

## APS SELECTED FINANCIAL DATA

	2003	2002	2001
<b>OPERATING STATISTICS</b>			
Electric revenues (thousands)	\$ 2,104,931	\$ 1,936,166	\$ 2,352,098
Sales (MWh)	44,799,324	29,057,497	33,230,065
Employees (year-end) (a)	6,052	6,110	6,322
Average annual use per residential customer (kWh)	13,457	13,025	13,312
<b>FINANCIAL STATISTICS (b)</b>			
Cash interest coverage	4.71x	6.92x	5.96x
Non-cash income as percent of earnings	26.0%	20.4%	14.4%
Net cash flow as percent of capital expenditures	91.7%	130.6%	109.0%
<b>CAPITALIZATION RATIOS (year-end)</b>			
Long-term debt excluding current maturities	50.0%	50.6%	44.3%
Current maturities of long-term debt	4.3	0.1	2.9
Short-term debt	-	-	3.9
Total debt	54.3	50.7	51.1
Preferred stock	-	-	-
Common stock equity	45.7%	49.3	48.9
Total capitalization	100.0%	100.0%	100.0%
Debt adjusted for Palo Verde Unit 2 sale and leaseback	57.7%	54.9%	55.4%

(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

	2003	2002	2001
Electric revenues			
Total	8.7%	(17.7)%	(19.8)%
Retail	3.9%	(1.2)%	2.8%
Peak load			
Actual	9.1%	2.0%	3.8%
Weather-adjusted	5.4%	5.9%	(2.8)%
Electric sales			
Total	54.2%	(12.6)%	(24.6)%
Retail sales	5.1%	(0.2)%	3.8%
Customers (average)	3.3%	3.1%	3.7%
Employees (year-end)	(0.9)%	(3.4)%	3.5%

	2000	1999	1998
\$	2,934,142	\$ 2,068,848	\$ 1,921,293
	44,055,293	36,768,404	30,780,474
	6,110	6,002	5,848
	13,053	12,191	12,047
	5.68x	5.29x	5.01x
	11.9%	15.2%	15.3%
	108.6%	137.3%	128.6%
	42.4%	48.3%	43.7%
	5.9	2.8	3.8
	1.9	0.9	4.2
	50.2	52.0	51.7
	-	-	2.2
	49.8	48.0	46.1
	100.0%	100.0%	100.0%
	54.9%	56.8%	56.4%

2000	1999	1998	Compound Annual Growth Rates	
			5 Years 1998-2003	10 Years 1993-2003
41.8%	7.7%	2.3%	1.8%	2.8%
5.8%	3.7%	2.2%	3.0%	2.9%
11.0%	(2.7)%	10.1%	4.5%	5.2%
11.2%	3.8%	4.5%	4.6%	4.4%
19.8%	19.5%	6.0%	7.8%	8.4%
6.9%	3.0%	3.3%	3.7%	4.1%
4.1%	4.2%	4.0%	3.7%	3.8%
1.8%	2.6%	1.6%	0.7%	(1.5)%

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

Year Ended December 31,	2003	2002	2001
<b>ELECTRIC OPERATING REVENUES</b>			
Regulated electricity segment	\$ 1,999,390	\$ 1,902,112	\$ 1,984,305
Marketing and trading segment	105,541	34,054	367,793
Total	2,104,931	1,936,166	2,352,098
<b>PURCHASED POWER AND FUEL COSTS</b>			
Regulated electricity segment	606,251	438,141	649,405
Marketing and trading segment	97,180	32,662	132,544
Total	703,431	470,803	781,949
<b>OPERATING REVENUES LESS PURCHASED POWER AND FUEL COSTS</b>	<b>1,401,500</b>	<b>1,465,363</b>	<b>1,570,149</b>
<b>OTHER OPERATING EXPENSES</b>			
Operations and maintenance	513,604	495,845	465,561
Depreciation and amortization	389,240	399,640	420,893
Income taxes	91,646	132,953	183,640
Other taxes	108,852	107,925	101,077
Total	1,103,342	1,136,363	1,171,171
<b>OPERATING INCOME</b>	<b>298,158</b>	<b>329,000</b>	<b>398,978</b>
<b>OTHER INCOME (DEDUCTIONS)</b>			
Income taxes	4,792	6,148	504
Allowance for equity funds used during construction	14,240	-	-
Other income	20,277	5,149	20,207
Other expense	(12,962)	(19,338)	(20,790)
Total	26,347	(8,041)	(79)
<b>INCOME BEFORE INTEREST DEDUCTIONS</b>	<b>324,505</b>	<b>320,959</b>	<b>398,899</b>
<b>INTEREST DEDUCTIONS</b>			
Interest on long-term debt	142,706	128,462	126,118
Interest on short-term borrowings	4,904	5,416	4,407
Debt discount, premium and expense	3,337	2,888	2,650
Capitalized interest	(7,379)	(15,150)	(14,964)
Total	143,568	121,616	118,211
<b>INCOME BEFORE EXTRAORDINARY CHARGE AND CUMULATIVE EFFECT ADJUSTMENT</b>	<b>180,937</b>	<b>199,343</b>	<b>280,688</b>
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)
<b>NET INCOME</b>	<b>180,937</b>	<b>199,343</b>	<b>265,487</b>
Preferred stock dividend requirements	-	-	-
<b>EARNINGS FOR COMMON STOCK</b>	<b>\$ 180,937</b>	<b>\$ 199,343</b>	<b>\$ 265,487</b>

