NORDSTROM**  
(52) 1997  
Certified Public Accountant,  
Nordstrom and Associates, P.C.  
Committee:  
Audit



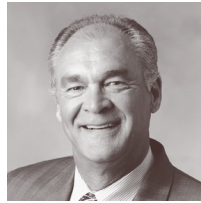
**ROY A. HERBERGER, JR.**  
(59) 1992  
President, Thunderbird, The  
American Graduate School of  
International Management  
Committees:  
Finance and Operating, Chairman  
Human Resources



**JACK E. DAVIS**  
(55) 1998  
President  
Committee:  
Finance and Operating



**ROBERT G. MATLOCK**  
(68) 1993  
Management Consultant  
R.G. Matlock & Associates, Inc.  
Committee:  
Human Resources



**WILLIAM L. STEWART**  
(58) 1998  
President, Pinnacle West Energy



**WILLIAM J. POST**  
(51) 1994  
Chairman of the Board &  
Chief Executive Officer  
Committee:  
Finance and Operating



**EDDIE BASHA**  
(64) 1999  
Chairman of the Board, Bashes'  
Committee:  
Audit



**KATHRYN L. MUNRO**  
(53) 1999  
Chairman, BridgeWest L.L.C.  
Committee:  
Finance and Operating

\* The year in which the individual first joined the Board of a Pinnacle West company.

