

APS SELECTED FINANCIAL DATA

December 31,	2002	2001	2000
OPERATING STATISTICS			
Electric revenues (thousands)	\$ 2,093,393	\$ 3,111,328	\$ 2,934,142
Sales (MWh)	29,057,497	33,230,065	44,055,293
Employees (year-end) (a)	6,110	6,322	6,110
Average annual use per residential customer (kWh)	13,025	13,312	13,053
FINANCIAL STATISTICS (b)			
Cash interest coverage	6.92x	5.96x	5.68x
Non-cash income as percent of earnings	20.4%	14.4%	11.9%
Net cash flow as percent of capital expenditures	130.6%	108.5%	108.6%
CAPITALIZATION RATIOS (YEAR-END)			
Long-term debt excluding current maturities	50.6%	44.3%	42.4%
Current maturities of long-term debt	0.1	2.9	5.9
Short-term debt	–	3.9	1.9
Total debt	50.7	51.1	50.2
Preferred stock	–	–	–
Common stock equity	49.3	48.9	49.8
Total capitalization	100.0%	100.0%	100.0%
Debt adjusted for Palo Verde Unit 2 sale and leaseback	54.9%	55.4%	54.9%

(a) Includes APS, Parent Company, and marketing and trading employees who support the regulated retail electric business.

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

APS HISTORICAL GROWTH RATES

December 31,	2002	2001	2000
Electric revenues			
Total	(32.7)%	6.0%	41.8%
Retail	(1.2)%	2.8%	5.8%
Peak load			
Actual	2.0%	3.8%	11.0%
Weather-adjusted	6.3%	(2.8)%	11.3%
Electric sales			
Total	(12.6)%	(24.6)%	19.8%
Retail sales	(0.2)%	3.8%	6.9%
Customers (average)	3.1%	3.7%	4.1%
Employees (year-end)	(3.4)%	3.5%	1.8%

	1999	1998	1997
\$	2,068,848	\$ 1,921,293	\$ 1,878,553
	36,768,404	30,780,474	29,050,500
	6,002	5,848	5,754
	12,191	12,047	12,013
	5.29x	5.01x	4.58x
	15.2%	15.3%	15.7%
	137.3%	128.6%	118.2%
	48.3%	43.7%	46.4%
	2.8	3.8	2.5
	0.9	4.2	3.1
	52.0	51.7	52.0
	-	2.2	4.1
	48.0	46.1	43.9
	100.0%	100.0%	100.0%
	56.8%	56.4%	56.8%

	1999	1998	1997	Compound Annual Growth Rates	
				5 Years 1997-2002	10 Years 1992-2002
	7.7%	2.3%	9.3%	2.2%	2.8%
	3.7%	2.2%	2.3%	2.6%	2.6%
	(2.7)%	10.1%	0.7%	4.7%	4.3%
	3.8%	4.5%	7.0%	4.5%	4.2%
	19.5%	6.0%	29.8%	-	3.5%
	3.0%	3.3%	4.2%	3.3%	3.8%
	4.2%	4.0%	4.2%	3.8%	3.8%
	2.6%	1.6%	(7.8)%	1.2%	(1.4)%

APS STATEMENTS OF INCOME (dollars in thousands)

year ended December 31,	2002	2001	2000
ELECTRIC OPERATING REVENUES			
Regulated electricity segment	\$ 2,059,339	\$ 2,562,088	\$ 2,538,750
Marketing and trading segment	34,054	549,240	395,392
Total	2,093,393	3,111,328	2,934,142
PURCHASED POWER AND FUEL COSTS			
Regulated electricity segment	595,368	1,227,188	1,065,596
Marketing and trading segment	32,662	313,991	267,032
Total	628,030	1,541,179	1,332,628
OPERATING REVENUES LESS PURCHASED POWER AND FUEL COSTS	1,465,363	1,570,149	1,601,514
OTHER OPERATING EXPENSES			
Operations and maintenance	495,845	465,561	430,092
Depreciation and amortization	399,640	420,893	425,479
Income taxes	132,953	183,640	199,977
Other taxes	107,925	101,077	99,730
Total	1,136,363	1,171,171	1,155,278
OPERATING INCOME	329,000	398,978	446,236
OTHER INCOME (DEDUCTIONS)			
Income taxes	6,148	504	4,312
Other income	5,149	20,207	9,690
Other expense	(19,338)	(20,790)	(20,547)
Total	(8,041)	(79)	(6,545)
INCOME BEFORE INTEREST DEDUCTIONS	320,959	398,899	439,691
INTEREST DEDUCTIONS			
Interest on long-term debt	128,462	126,118	134,431
Interest on short-term borrowings	5,416	4,407	7,455
Debt discount, premium and expense	2,888	2,650	2,105
Capitalized interest	(15,150)	(14,964)	(10,894)
Total	121,616	118,211	133,097
INCOME BEFORE EXTRAORDINARY CHARGE AND CUMULATIVE EFFECT ADJUSTMENT	199,343	280,688	306,594
Extraordinary charge – net of income taxes of \$94,115	–	–	–
Cumulative effect of change in accounting for derivatives – net of income taxes of \$9,892	–	(15,201)	–
NET INCOME	199,343	265,487	306,594
Preferred stock dividend requirements	–	–	–
EARNINGS FOR COMMON STOCK	\$ 199,343	\$ 265,487	\$ 306,594