2000	1999	1998
\$ 2,538,750	\$ 1,914,722	\$ 1,741,148
395,392	154,126	180,145
2,934,142	2,068,848	1,921,293
1,065,596	432,844	306,884
267,032	136,522	151,164
1,332,628	569,366	458,048
1,601,514	1,499,482	1,463,245
430,092	437,125	418,829
425,479	416,331	410,276
199,977	165,629	166,290
99,730	96,579	102,076
1,155,278	1,115,664	1,097,471
446,236	383,818	365,774
4,312	32,614	32,838
-	-	-
9,690	13,861	12,259
(20,547)	(25,618)	(24,782)
(6,545)	20,857	20,315
439,691	404,675	386,089
134,431	132,676	137,214
7,455	8,272	7,481
2,105	2,084	2,410
(10,894)	(6,679)	(16,263)
133,097	136,353	130,842
306,594	268,322	255,247
-	(139,885)	-
-	-	-
306,594	128,437	255,247
-	1,016	9,703
\$ 306,594	\$ 127,421	\$ 245,544

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

December 31,	2003	2002	2001
<b>ASSETS</b>			
<b>UTILITY PLANT</b>			
Electric plant in service	\$ 8,811,893	\$ 8,293,638	\$ 7,934,181
Plant held for future use	14,140	5,493	1,025
Subtotal	8,826,033	8,299,131	7,935,206
Less accumulated depreciation and amortization	3,089,645	2,885,798	2,739,957
Subtotal	5,736,388	5,413,333	5,195,249
Construction work in progress	187,478	329,089	321,305
Intangible assets, net of accumulated amortization	94,181	93,259	83,135
Nuclear fuel, net of accumulated amortization	52,011	51,124	49,282
Net utility plant	6,070,058	5,886,805	5,648,971
<b>INVESTMENTS AND OTHER ASSETS</b>			
Notes receivable from Pinnacle West Energy	497,865	-	-
Decommissioning trust accounts	240,645	194,440	202,036
Assets from risk management and trading activities – long-term	18,001	31,622	2,082
Other assets	64,119	57,380	108,159
Total investments and other assets	820,630	283,442	312,277
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	112,002	42,549	16,821
Accounts receivable			
Service customers	190,884	136,945	182,749
Other	67,540	202,597	55,016
Allowance for doubtful accounts	(3,743)	(1,341)	(3,349)
Accrued utility revenues	71,501	72,915	76,131
Materials and supplies (at average cost)	80,682	79,985	81,215
Fossil fuel (at average cost)	28,360	28,185	27,023
Deferred income taxes	-	4,094	-
Assets from risk management and trading activities	52,448	39,616	10,097
Other	6,969	7,945	10,172
Total current assets	606,643	613,490	455,875
<b>DEFERRED DEBITS</b>			
Regulatory assets	164,804	241,045	342,383
Unamortized debt issue costs	19,797	16,696	13,163
Other	73,056	80,760	42,789
Total deferred debits	257,657	338,501	398,335
<b>TOTAL ASSETS</b>	<b>\$ 7,754,988</b>	<b>\$ 7,122,238</b>	<b>\$ 6,815,458</b>

2000

1999

1998

\$ 7,605,992	\$ 7,378,814	\$ 7,086,244
32,695	32,369	32,026
7,638,687	7,411,183	7,118,270
2,580,810	2,498,097	2,361,405
5,057,877	4,913,086	4,756,865
245,749	184,764	228,643
94,393	93,384	133,318
47,389	49,113	51,078
5,445,408	5,240,347	5,169,904
-	-	-
204,716	175,733	145,552
32,955	-	-
77,903	45,336	49,707
315,574	221,069	195,259
2,609	7,477	5,558
422,012	201,704	205,999
25,089	34,850	21,019
(2,380)	(1,538)	(1,725)
74,566	72,919	67,740
71,966	69,977	69,074
19,405	21,869	13,978
5,793	8,163	3,999
17,506	-	-
6,352	18,273	14,985
642,918	433,694	400,627
469,867	613,729	980,084
12,805	15,172	14,916
37,928	79,714	69,656
520,600	708,615	1,064,656
\$ 6,924,500	\$ 6,603,725	\$ 6,830,446