## OFFICERS

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### PINNACLE WEST

**William J. Post**  
(51) 1973\*  
Chairman of the Board &  
Chief Executive Officer

**Jack E. Davis**  
(55) 1973  
President

**Armando B. Flores**  
(58) 1991  
Executive Vice President,  
Corporate Business Services

**Steven M. Wheeler**  
(53) 2001  
Senior Vice President,  
Transmission, Regulation & Planning

**Robert S. Aiken**  
(45) 1986  
Vice President, Federal Affairs

**John G. Bohon**  
(56) 1971  
Vice President, Corporate Services &  
Human Resources

**Dennis L. Brown**  
(51) 1973  
Vice President &  
Chief Information Officer

**Edward Z. Fox**  
(48) 1995  
Vice President, Communications,  
Environment & Safety

**Chris N. Froggatt**  
(44) 1986  
Vice President & Controller

**David A. Hansen**  
(42) 1980  
Vice President, Bulk Power  
Marketing & Trading

**Nancy C. Loftin**  
(48) 1985  
Vice President & General Counsel

**Michael V. Palmeri**  
(43) 1982  
Vice President, Finance

**Donald G. Robinson**  
(48) 1978  
Vice President,  
Regulation & Planning

**Martin L. Shultz**  
(57) 1979  
Vice President, Government Affairs

**Faye Widenmann**  
(53) 1978  
Vice President & Secretary

**Barbara M. Gomez**  
(47) 1978  
Treasurer

### ARIZONA PUBLIC SERVICE

**William J. Post**  
Chairman of the Board &  
Chief Executive Officer

**Jack E. Davis**  
President,  
Energy Delivery & Sales

**William L. Stewart**  
(58) 1994  
President, Generation

**James M. Levine**  
(52) 1989  
Executive Vice President,  
Generation

**Gregg R. Overbeck**  
(55) 1990  
Senior Vice President,  
Nuclear Generation

**Steven M. Wheeler**  
Senior Vice President  
Transmission, Regulation & Planning

**Jan H. Bennett**  
(54) 1967  
Vice President, Customer Service

**John R. Denman**  
(59) 1964  
Vice President, Fossil Generation

**William E. Ide**  
(55) 1977  
Vice President,  
Nuclear Production

**Nancy C. Loftin**  
Vice President & General Counsel

**David Mauldin**  
(52) 1990  
Vice President, Nuclear  
Engineering & Support

**Michael V. Palmeri**  
Vice President, Finance

**Faye Widenmann**  
Vice President & Secretary

**Barbara M. Gomez**  
Treasurer

### PINNACLE WEST ENERGY

**William L. Stewart**  
President

**James M. Levine**  
Chief Operating Officer

**Ajoy K. Banerjee**  
(56) 1999  
Vice President, Generation Expansion

**Ajit P. Bhatti**  
(56) 1973  
Vice President, Generation Planning

**Warren C. Kotzmann**  
(52) 1989  
Vice President, Business &  
Corporate Services

### APS ENERGY SERVICES

**Vicki G. Sandler**  
(45) 1982  
President, Energy Services

### SUNCOR DEVELOPMENT

**William J. Post**  
Chairman of the Board

**John C. Ogden**  
(56) 1972  
President & Chief Executive Officer

**Geoffrey L. Appleyard**  
(48) 1987  
Vice President & Chief Financial Officer

**Duane S. Black**  
(49) 1989  
Vice President & Chief Operating Officer

**Jay T. Ellingson**  
(52) 1992  
Vice President, Development –  
Palm Valley

**Steven Gervais**  
(46) 1987  
Vice President & General Counsel

**Margaret E. Kirch**  
(52) 1988  
Vice President,  
Commercial Development

**Thomas A. Patrick**  
(48) 1995  
Vice President, Golf Operations

### EL DORADO INVESTMENT

**William J. Post**  
Chairman of the Board,  
President & CEO

\* The year in which the individual was first employed within the Pinnacle West group of companies.

## SHAREHOLDER INFORMATION

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### CORPORATE HEADQUARTERS

400 North 5th Street  
P.O. Box 53999  
Phoenix, Arizona 85004

Main telephone number: (602) 250-1000

### ANNUAL MEETING OF SHAREHOLDERS

Wednesday, May 22, 2002  
10:30 a.m.  
The Herberger Theatre  
222 East Monroe Street  
Phoenix, Arizona 85004

### STOCK LISTING

Ticker symbol: PNW on New York Stock Exchange and Pacific Stock Exchange  
Newspaper financial listings: PinWst

### FORM 10-K

Pinnacle West's Annual Report to the Securities and Exchange Commission on Form 10-K will be available to shareholders upon written request, without charge. Write: Office of the Secretary.

### INVESTORS ADVANTAGE PLAN

Pinnacle West offers a direct stock purchase plan. Any interested investor may purchase Pinnacle West common stock through the Investors Advantage Plan. Features of the Plan include a variety of options for reinvesting dividends, direct deposit of cash dividends, automatic monthly investment, certificate safekeeping, reduced brokerage commissions and more. An Investors Advantage Plan prospectus and enrollment materials may be obtained by calling the Company at (800) 457-2983, at the corporate Web site – [www.pinnaclewest.com](http://www.pinnaclewest.com), or by writing to:

Pinnacle West Capital Corporation  
Shareholder Department  
P.O. Box 52133  
Phoenix, AZ 85072-2133

### CORPORATE WEB SITE

[www.pinnaclewest.com](http://www.pinnaclewest.com)

### TRANSFER AGENTS AND REGISTRAR

Common Stock  
Pinnacle West Capital Corporation  
Stock Transfer Department  
P.O. Box 52134  
Phoenix, Arizona 85072-2134  
Or:  
After January 1, 2003,  
400 North 5th Street  
Phoenix, Arizona 85004  
Telephone: (602) 250-5506

### SHAREHOLDER ACCOUNT AND ADMINISTRATIVE INFORMATION

Shareholder Department telephone number (toll-free): (800) 457-2983

### INVESTOR RELATIONS CONTACT

Rebecca L. Hickman  
Director, Investor Relations  
P.O. Box 53999, Station 9998  
Phoenix, Arizona 85072-3999  
Telephone: (602) 250-5668  
Fax: (602) 250-2789

### STATEWIDE ASSOCIATION FOR UTILITY INVESTORS

The Arizona Utility Investors Association represents the interests of investors in Arizona utilities. If interested, send your name and address to:

Arizona Utility Investors Association  
P.O. Box 34805  
Phoenix, Arizona 85067  
(602) 257-9200  
[www.auia.org](http://www.auia.org)

#### IMPORTANT NOTICE TO SHAREHOLDERS:

Pinnacle West posts quarterly results and other important information on its Web site ([www.pinnaclewest.com](http://www.pinnaclewest.com)). If you would like to receive news by regular mail, fax or e-mail, let us know by mail or phone at the addresses and numbers listed on this page. Also, let us know if you would like to be kept abreast of legislative and regulatory activities at the state and federal levels that could impact investor-owned utilities.