	1999	1998	1997
	\$ 1,914,722	\$ 1,741,148	\$ 1,711,134
	154,126	180,145	167,419
	2,068,848	1,921,293	1,878,553
	432,844	306,884	284,153
	136,522	151,164	157,380
	569,366	458,048	441,533
	1,499,482	1,463,245	1,437,020
	437,125	418,829	405,421
	416,331	410,276	396,886
	165,629	166,290	161,486
	96,579	102,076	106,724
	1,115,664	1,097,471	1,070,517
	383,818	365,774	366,503
	32,614	32,838	31,500
	13,861	12,259	7,164
	(25,618)	(24,782)	(17,211)
	20,857	20,315	21,453
	404,675	386,089	387,956
	132,676	137,214	140,931
	8,272	7,481	9,404
	2,084	2,410	2,336
	(6,679)	(16,263)	(16,208)
	136,353	130,842	136,463
	268,322	255,247	251,493
	(139,885)	-	-
	-	-	-
	128,437	255,247	251,493
	1,016	9,703	12,803
	\$ 127,421	\$ 245,544	\$ 238,690

APS BALANCE SHEETS (dollars in thousands)

December 31,	2002	2001	2000
ASSETS			
UTILITY PLANT			
Electric plant in service	\$ 8,293,638	\$ 7,934,181	\$ 7,605,992
Plant held for future use	5,493	1,025	32,695
Subtotal	8,299,131	7,935,206	7,638,687
Less accumulated depreciation and amortization	3,442,571	3,287,333	3,115,383
Subtotal	4,856,560	4,647,873	4,523,304
Construction work in progress	329,089	321,305	245,749
Intangible assets, net of accumulated amortization	93,259	83,135	94,393
Nuclear fuel, net of accumulated amortization	7,466	6,933	7,071
Net utility plant	5,286,374	5,059,246	4,870,517
INVESTMENTS AND OTHER ASSETS			
Decommissioning trust accounts	194,440	202,036	204,716
Assets from risk management and trading activities – long-term	31,622	2,082	32,955
Other assets	19,964	76,322	45,841
Total investments and other assets	246,026	280,440	283,512
CURRENT ASSETS			
Cash and cash equivalents	42,549	16,821	2,609
Accounts receivable			
Service customers	136,945	182,749	422,012
Other	202,597	55,016	25,089
Allowance for doubtful accounts	(1,341)	(3,349)	(2,380)
Accrued utility revenues	72,915	76,131	74,566
Materials and supplies (at average cost)	79,985	81,215	71,966
Fossil fuel (at average cost)	28,185	27,023	19,405
Deferred income taxes	4,094	–	5,793
Assets from risk management and trading activities	39,616	10,097	17,506
Other	45,361	42,009	38,414
Total current assets	650,906	487,712	674,980
DEFERRED DEBITS			
Regulatory assets	241,045	342,383	469,867
Unamortized debt issue costs	16,696	13,163	12,805
Other	80,760	42,789	37,928
Total deferred debits	338,501	398,335	520,600
TOTAL ASSETS	\$ 6,521,807	\$ 6,225,733	\$ 6,349,609

	1999	1998	1997
	\$ 7,378,814	\$ 7,086,244	\$ 6,908,555
	32,369	32,026	32,095
	7,411,183	7,118,270	6,940,650
	2,985,033	2,800,746	2,611,368
	4,426,150	4,317,524	4,329,282
	184,764	228,643	237,492
	93,384	133,318	59,170
	11,631	16,507	51,624
	4,715,929	4,695,992	4,677,568
	175,733	145,552	124,603
	-	-	-
	32,724	37,997	40,303
	208,457	183,549	164,906
	7,477	5,558	12,552
	201,704	205,999	141,022
	34,850	21,019	30,520
	(1,538)	(1,725)	(1,338)
	72,919	67,740	58,559
	69,977	69,074	70,634
	21,869	13,978	9,621
	8,163	3,999	3,496
	-	-	-
	30,885	26,695	24,529
	446,306	412,337	349,595
	613,729	980,084	1,080,799
	15,172	14,916	15,303
	79,714	69,656	42,178
	708,615	1,064,656	1,138,280
	\$ 6,079,307	\$ 6,356,534	\$ 6,330,349

APS BALANCE SHEETS (dollars in thousands)

December 31,	2002	2001	2000
LIABILITIES			
CAPITALIZATION			
Common stock	\$ 178,162	\$ 178,162	\$ 178,162
Additional paid-in capital	1,246,804	1,246,804	1,246,804
Retained earnings	819,632	790,289	694,802
Accumulated other comprehensive loss			
Minimum pension liability adjustment	(61,487)	(966)	-
Derivative instruments	(23,799)	(63,599)	-
Common stock equity	2,159,312	2,150,690	2,119,768
Non-redeemable preferred stock	-	-	-
Redeemable preferred stock	-	-	-
Long-term debt less current maturities	2,217,340	1,949,074	1,806,908
Total capitalization	4,376,652	4,099,764	3,926,676
CURRENT LIABILITIES			
Commercial paper	-	171,162	82,100
Current maturities of long-term debt	3,503	125,451	250,266
Accounts payable	118,133	98,959	267,999
Accrued taxes	82,557	107,595	106,515
Accrued interest	42,608	41,043	39,488
Customer deposits	39,865	28,664	24,498
Deferred income taxes	-	3,244	-
Liabilities from risk management and trading activities	59,773	21,840	37,179
Other	51,820	18,798	81,325
Total current liabilities	398,259	616,756	889,370
DEFERRED CREDITS AND OTHER			
Deferred income taxes	1,225,552	1,023,079	1,110,437
Liabilities from risk management and trading activities	36,678	95,159	14,711
Unamortized gain – sale of utility plant	59,484	64,060	68,636
Customer advances for construction	45,513	69,293	40,694
Pension liability	156,442	30,247	62,193
Other	223,227	227,375	236,892
Total deferred credits and other	1,746,896	1,509,213	1,533,563
TOTAL LIABILITIES AND EQUITY	\$ 6,521,807	\$ 6,225,733	\$ 6,349,609