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

December 31,	2003	2002	2001
<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	830,569	819,632	790,289
Accumulated other comprehensive income/(loss):			
Minimum pension liability adjustment	(57,158)	(61,487)	(966)
Derivative instruments	5,253	(23,799)	(63,599)
Common stock equity	2,203,630	2,159,312	2,150,690
Non-redeemable preferred stock	-	-	-
Redeemable preferred stock	-	-	-
Long-term debt less current maturities	2,415,946	2,217,340	1,949,074
Total capitalization	4,619,576	4,376,652	4,099,764
<b>CURRENT LIABILITIES</b>			
Commercial paper	-	-	171,162
Current maturities of long-term debt	206,727	3,503	125,451
Accounts payable	131,383	118,133	98,959
Accrued taxes	90,474	82,557	107,595
Accrued interest	42,702	42,608	41,043
Customer deposits	45,481	39,865	28,664
Deferred income taxes	631	-	3,244
Liabilities from risk management and trading activities	58,138	59,773	21,840
Other	60,008	51,820	18,798
Total current liabilities	635,544	398,259	616,756
<b>DEFERRED CREDITS AND OTHER</b>			
Deferred income taxes	1,248,397	1,225,552	1,023,079
Regulatory liability	510,423	26,264	27,355
Liability for asset retirements and removals	234,440	600,431	589,725
Pension liability	160,639	156,442	30,247
Unamortized gain – sale of utility plant	54,909	59,484	64,060
Customer advances for construction	52,783	45,513	69,293
Liabilities from risk management and trading activities	4,502	36,678	95,159
Other	233,775	196,963	200,020
Total deferred credits and other	2,499,868	2,347,327	2,098,938
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 7,754,988</b>	<b>\$ 7,122,238</b>	<b>\$ 6,815,458</b>

2000

1999

1998

\$ 178,162	\$ 178,162	\$ 178,162
1,246,804	1,246,804	1,195,625
694,802	558,208	601,968
-	-	-
-	-	-
2,119,768	1,983,174	1,975,755
-	-	85,840
-	-	9,401
1,806,908	1,997,400	1,876,540
3,926,676	3,980,574	3,947,536
82,100	38,300	178,830
250,266	114,711	164,378
267,999	170,662	145,139
106,515	62,858	59,827
39,488	32,299	31,218
24,498	24,682	26,815
-	-	-
37,179	-	-
81,325	25,414	14,561
889,370	468,926	620,768
1,110,437	1,178,085	1,312,007
28,022	45,263	77,660
574,891	524,418	473,912
62,193	80,566	94,415
68,636	73,212	77,787
40,694	38,150	31,451
14,711	-	-
208,870	214,531	194,910
2,108,454	2,154,225	2,262,142
\$ 6,924,500	\$ 6,603,725	\$ 6,830,446

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

Year Ended December 31,	2003	2002	2001
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income	\$ 180,937	\$ 199,343	\$ 265,487
Items not requiring cash			
Depreciation and amortization	389,240	399,640	420,893
Nuclear fuel amortization	28,757	31,185	28,362
Allowance for equity funds used during construction	(14,240)	-	-
Deferred income taxes	(1,087)	206,767	(26,516)
Change in derivative mark-to-market valuations	2,339	2,957	(100,030)
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	83,692	(102,450)	302,283
Materials, supplies and fossil fuel	(872)	68	(16,867)
Other current assets	2,390	5,443	(5,385)
Accounts payable	17,961	15,372	(190,141)
Accrued taxes	7,917	(25,038)	1,080
Accrued interest	94	1,565	1,555
Other current liabilities	13,804	44,224	(58,361)
Increase in regulatory assets	(11,697)	(11,029)	(17,516)
Change in risk management and trading – assets	12,551	(22,570)	10,730
Change in customer advances	7,270	(23,780)	28,599
Change in pension liability	17,395	7,016	(35,244)
Change in other long-term assets	(14,623)	(24,502)	(13,967)
Change in other long-term liabilities	55,296	301	(5,088)
Net cash flow provided by operating activities	777,124	704,512	605,075
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Capital expenditures	(426,260)	(490,156)	(465,360)
Capitalized interest	(7,379)	(15,150)	(14,964)
Loan to Pinnacle West Energy	(497,865)	-	-
Other	(8,296)	44,918	(41,926)
Net cash flow used for investing activities	(939,800)	(460,388)	(522,250)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Issuance of long-term debt	491,654	459,926	396,072
Short-term borrowings	-	(171,162)	89,062
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	(89,525)	(337,160)	(383,747)
Net cash flow provided by (used for) financing activities	232,129	(218,396)	(68,613)
<b>NET CASH FLOW</b>	69,453	25,728	14,212
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	42,549	16,821	2,609
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 112,002	\$ 42,549	\$ 16,821

	2000	1999	1998
	\$ 306,594	\$ 128,437	\$ 255,247
	425,479	416,331	410,276
	30,083	31,371	32,856
	-	-	-
	(65,726)	(83,753)	(80,006)
	(11,752)	(975)	-
	-	139,885	-
	-	-	-
	(209,705)	(9,723)	(55,089)
	475	(8,794)	(2,797)
	10,274	(8,467)	(10,984)
	101,558	22,992	33,731
	43,657	3,031	(26,059)
	7,189	1,081	(442)
	101,685	8,193	(6,055)
	(14,138)	(12,262)	(10,582)
	13,181	-	-
	2,544	6,699	2,157
	(18,373)	(13,849)	13,808
	45,548	(1,891)	(26,594)
	(44,902)	9,653	(16,491)
	723,671	627,959	512,976
	(464,368)	(322,547)	(319,142)
	(10,894)	(6,679)	(16,263)
	-	-	-
	(72,189)	(8,173)	(8,593)
	(547,451)	(337,399)	(343,998)
	300,000	392,952	126,245
	43,800	(140,530)	48,080
	-	50,000	50,000
	(170,000)	(170,000)	(170,000)
	-	(1,393)	(10,279)
	-	(96,499)	(75,517)
	(354,888)	(323,171)	(144,501)
	(181,088)	(288,641)	(175,972)
	(4,868)	1,919	(6,994)
	7,477	5,558	12,552
	\$ 2,609	\$ 7,477	\$ 5,558

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

December 31,	2003	2002	2001	2000	1999	1998
<b>FIRST MORTGAGE BONDS</b>						
7.625% series due June 15, 1999	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,000
5.75% series due Sept. 15, 2000	-	-	-	-	100,000	100,000
8.125% series due March 15, 2002	-	-	125,000	125,000	125,000	125,000
6.625% series due March 1, 2004	80,000	80,000	80,000	80,000	80,000	85,000
10.25% series due May 15, 2020	-	-	-	-	100,550	100,550
9.5% series due April 15, 2021	-	-	-	45,140	45,140	45,140
9% series due Dec. 15, 2021	-	-	-	72,370	72,370	72,370
7.25% series due Aug. 1, 2023	-	54,150	54,150	70,650	70,650	91,900
8.75% series due Jan. 15, 2024	-	-	121,668	121,668	121,668	121,668
8% series due Feb. 1, 2025	-	33,075	33,075	33,075	47,075	88,300
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	(8,631)	(6,337)	(5,266)	(5,993)	(5,860)	(6,482)
<b>Total first mortgage bonds</b>	<b>250,369</b>	<b>339,888</b>	<b>587,627</b>	<b>720,910</b>	<b>935,593</b>	<b>1,102,446</b>
<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
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	16,870
Due April 1, 2034	20,000	20,000	20,000	20,000	20,000	-
Less securities held by trustee related to certain pollution control indebtedness	-	-	-	-	(1,236)	-
<b>Total pollution control bonds</b>	<b>\$ 386,860</b>	<b>\$ 386,860</b>	<b>\$ 476,860</b>	<b>\$ 476,860</b>	<b>\$ 475,624</b>	<b>\$ 456,860</b>

	2003	2002	2001	2000	1999	1998
<b>OTHER LONG-TERM DEBT</b>						
5.875% collateralized loan due 1999	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,000
6.72% senior notes due April 1, 1999	-	-	-	-	-	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
5.875% unsecured note due Feb. 15, 2004	125,000	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	100,000
7.625% unsecured note due Aug. 1, 2005	300,000	300,000	300,000	300,000	-	-
6.75% senior notes due Nov. 15, 2006	83,695	83,695	83,695	83,695	83,695	100,000
6.375% senior notes due Oct. 15, 2011	400,000	400,000	400,000	-	-	-
6.50% senior notes due Mar. 1, 2012	375,000	375,000	-	-	-	-
5.05% pollution control bond with senior notes due May 1, 2029	90,000	90,000	-	-	-	-
5.625% senior notes due May 15, 2033	200,000	-	-	-	-	-
4.65% senior notes due May 15, 2015	300,000	-	-	-	-	-
10% debentures due Jan. 31, 2025	-	-	-	-	75,000	75,000
Capitalized lease obligation	11,749	20,400	1,343	709	7,199	11,612
Total other long-term debt	1,985,444	1,494,095	1,010,038	859,404	700,894	481,612
Total long-term debt	2,622,673	2,220,843	2,074,525	2,057,174	2,112,111	2,040,918
<b>LESS CURRENT MATURITIES</b>						
First mortgage bonds	(80,000)	-	(125,000)	-	(100,000)	(100,000)
Senior notes	(125,000)	-	-	-	-	(50,000)
Collateralized loan	-	-	-	-	(10,000)	(10,000)
Floating rate note	-	-	-	(250,000)	-	-
Capitalized lease obligation	(1,727)	(3,503)	(451)	(266)	(4,711)	(4,378)
Total current maturities	(206,727)	(3,503)	(125,451)	(250,266)	(114,711)	(164,378)
<b>LONG-TERM DEBT LESS</b>						
CURRENT MATURITIES	\$ 2,415,946	\$ 2,217,340	\$ 1,949,074	\$ 1,806,908	\$ 1,997,400	\$ 1,876,540
<b>WEIGHTED-AVERAGE INTEREST RATE ON LONG-TERM DEBT AT YEAR-END</b>						
	5.48%	5.72%	6.54%	6.50%	6.37%	6.54%