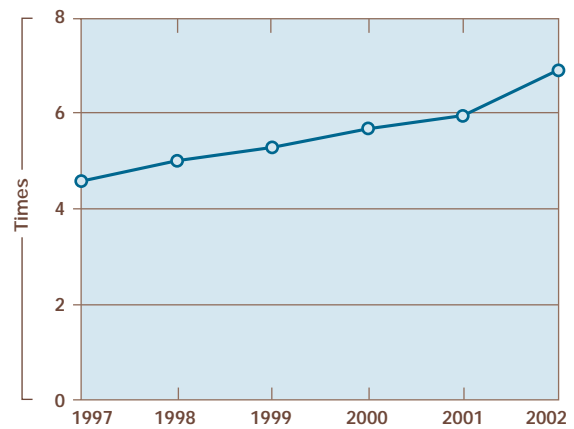
	1999	1998	1997
	\$ 178,162	\$ 178,162	\$ 178,162
	1,246,804	1,195,625	1,142,364
	558,208	601,968	528,798
	-	-	-
	-	-	-
	1,983,174	1,975,755	1,849,324
	-	85,840	142,051
	-	9,401	29,110
	1,997,400	1,876,540	1,953,162
	3,980,574	3,947,536	3,973,647
	38,300	178,830	130,750
	114,711	164,378	104,068
	170,662	145,139	107,423
	62,858	59,827	85,886
	32,299	31,218	31,660
	24,682	26,815	29,116
	-	-	-
	-	-	-
	25,414	14,561	18,795
	468,926	620,768	507,698
	1,178,085	1,312,007	1,345,177
	-	-	-
	73,212	77,787	82,363
	38,150	31,451	29,294
	80,566	94,415	80,607
	259,794	272,570	311,563
	1,629,807	1,788,230	1,849,004
	\$ 6,079,307	\$ 6,356,534	\$ 6,330,349

APS STATEMENTS OF CASH FLOWS (dollars in thousands)

year ended December 31,	2002	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 199,343	\$ 265,487	\$ 306,594
Items not requiring cash			
Depreciation and amortization	399,640	420,893	425,479
Nuclear fuel amortization	31,185	28,362	30,083
Deferred income taxes	206,767	(26,516)	(65,726)
Change in mark-to-market	2,957	(100,030)	(11,752)
Extraordinary charge – net of income taxes	-	-	-
Cumulative effect of change in accounting – net of income taxes	-	15,201	-
Changes in certain current assets and liabilities:			
Accounts receivable	(102,450)	302,283	(209,705)
Materials, supplies and fossil fuel	68	(16,867)	475
Other current assets	(136)	(5,160)	(26,682)
Accounts payable	15,372	(190,141)	101,558
Accrued taxes	(25,038)	1,080	43,657
Accrued interest	1,565	1,555	7,189
Other current liabilities	44,224	(58,361)	101,685
Increase in regulatory assets	(11,029)	(17,516)	(14,138)
Change in risk management and trading – assets	(22,570)	10,730	13,181
Change in customer advances	(23,780)	28,599	2,544
Change in pension liability	5,415	(30,346)	(18,373)
Change in other net long-term assets	(18,923)	(14,192)	64,998
Change in other net long-term liabilities	1,902	(9,986)	(27,396)
Net cash flow provided by operating activities	704,512	605,075	723,671
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditures	(490,156)	(465,360)	(464,368)
Capitalized interest	(15,150)	(14,964)	(10,894)
Other	44,918	(41,926)	(72,189)
Net cash flow used for investing activities	(460,388)	(522,250)	(547,451)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of long-term debt	459,926	396,072	300,000
Short-term borrowings	(171,162)	89,062	43,800
Common equity infusion from Pinnacle West	-	-	-
Dividends paid on common stock	(170,000)	(170,000)	(170,000)
Dividends paid on preferred stock	-	-	-
Repayment of preferred stock	-	-	-
Repayment and reacquisition of long-term debt	(337,160)	(383,747)	(354,888)
Net cash flow used for financing activities	(218,396)	(68,613)	(181,088)
NET CASH FLOW	25,728	14,212	(4,868)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	16,821	2,609	7,477
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 42,549	\$ 16,821	\$ 2,609