## APS ELECTRIC REVENUE ANALYSIS

Year Ended December 31,	2003		2002	
<b>ELECTRIC REVENUES (dollars in thousands)</b>				
<b>REGULATED ELECTRICITY SEGMENT</b>				
Retail sales				
Residential	\$ 960,303	45.6%	\$ 912,245	47.1%
Commercial	811,642	38.5	795,999	41.1
Industrial	132,146	6.3	123,508	6.4
Irrigation	1,898	0.1	2,257	0.1
Other	11,818	0.6	11,554	0.6
Total retail	1,917,807	91.1	1,845,563	95.3
Wholesale revenue on delivered electricity				
Traditional contracts	15,301	0.7	8,616	0.5
Retail load hedge management (a)	–	–	–	–
Transmission for others	41,379	2.0	29,803	1.5
Other miscellaneous services	24,903	1.2	18,130	0.9
Total regulated electricity	1,999,390	95.0	1,902,112	98.2
<b>MARKETING AND TRADING SEGMENT</b>				
Delivered marketing and trading				
Generation other than Native Load (a)	87,832	4.2	20,527	1.1
Realized margin on electricity trading	7,469	0.3	–	–
Other delivered electricity (a)	15,082	0.7	13,527	0.7
Total delivered marketing and trading	110,383	5.2	34,054	1.8
<b>OTHER MARKETING AND TRADING (b)</b>				
Realized margins on delivered commodities other than electricity	(696)	–	–	–
Prior period mark-to-market (gains) losses on contracts delivered during current period	172	–	–	–
Change in mark-to-market for future-period deliveries	(4,318)	(0.2)	–	–
Total other marketing and trading	(4,842)	(0.2)	–	–
Total marketing and trading	105,541	5.0	34,054	1.8
Total electric revenues	\$ 2,104,931	100.0%	\$ 1,936,166	100.0%
<b>INCREASE (DECREASE) VS. PRIOR YEAR</b>				
Retail revenues		3.9%		(1.2)%
Regulated electricity revenues		5.1%		(4.1)%
Marketing and trading revenues		209.9%		(90.7)%
Total electric revenues		8.7%		(17.7)%
<b>AVERAGE RETAIL REVENUE PER kWh</b>				
Residential		8.61¢		8.73¢
Commercial		7.40¢		7.52¢
Industrial		5.69¢		5.63¢
Irrigation		7.13¢		7.06¢
<b>REVENUE PER AVERAGE CUSTOMER (dollars)</b>				
Residential	\$ 1,159		\$ 1,138	
Commercial and industrial	\$ 9,274		\$ 9,297	

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

(b) Marketing and trading was moved to APS from the Parent in February 2003 consistent with regulatory policy changes.

2001

2000

1999

1998

\$ 914,711	38.9%	\$ 880,468	30.0%	\$ 805,173	38.9%	\$ 766,378	39.9%
805,326	34.2	771,909	26.3	733,038	35.4	699,016	36.4
133,663	5.7	146,088	5.0	159,329	7.7	172,296	9.0
1,975	0.1	6,498	0.2	7,374	0.4	7,288	0.4
11,663	0.5	10,719	0.4	11,322	0.6	10,644	0.5
1,867,338	79.4	1,815,682	61.9	1,716,236	83.0	1,655,622	86.2

73,305	3.1	120,618	4.1	60,486	2.9	58,184	3.0
-	-	560,493	19.1	108,153	5.2	-	-
25,971	1.1	14,765	0.5	11,348	0.6	11,058	0.6
17,691	0.8	27,192	0.9	18,499	0.9	16,284	0.8
1,984,305	84.4	2,538,750	86.5	1,914,722	92.6	1,741,148	90.6

148,316	6.3	115,476	3.9	29,551	1.4	-	-
60,224	2.5	55,631	1.9	8,565	0.4	2,157	0.1
91,499	3.9	221,322	7.6	112,552	5.5	170,796	8.9
300,039	12.7	392,429	13.4	150,668	7.3	172,953	9.0

(31,645)	(1.3)	(8,789)	(0.3)	2,483	0.1	7,192	0.4
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14,303	0.6	(2,079)	(0.1)	-	-	-	-
85,096	3.6	13,831	0.5	975	-	-	-
67,754	2.9	2,963	0.1	3,458	0.1	7,192	0.4
367,793	15.6	395,392	13.5	154,126	7.4	180,145	9.4
\$ 2,352,098	100.0%	\$ 2,934,142	100.0%	\$ 2,068,848	100.0%	\$ 1,921,293	100.0%

2.8%	5.8%	3.7%	2.2%
(21.8)%	32.6%	10.0%	1.8%
(7.0)%	156.5%	(14.4)%	7.6%
(19.8)%	41.8%	7.7%	2.3%

8.85¢	9.00¢	9.18¢	9.22¢
7.67¢	7.67¢	7.68¢	8.04¢
5.49¢	5.82¢	6.22¢	5.25¢
7.35¢	7.46¢	7.40¢	8.61¢

\$ 1,178	\$ 1,175	\$ 1,119	\$ 1,111
\$ 9,698	\$ 9,894	\$ 10,051	\$ 10,109

## APS ELECTRIC SALES ANALYSIS

Year Ended December 31,	2003		2002	
<b>ELECTRIC SALES (MWh)</b>				
<b>REGULATED ELECTRICITY SEGMENT</b>				
Retail sales				
Residential	11,147,195	24.9%	10,443,820	35.9%
Commercial	10,961,417	24.5	10,589,065	36.4
Industrial	2,322,074	5.2	2,192,958	7.6
Irrigation	26,626	0.1	31,964	0.1
Other	104,993	0.2	103,948	0.4
Total retail	24,562,305	54.8	23,361,755	80.4
Wholesale electricity delivered				
Traditional contracts	499,949	1.1	473,699	1.6
Retail load hedge management (a)	1,093,846	2.4	3,523,478	12.1
Total regulated electricity	26,156,100	58.4	27,358,932	94.1
<b>MARKETING AND TRADING SEGMENT (b)</b>				
Delivered marketing and trading:				
Generation sales other than Native Load (a)	2,146,271	4.8	1,272,295	4.4
Electricity trading	16,172,102	36.1	-	-
Other delivered electricity (a)	324,851	0.7	426,270	1.5
Total delivered marketing and trading	18,643,224	41.6	1,698,565	5.9
Total electric sales	44,799,324	100.0%	29,057,497	100.0%
<b>INCREASE (DECREASE) VS. PRIOR YEAR</b>				
Retail sales		5.1%		(0.2)%
Regulated electricity sales		(4.4)%		(1.1)%
Delivered marketing and trading sales		997.6%		(69.5)%
Total electric sales		54.2%		(12.6)%
<b>ANNUAL USE PER AVERAGE CUSTOMER (kWh)</b>				
Residential		13,457		13,025
Commercial and industrial		130,529		129,241

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

(b) Marketing and trading was moved to APS from the Parent in February 2003 consistent with regulatory policy changes.

2001

2000

1999

1998

10,334,860	31.1%	9,780,680	22.2%	8,774,822	23.9%	8,310,689	27.0%
10,504,044	31.6	10,057,707	22.8	9,543,853	26.0	8,697,397	28.3
2,433,438	7.3	2,511,292	5.7	2,561,349	7.0	3,279,430	10.6
26,860	0.1	87,073	0.2	99,669	0.3	84,640	0.3
99,810	0.3	97,772	0.2	94,877	0.2	90,927	0.3
23,399,012	70.4	22,534,524	51.1	21,074,570	57.4	20,463,083	66.5

1,213,704	3.7	1,610,032	3.7	1,421,522	3.9	1,410,392	4.6
3,039,905	9.1	6,673,658	15.2	630,945	1.7	-	-
27,652,621	83.2	30,818,214	70.0	23,127,037	63.0	21,873,475	71.1

1,387,860	4.2	1,494,299	3.4	1,267,349	3.4	-	-
3,763,314	11.3	9,259,054	21.0	5,679,023	15.4	846,864	2.7
426,270	1.3	2,483,726	5.6	6,694,995	18.2	8,060,135	26.2
5,577,444	16.8	13,237,079	30.0	13,641,367	37.0	8,906,999	28.9
33,230,065	100.0%	44,055,293	100.0%	36,768,404	100.0%	30,780,474	100.0%

3.8%	6.9%	3.0%	3.3%
(10.3)%	33.3%	5.7%	2.7%
(57.9)%	(3.0)%	53.2%	15.0%
(24.6)%	19.8%	19.5%	6.0%

13,312	13,053	12,191	12,047
133,625	135,468	136,349	138,952

## APS CUSTOMER DATA

Year Ended December 31,	2003	2002	2001	2000	1999	1998
<b>CUSTOMERS – AVERAGE</b>						
Residential	828,366	801,801	776,339	749,285	719,774	689,871
Commercial	98,427	95,575	93,499	89,539	85,616	83,028
Industrial	3,340	3,325	3,320	3,243	3,165	3,166
Irrigation	341	346	366	412	798	747
Other	988	982	1,013	934	917	890
Total retail	931,462	902,029	874,537	843,413	810,270	777,702
Sales for resale	66	67	66	67	69	60
Total customers	931,528	902,096	874,603	843,480	810,339	777,762
<b>INCREASE OVER PRIOR YEAR</b>	3.3%	3.1%	3.7%	4.1%	4.2%	4.0%

## RATE REGULATION

### STATE REGULATION

The Arizona Corporation Commission (ACC) regulates APS' retail electric rates and its issuance of securities. The ACC also must approve any transfer of APS' property used to provide retail electric service and must approve or receive prior notification of certain transactions between APS, Pinnacle West and their respective affiliates.

### ACC Organization

The ACC consists of five elected commissioners with staggered terms. The terms are four years each, with a limit of two consecutive terms in office. Mid-term vacancies (due to resignation, etc.) are filled by appointment of the Governor to serve until 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
Jeff Hatch-Miller (Rep.)	January 2003	January 2005
Kristin Mayes (Rep.)	October 2003	January 2005
William Mundell (Rep.)	June 1999	January 2005

### Electric Restructuring

The electric industry has undergone significant regulatory change in the last few years designed to encourage competition in the sale of electricity and related services. However, the experience in California with deregulation has caused many states, including Arizona, to reexamine retail electric competition.

In 1999, the ACC approved rules that provide a framework for the introduction of retail electric competition in Arizona. The rules applied to Arizona's investor-owned utilities and required, among other things, a phase-in of retail competition, with all customers eligible for retail choice as of January 2001, and the divestiture of generation assets to third parties or unregulated affiliates. In September 2002, the ACC issued the "Track A" Order which prohibited the previously-ordered generation transfers out of the utilities. The Track A Order also addressed market power, codes of conduct between utilities and their affiliates and other jurisdictional issues.