	1999	1998	1997
	\$ 128,437	\$ 255,247	\$ 251,493
	416,331	410,276	396,886
	31,371	32,856	32,702
	(83,753)	(80,006)	(106,246)
	(975)	-	-
	139,885	-	-
	-	-	-
	(9,723)	(55,089)	(11,083)
	(8,794)	(2,797)	7,793
	(9,369)	(11,347)	(4,851)
	22,992	33,731	(56,710)
	3,031	(26,059)	(441)
	1,081	(442)	(7,455)
	8,193	(6,055)	(3,983)
	(12,262)	(10,582)	-
	-	-	-
	6,699	2,157	5,250
	(13,849)	13,808	3,118
	(989)	(26,231)	15,473
	9,653	(16,491)	14,907
	627,959	512,976	536,853
	(322,547)	(319,142)	(307,876)
	(6,679)	(16,263)	(16,208)
	(8,173)	(8,593)	(15,982)
	(337,399)	(343,998)	(340,066)
	392,952	126,245	109,906
	(140,530)	48,080	113,850
	50,000	50,000	50,000
	(170,000)	(170,000)	(170,000)
	(1,393)	(10,279)	(13,307)
	(96,499)	(75,517)	(47,201)
	(323,171)	(144,501)	(240,004)
	(288,641)	(175,972)	(196,756)
	1,919	(6,994)	31
	5,558	12,552	12,521
	\$ 7,477	\$ 5,558	\$ 12,552

APS CASH INTEREST COVERAGE RATIOS (a)



(a) Earnings before non-cash income, non-cash expenses and interest expense divided by interest expense

APS LONG-TERM DEBT SCHEDULE (dollars in thousands)

year ended December 31,	2002	2001	2000	1999	1998	1997
FIRST MORTGAGE BONDS						
7.625% series due March 15, 1998	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,000
7.625% series due June 15, 1999	-	-	-	-	100,000	100,000
5.75% series due Sept. 15, 2000	-	-	-	100,000	100,000	100,000
8.125% series due March 15, 2002	-	125,000	125,000	125,000	125,000	125,000
6.625% series due March 1, 2004	80,000	80,000	80,000	80,000	85,000	85,000
10.25% series due May 15, 2020	-	-	-	100,550	100,550	109,550
9.5% series due April 15, 2021	-	-	45,140	45,140	45,140	45,140
9% series due Dec. 15, 2021	-	-	72,370	72,370	72,370	72,370
7.25% series due Aug. 1, 2023	54,150	54,150	70,650	70,650	91,900	97,150
8.75% series due Jan. 15, 2024	-	121,668	121,668	121,668	121,668	121,918
8% series due Feb. 1, 2025	33,075	33,075	33,075	47,075	88,300	88,500
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	(6,337)	(5,266)	(5,993)	(5,860)	(6,482)	(7,033)
Total first mortgage bonds	339,888	587,627	720,910	935,593	1,102,446	1,216,595
POLLUTION CONTROL BONDS						
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
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	16,870	-
Due April 1, 2034	20,000	20,000	20,000	20,000	-	-
Less securities held by trustee related to certain pollution control indebtedness	-	-	-	(1,236)	-	-
Total pollution control bonds	\$ 386,860	\$ 476,860	\$ 476,860	\$ 475,624	\$ 456,860	\$ 439,990

See Note 6 of Notes to Consolidated Financial Statements on pages 55-56.

	2002	2001	2000	1999	1998	1997
OTHER LONG-TERM DEBT						
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
5.875% unsecured note due Feb. 15, 2004	125,000	125,000	125,000	125,000	-	-
6.25% unsecured note due Jan. 15, 2005	100,000	100,000	100,000	100,000	100,000	-
7.625% unsecured note due Aug. 1, 2005	300,000	300,000	300,000	-	-	-
6.75% senior notes due Nov. 15, 2006	83,695	83,695	83,695	83,695	100,000	100,000
6.375% senior notes due Oct. 15, 2011	400,000	400,000	-	-	-	-
6.50% senior notes due Mar. 1, 2012	375,000	-	-	-	-	-
5.05% pollution control bond with senior notes due May 1, 2029	90,000	-	-	-	-	-
10% debentures due Jan. 31, 2025	-	-	-	75,000	75,000	75,000
Capitalized lease obligation	20,400	1,343	709	7,199	11,612	15,645
Total other long-term debt	1,494,095	1,010,038	859,404	700,894	481,612	400,645
Total long-term debt	2,220,843	2,074,525	2,057,174	2,112,111	2,040,918	2,057,230
LESS CURRENT MATURITIES						
First mortgage bonds	-	(125,000)	-	(100,000)	(100,000)	(100,000)
Senior notes	-	-	-	-	(50,000)	-
Collateralized loan	-	-	-	(10,000)	(10,000)	-
Floating rate note	-	-	(250,000)	-	-	-
Capitalized lease obligation	(3,503)	(451)	(266)	(4,711)	(4,378)	(4,068)
Total current maturities	(3,503)	(125,451)	(250,266)	(114,711)	(164,378)	(104,068)
LONG-TERM DEBT LESS						
CURRENT MATURITIES	\$ 2,217,340	\$ 1,949,074	\$ 1,806,908	\$ 1,997,400	\$ 1,876,540	\$ 1,953,162
WEIGHTED-AVERAGE INTEREST RATE ON LONG-TERM DEBT AT YEAR-END						
	5.72%	6.54%	6.50%	6.37%	6.54%	6.63%

APS ELECTRIC REVENUE ANALYSIS (dollars in thousands)

year ended December 31,	2002		2001	
ELECTRIC REVENUE				
REGULATED ELECTRICITY SEGMENT				
Retail sales				
Residential	\$	912,245	43.6%	\$ 914,711 29.4%
Commercial		795,999	38.0	805,326 25.9
Industrial		123,508	5.9	133,663 4.3
Irrigation		2,257	0.1	1,975 –
Other		11,554	0.6	11,663 0.4
Total retail		1,845,563	88.2	1,867,338 60.0
Wholesale revenue on delivered electricity				
Traditional contracts		8,616	0.4	73,305 2.3
Retail load hedge management (a)		157,225	7.5	577,783 18.6
Transmission for others		29,803	1.4	25,971 0.8
Other miscellaneous services		18,132	0.9	17,691 0.6
Total regulated electricity		2,059,339	98.4	2,562,088 82.2
MARKETING AND TRADING SEGMENT				
Delivered marketing and trading				
Generation other than Native Load (a)		20,527	1.0	148,316 4.8
Realized margin on electricity trading		–	–	52,350 1.7
Other delivered electricity (a)		13,527	0.6	288,697 9.3
Total delivered marketing and trading		34,054	1.6	489,364 15.8
OTHER MARKETING AND TRADING				
Realized margins on delivered commodities other than electricity		–	–	(31,645) (1.0)
Prior period mark-to-market (gains) losses on contracts delivered during current period		–	–	6,941 0.2
Change in mark-to-market for future-period deliveries		–	–	84,580 2.7
Total other marketing and trading		–	–	59,876 1.9
Total marketing and trading		34,054	1.6	549,240 17.7
Total electric revenues	\$	2,093,393	100.0%	\$ 3,111,328 100.0%
INCREASE (DECREASE) VS. PRIOR YEAR				
Retail revenues		(1.2)%		2.8%
Regulated electricity revenues		(19.6)%		0.9%
Marketing and trading revenues		(93.8)%		38.9%
Total electric revenues		(32.7)%		6.0%
AVERAGE RETAIL REVENUE PER kWh				
Residential		8.73¢		8.85¢
Commercial		7.52¢		7.67¢
Industrial		5.63¢		5.49¢
Irrigation		7.06¢		7.35¢
REVENUE PER AVERAGE CUSTOMER (DOLLARS)				
Residential	\$	1,138		\$ 1,178
Commercial and industrial	\$	9,297		\$ 9,698

(a) The break-out of retail load hedge management and generation sales other than Native Load is not available for 1997 and 1998. These amounts are included in other delivered electricity for 1997 and 1998.

2000		1999		1998		1997	
\$ 880,468	30.0%	\$ 805,173	38.9%	\$ 766,378	39.9%	\$ 746,937	39.8%
771,909	26.3	733,038	35.4	699,016	36.4	687,988	36.6
146,088	5.0	159,329	7.7	172,296	9.0	164,696	8.8
6,498	0.2	7,374	0.4	7,288	0.4	8,706	0.5
10,719	0.4	11,322	0.6	10,644	0.5	11,842	0.6
1,815,682	61.9	1,716,236	83.0	1,655,622	86.2	1,620,169	86.3
120,618	4.1	60,486	2.9	58,184	3.0	63,027	3.4
560,493	19.1	108,153	5.2	-	-	-	-
14,765	0.5	11,348	0.6	11,058	0.6	10,295	0.5
27,192	0.9	18,499	0.9	16,284	0.8	17,643	0.9
2,538,750	86.5	1,914,722	92.6	1,741,148	90.6	1,711,134	91.1
115,476	3.9	29,551	1.4	-	-	-	-
55,631	1.9	8,565	0.4	2,157	0.1	-	-
221,322	7.6	112,552	5.5	170,796	8.9	163,801	8.7
392,429	13.4	150,668	7.3	172,953	9.0	163,801	8.7
(8,789)	(0.3)	2,483	0.1	7,192	0.4	3,618	0.2
(2,079)	(0.1)	-	-	-	-	-	-
13,831	0.5	975	-	-	-	-	-
2,963	0.1	3,458	0.1	7,192	0.4	3,618	0.2
395,392	13.5	154,126	7.4	180,145	9.4	167,419	8.9
\$ 2,934,142	100.0%	\$ 2,068,848	100.0%	\$ 1,921,293	100.0%	\$ 1,878,553	100.0%
5.8%		3.7%		2.2%		2.3%	
32.6%		10.0%		1.8%		(0.4)%	
156.5%		(14.4)%		7.6%		-	
41.8%		7.7%		2.3%		9.3%	
9.00¢		9.18¢		9.22¢		9.37¢	
7.67¢		7.68¢		8.04¢		8.07¢	
5.82¢		6.22¢		5.25¢		5.27¢	
7.46¢		7.40¢		8.61¢		7.75¢	
\$ 1,175		\$ 1,119		\$ 1,111		\$ 1,126	
\$ 9,894		\$ 10,051		\$ 10,109		\$ 10,285	