### Test Period

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

### Adjustment Mechanisms

APS does not have a fuel and purchased power adjustment clause. APS had such a clause until April 1989. Changes in fuel and purchased power costs are reflected in current earnings and are addressed in general rate cases. In accordance with the 1999 Settlement Agreement, APS filed in 2002 for approval of adjustment mechanisms for recovery of changes in fuel and purchased power costs; certain costs of complying with the ACC electric competition rules; and certain other costs. The ACC approved the adjustment mechanisms, subject to implementation and possible reconsideration through the pending general rate case.

## **RATE REGULATION (CONTINUED)**

### **Competitive Power Procurement**

In March 2003, the ACC issued its "Track B" Order, which required investor-owned utilities subject to its jurisdiction to solicit competitive bids for certain estimated capacity and energy requirements beginning July 2003. The Track B Order also contains the requirement that each utility establish a secondary procurement protocol that establishes the processes it may use to obtain any power it needs to purchase in addition to that acquired as a result of the bidding process.

### **RETAIL RATE CASES AND SETTLEMENTS**

#### **Pending General Rate Case**

As required by the 1999 Settlement Agreement, APS filed a general rate case in June 2003. The major provisions of the filing include a 9.8% retail rate increase (approximately \$175 million pretax annually), rate treatment for generating plants built in Arizona since 1999 by Pinnacle West Energy to serve APS retail customers, recovery of \$234 million written off by APS as part of the 1999 Settlement Agreement, and implementation of adjustment mechanisms for changes in fuel, purchased power and certain other costs. The ACC Staff and other intervenors' disagree with certain provisions of APS' request. APS expects the ACC to make a decision on the request by the end of 2004.

#### **1999 Settlement Agreement**

In September 1999, the ACC approved a settlement agreement related to implementation of retail electric competition by APS. The 1999 Settlement 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% choice as of January 2001.

#### **1996 Regulatory Agreement**

In April 1996, the ACC approved a retail regulatory agreement which provided for 3.4% rate reduction (approximately \$49 million pretax annually) 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 retail rate reductions of 1.1% (approximately \$17 million pretax annually) and 1.2% (approximately \$17.6 million pretax annually) 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 included in the 1.5% rate reduction under the 1999 Settlement Agreement.

### **FEDERAL REGULATION**

APS is subject to regulation by the Federal Energy Regulatory Commission (FERC) in certain matters which include wholesale power sales and transmission services. In 2003, approximately 19% of Pinnacle West's consolidated electric operating revenues and approximately 19% of APS' electric operating revenues were derived from sales and charges regulated by FERC.

FERC has begun addressing issues relating to standard market design for wholesale markets, regional transmission organizations to support nondiscriminatory markets, and other issues related to restructuring wholesale power markets. APS is actively participating in these proceedings.

### **FURTHER INFORMATION ON REGULATORY MATTERS**

Regulatory developments are discussed in detail in a number of sections of the 2003 Pinnacle West Annual Report on form 10-K. See "Regulation and Competition" in Item 1; "Factors Affecting Our Financial Outlook" in Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7; and Note 3 of Notes to Consolidated Financial Statements, "Regulatory Matters" in Item 8.

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

Year Ended December 31,	2003	2002	2001	2000	1999	1998
<b>APS SOURCE OF ENERGY (MWh)</b>						
Steam generation						
Nuclear	8,314,712	8,980,814	8,384,724	8,840,745	8,848,661	8,805,877
Coal	11,366,560	12,055,956	12,573,954	12,509,372	11,878,404	11,564,305
Gas	265,180	456,582	1,359,747	1,161,775	822,572	497,642
Oil	12,475	–	127,670	23,041	–	–
Combustion turbines						
Gas	72,533	169,925	734,743	445,796	141,193	129,052
Oil	2,115	2,847	100,585	51,907	2,347	7,801
Combined cycle						
Gas	687,677	862,940	1,131,172	1,048,237	756,967	599,925
Oil	–	144	60	19,404	482	2,665
Hydro and solar	34,920	31,536	33,660	33,746	33,908	32,035
Total generation	20,756,172	22,560,744	24,446,315	24,134,023	22,484,534	21,639,302
Purchased power (a)						
Firm load	6,717,242	3,944,335	3,466,189	2,514,500	2,479,342	2,468,001
Marketing and trading	19,000,993	3,949,748	7,229,489	18,416,438	14,594,983	7,930,505
Total	25,718,235	7,894,083	10,695,678	20,930,938	17,074,325	10,398,506
Total source of energy	46,474,407	30,454,827	35,141,993	45,064,961	39,558,859	32,037,808
<b>APS DISPOSITION OF ENERGY (MWh)</b>						
Sales to ultimate customers	24,562,305	23,361,755	23,399,012	22,534,524	21,074,570	20,463,083
Sales for resale (a)	20,237,019	5,695,742	9,831,053	21,520,769	15,693,834	10,317,391
Losses and company use	1,675,083	1,397,330	1,911,928	1,009,668	2,790,455	1,257,334
Total disposition of energy	46,474,407	30,454,827	35,141,993	45,064,961	39,558,859	32,037,808
<b>APS ENERGY FUEL MIX (%)</b>						
Nuclear	17.9%	29.5%	23.9%	19.6%	22.4%	27.5%
Coal	24.5%	39.6%	35.8%	27.8%	30.0%	36.2%
Gas	2.2%	4.9%	9.2%	5.9%	4.3%	3.9%
Other (b)	0.1%	0.1%	0.7%	0.3%	0.1%	0.1%
Purchased power and interchange – net	55.3%	25.9%	30.4%	46.4%	43.2%	32.3%
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,	2003	2002	2001	2000	1999	1998
<b>PEAK LOAD (kW)</b>						
Actual	6,332,400	5,802,900	5,687,200	5,478,500	4,934,700	5,072,000
Weather-adjusted (a)	6,142,300	5,828,100	5,503,700	5,660,800	5,089,000	4,903,200
Increase (decrease) vs. prior year						
Actual	9.1%	2.0%	3.8%	11.0%	(2.7)%	10.1%
Weather-adjusted	5.4%	5.9%	(2.8)%	11.2%	3.8%	4.5%
<b>FIRM POWER SALES (kW)</b>	1,200,000	429,000	1,000	50,000	-	-
<b>RESOURCES AVAILABLE</b>						
<b>AT PEAK (kW)</b>						
Generating capacity	3,736,500	3,877,600	3,234,500	3,501,600	3,587,100	3,972,600
Purchased power contracts (b)	4,198,000	2,612,000	2,490,000	2,238,000	1,643,000	1,167,000
Total resources	7,934,500	6,489,600	5,724,500	5,739,600	5,230,100	5,139,600
<b>RESERVE MARGIN</b>	12.1%	7.1%	1.1%	6.4%	9.1%	3.1%
<b>ANNUAL LOAD FACTOR - NET</b>	50.9%	52.6%	53.2%	53.4%	54.1%	52.5%