APS ELECTRIC SALES ANALYSIS

year ended December 31,	2002		2001	
ELECTRIC SALES (MWh)				
REGULATED ELECTRICITY SEGMENT				
Retail sales				
Residential	10,443,820	35.9%	10,334,860	31.1%
Commercial	10,589,065	36.4	10,504,044	31.6
Industrial	2,192,958	7.6	2,433,438	7.3
Irrigation	31,964	0.1	26,860	0.1
Other	103,948	0.4	99,810	0.3
Total retail	23,361,755	80.4	23,399,012	70.4
Wholesale electricity delivered				
Traditional contracts	473,699	1.6	1,213,704	3.7
Retail load hedge management (a)	3,523,478	12.1	3,039,905	9.1
Total regulated electricity	27,358,932	94.1	27,652,621	83.2
MARKETING AND TRADING SEGMENT				
Delivered marketing and trading:				
Generation sales other than Native Load (a)	1,272,295	4.4	1,387,860	4.2
Electricity trading	-	-	2,107,444	6.3
Other delivered electricity (a)	426,270	1.5	2,082,140	6.3
Total delivered marketing and trading	1,698,565	5.9	5,577,444	16.8
Total electric sales	29,057,497	100.0%	33,230,065	100.0%
INCREASE (DECREASE) VS. PRIOR YEAR				
Retail sales	(0.2)%		3.8%	
Regulated electricity sales	(1.1)%		(10.3)%	
Delivered marketing and trading sales	(69.5)%		(57.9)%	
Total electric sales	(12.6)%		(24.6)%	
ANNUAL USE PER AVERAGE CUSTOMER (kWh)				
Residential	13,025		13,312	
Commercial and industrial	129,241		133,625	

(a) The break-out of retail load hedge management and generation sales other than Native Load is not available for 1997 and 1998. These amounts are included in other delivered electricity for 1997 and 1998.

2000		1999		1998		1997	
9,780,680	22.2%	8,774,822	23.9%	8,310,689	27.0%	7,970,309	27.4%
10,057,707	22.8	9,543,853	26.0	8,697,397	28.3	8,524,882	29.3
2,511,292	5.7	2,561,349	7.0	3,279,430	10.6	3,123,283	10.8
87,073	0.2	99,669	0.3	84,640	0.3	112,363	0.4
97,772	0.2	94,877	0.2	90,927	0.3	86,090	0.3
22,534,524	51.1	21,074,570	57.4	20,463,083	66.5	19,816,927	68.2
1,610,032	3.7	1,421,522	3.9	1,410,392	4.6	1,486,439	5.1
6,673,658	15.2	630,945	1.7	-	-	-	-
30,818,214	70.0	23,127,037	63.0	21,873,475	71.1	21,303,366	73.3
1,494,299	3.4	1,267,349	3.4	-	-	-	-
9,259,054	21.0	5,679,023	15.4	846,864	2.7	-	-
2,483,726	5.6	6,694,995	18.2	8,060,135	26.2	7,747,134	26.7
13,237,079	30.0	13,641,367	37.0	8,906,999	28.9	7,747,134	26.7
44,055,293	100.0%	36,768,404	100.0%	30,780,474	100.0%	29,050,500	100.0%
6.9%		3.0%		3.3%		4.2%	
33.3%		5.7%		2.7%		3.9%	
(3.0)%		53.2%		15.0%		312.7%	
19.8%		19.5%		6.0%		29.8%	
13,053		12,191		12,047		12,013	
135,468		136,349		138,952		140,493	

APS CUSTOMER DATA

	2002	2001	2000	1999	1998	1997
CUSTOMERS – AVERAGE						
Residential	801,801	776,339	749,285	719,774	689,871	663,493
Commercial	95,575	93,499	89,539	85,616	83,028	79,754
Industrial	3,325	3,320	3,243	3,165	3,166	3,155
Irrigation	346	366	412	798	747	810
Other	982	1,013	934	917	890	857
Total retail	902,029	874,537	843,413	810,270	777,702	748,069
Sales for resale	67	66	67	69	60	59
Total customers	902,096	874,603	843,480	810,339	777,762	748,128
Increase over prior year	3.1%	3.7%	4.1%	4.2%	4.0%	4.2%

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 five elected commissioners with staggered terms. As approved in the 2000 general election, two additional commission members were elected in the 2002 general election, each for an initial two-year term that began in January 2003. For subsequent elections, all terms will be 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
Marc Spitzer (Rep.) (Chairman)	January 2001	January 2007
Michael Gleason (Rep.)	January 2003	January 2005
James Irvin (Rep.)	January 1997	January 2007
Jeff Hatch-Miller (Rep.)	January 2003	January 2005
William Mundell (Rep.)	June 1999	January 2005

Regulatory Developments

Regulatory developments are discussed in detail in a number of sections of the Annual Report. See "Factors Affecting Our Financial Outlook" in Management's Discussion and Analysis of Financial Condition and Results of Operations on pages 32-33 and Note 3 of Notes to Consolidated Financial Statements on pages 49-53. A summary of major developments follows.

ELECTRIC COMPETITION RULES

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 on January 1, 2001.

GENERIC DOCKET ON RESTRUCTURING

The ACC opened a generic docket to re-examine electric restructuring in Arizona in January 2002. The docket was divided into two separate procedural paths called "Track A" and "Track B".

- The Track A docket addressed market power; generation divestiture; code of conduct between affiliates; and other jurisdictional issues. In August 2002, the ACC issued the Track A Order, which prohibited the transfer of APS generation to a separate subsidiary.
- The Track B docket addressed the competitive power procurement process for regulated utilities, including APS. In March 2003, the ACC issued the Track B Order, which will require APS to solicit bids for certain estimated capacity and energy requirements beginning in July 2003.

Adjustment Mechanisms

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. In accordance with the 1999 Settlement Agreement, APS filed in 2002 for approval of adjustment mechanisms to cover power supply costs and certain costs associated with complying with the ACC competition rules. This filing is still pending.

RATE REGULATION (CONTINUED)**REGULATORY RATE DECISIONS**

The ACC has approved several regulatory settlements that affected APS' historical results or will affect future results. APS plans to file a general rate case by June 30, 2003, with any rate change to be effective after July 1, 2004. A historical test period has been used in past rate cases; however, the ACC has discretion to consider matters subsequent to the historical year.

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. (The Track A Order in 2002 subsequently prohibited the generation transfer.) APS' service territory was opened for the first phase of customer choice as of October 1999 and was opened for 100 percent choice as of January 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 certain contract customers, effective July 1, 1996; recovery of substantially all of APS' present regulatory assets through an 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 the acceleration of the ITCs.

FINANCING APPLICATIONS

In March 2003, the ACC approved APS' request to loan or guarantee up to \$500 million to Pinnacle West Energy. The loan and/or guarantee will be used to refinance debt incurred to fund the construction of Pinnacle West Energy generation assets built to serve Arizona customers.

The ACC approved APS' request to extend a short-term line of credit of \$125 million to Pinnacle West in November 2002.

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 2002, approximately 34% of Pinnacle West's consolidated electric operating revenue and approximately 3% 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.

FERC has issued a series of rulemakings since 1996 related to Regional Transmission Organizations. APS is participating in the WestConnect RTO with other Southwestern utilities.

APS is also actively participating in the FERC rulemaking on Standard Market Design, which is intended to implement standard market processes in order to facilitate more vibrant wholesale power markets throughout the country.

APS SOURCE AND DISPOSITION OF ELECTRIC ENERGY AND FUEL MIX

year ended December 31,	2002	2001	2000	1999	1998	1997
APS SOURCE OF ENERGY (MWh)						
Steam generation						
Nuclear	8,980,814	8,384,724	8,840,745	8,848,660	8,805,876	8,588,632
Coal	12,055,956	12,573,954	12,509,372	11,878,404	11,564,305	11,211,630
Gas	456,582	1,359,747	1,161,775	822,572	497,642	335,507
Oil	-	127,670	23,041	-	-	-
Combustion turbines						
Gas	169,925	734,743	445,796	141,193	129,052	72,848
Oil	2,847	100,585	51,907	2,347	7,801	2,175
Combined cycle						
Gas	862,940	1,131,172	1,048,237	756,967	599,925	418,861
Oil	144	60	19,404	482	2,665	1,150
Hydro and solar	31,536	33,660	33,746	33,908	32,035	33,154
Total generation	22,560,744	24,446,315	24,134,023	22,484,534	21,639,302	20,663,957
Purchased power (a)						
Firm load	3,944,335	3,466,189	2,514,500	2,479,342	2,468,001	-
Marketing and trading	3,949,748	7,229,489	18,416,438	14,594,983	7,930,505	9,793,805
Total	7,894,083	10,695,678	20,930,938	17,074,325	10,398,506	9,793,805
Total source of energy	30,454,827	35,141,993	45,064,961	39,558,859	32,037,808	30,457,762
APS DISPOSITION OF ENERGY (MWh)						
Sales to ultimate customers	23,361,755	23,399,012	22,534,524	21,074,570	20,463,083	19,816,927
Sales for resale (a)	5,695,742	9,831,053	21,520,769	15,693,834	10,317,391	9,233,573
Losses and company use	1,397,330	1,911,928	1,009,668	2,790,455	1,257,334	1,407,263
Total disposition of energy	30,454,827	35,141,993	45,064,961	39,558,859	32,037,808	30,457,763
APS ENERGY FUEL MIX (%)						
Nuclear	29.5%	23.9%	19.6%	22.4%	27.5%	28.2%
Coal	39.6%	35.8%	27.8%	30.0%	36.2%	36.8%
Gas	4.9%	9.2%	5.9%	4.3%	3.9%	2.7%
Other (b)	0.1%	0.7%	0.3%	0.1%	0.1%	0.1%
Purchased power and interchange – net	25.9%	30.4%	46.4%	43.2%	32.3%	32.2%
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.

APS LOADS AND RESOURCES AT PEAK

year ended December 31,	2002	2001	2000	1999	1998	1997
PEAK LOAD (kW)						
Actual	5,802,900	5,687,200	5,478,500	4,934,700	5,072,000	4,608,600
Weather-adjusted (a)	5,849,900	5,503,700	5,660,800	5,088,100	4,901,600	4,691,400
Increase (decrease) vs. prior year						
Actual	2.0%	3.8%	11.0%	(2.7)%	10.1%	0.7%
Weather-adjusted	6.3%	(2.8)%	11.3%	3.8%	4.5%	7.0%
FIRM POWER SALES (kW)	-	-	50,000	-	-	50,000
RESOURCES AVAILABLE						
AT PEAK (kW)						
Generating capacity	3,877,600	3,234,500	3,501,600	3,587,100	3,972,600	3,972,600
Purchased power contracts (b)	2,612,000	2,490,000	1,933,000	1,643,000	1,167,000	572,000
Total resources	6,489,600	5,724,500	5,434,600	5,230,100	5,139,600	4,544,600
RESERVE MARGIN	7.1%	1.1%	6.4%	9.1%	3.1%	(1.5)%
Annual load factor – net	52.6%	53.2%	53.4%	54.1%	52.5%	56.0%

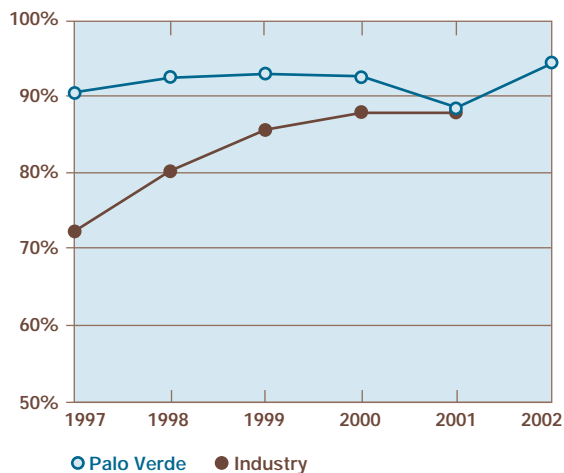
(a) Prior years have been restated to reflect average weather statistics for the ten-year period ended December 31, 2000.

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

APS POWER PLANT OPERATING PERFORMANCE

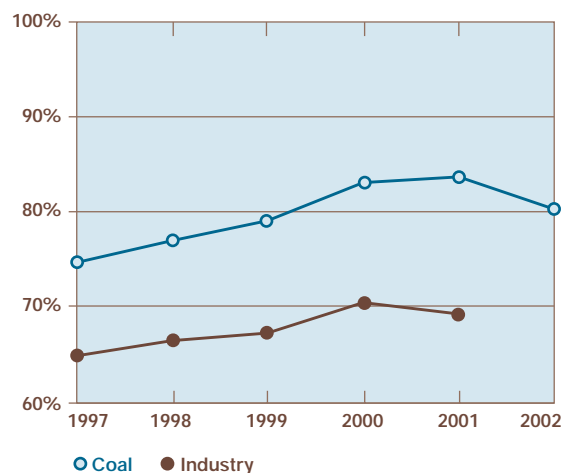
year ended December 31,	2002	2001	2000	1999	1998	1997
NUCLEAR (NET CAPACITY FACTORS)						
Palo Verde Unit 1	89.1%	88.7%	100.4%	88.7%	87.9%	98.9%
Palo Verde Unit 2	92.0%	93.2%	87.3%	90.0%	101.8%	85.9%
Palo Verde Unit 3	102.0%	83.9%	90.3%	100.3%	87.9%	86.8%
Palo Verde site average	94.4%	88.6%	92.7%	93.0%	92.5%	90.6%
COAL (NET CAPACITY FACTORS)						
Four Corners	82.7%	85.6%	83.0%	82.1%	81.7%	80.8%
Cholla	77.5%	81.2%	82.8%	77.2%	74.4%	71.4%
Navajo	80.4%	84.7%	84.4%	76.0%	71.0%	66.5%
Total coal average	80.4%	83.8%	83.2%	79.2%	77.1%	74.8%

PALO VERDE SITE AVERAGE CAPACITY FACTORS*



* 2002 industry data was unavailable at time of publication

COAL AVERAGE CAPACITY FACTORS*



* 2002 industry data was unavailable at time of publication

GENERATION RESOURCES (in service as of December 31, 2002)

Plant Type and Name	Location	Ownership or Interest (a)	Number of Units	APS Share (kW)
ARIZONA PUBLIC SERVICE - Net Accredited Capacity				
NUCLEAR-FUELED STEAM PLANT				
Palo Verde	Wintersburg, Arizona	29.1%	3	1,086,300
COAL-FUELED STEAM PLANTS				
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
GAS- OR OIL-FUELED STEAM PLANTS (b)				
Ocotillo	Tempe, Arizona	100%	2	220,000
Saguaro	Red Rock, Arizona	100%	2	210,000
			4	430,000
GAS- OR OIL-FUELED COMBUSTION TURBINES				
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
GAS- OR OIL-FUELED COMBINED CYCLE PLANT				
West Phoenix 1-3	Phoenix, Arizona	100%	3	255,000
HYDRO AND SOLAR GENERATION				
		100%	13	7,600
TOTAL			45	3,983,900
PINNACLE WEST ENERGY CORPORATION - Permitted Capacity				
GAS-FUELED COMBINED CYCLE PLANTS				
West Phoenix 4	Phoenix, Arizona	100%	1	120,000
Redhawk	Arlington, Arizona	100%	2	1,060,000
GAS-FUELED COMBUSTION TURBINE				
Saguaro 3	Red Rock, Arizona	100%	1	80,000
TOTAL			4	1,260,000

(a) Includes leased generating plants.

(b) Excludes West Phoenix steam units (108,300 kW), which were retired in December 2002.

PINNACLE WEST ENERGY GENERATION CONSTRUCTION PROGRAM (as of December 31, 2002)

Plant Type and Name	Location	MW	Expected In-Service Dates (a)
NATURAL GAS-FUELED COMBINED CYCLE			
West Phoenix 5	Phoenix, Arizona	530	2003
Silverhawk (b)	Las Vegas, Nevada	570	2004
TOTAL		1,100	

(a) Our construction program 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.