(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,	2003	2002	2001	2000	1999	1998
<b>NUCLEAR (NET CAPACITY FACTORS)</b>						
Palo Verde Unit 1	97.2%	89.1%	87.8%	100.4%	88.7%	87.9%
Palo Verde Unit 2	77.5%	92.0%	92.6%	87.3%	90.0%	101.8%
Palo Verde Unit 3	87.4%	102.0%	83.9%	90.3%	100.3%	87.9%
Palo Verde site average	87.4%	94.4%	88.1%	92.7%	93.0%	92.5%
<b>COAL (NET CAPACITY FACTORS)</b>						
Four Corners	84.5%	82.7%	85.6%	83.0%	82.1%	81.7%
Cholla	65.1%	77.5%	81.2%	82.8%	77.2%	74.4%
Navajo	74.8%	80.4%	84.7%	84.4%	76.0%	71.0%
Total coal average	75.8%	80.4%	83.8%	83.2%	79.2%	77.1%

**GENERATION RESOURCES** (in service as of December 31, 2003)

Plant Type and Name	Location	Ownership or Interest (a)	Number of Units	APS Share (kW)
<b>ARIZONA PUBLIC SERVICE - Net Accredited Capacity</b>				
<b>NUCLEAR-FUELED STEAM PLANT</b>				
Palo Verde	Wintersburg, Arizona	29.1%	3	1,113,000
<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	9,191
<b>TOTAL</b>			45	4,012,191
<b>PINNACLE WEST ENERGY CORPORATION - Permitted Capacity</b>				
<b>GAS-FUELED COMBINED CYCLE PLANTS</b>				
West Phoenix 4	Phoenix, Arizona	100%	1	120,000
West Phoenix 5	Phoenix, Arizona	100%	1	530,000
Redhawk	Arlington, Arizona	100%	2	1,060,000
<b>GAS-FUELED COMBUSTION TURBINE</b>				
Saguaro 3	Red Rock, Arizona	100%	1	80,000
<b>TOTAL</b>			5	1,790,000

(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, 2003)

Plant Type and Name	Location	kW	Expected In-Service Date
<b>GAS-FUELED COMBINED CYCLE PLANT - Permitted Capacity</b>			
Silverhawk (a)	Las Vegas, Nevada	570,000	2004

(a) Southern Nevada Water Authority has signed a participation agreement for 25% of the total project 570,000 kW.

**APS ENERGY SERVICES FINANCIAL HIGHLIGHTS** (dollars in thousands)

Year Ended December 31,	2003	2002	2001	2000	1999	1998
<b>NET INCOME (LOSS) (a)</b>	\$ 16,049	\$ 28,269	\$ (9,973)	\$ (13,165)	\$ (9,190)	\$ -
December 31,	2003	2002	2001	2000	1999	1998
<b>ASSETS</b>						
Property, plant & equipment	\$ 31,574	\$ 30,649	\$ 26,852	\$ 3,675	\$ 4,831	\$ -
Customer and other receivables	38,442	51,879	40,489	15,265	133	-
Cash and other assets	20,215	7,056	2,865	3,924	408	-
Total assets	\$ 90,231	\$ 89,584	\$ 70,206	\$ 22,864	\$ 5,372	\$ -
<b>LIABILITIES AND EQUITY</b>						
Accounts payable	\$ 9,177	\$ 12,058	\$ 21,251	\$ 15,472	\$ 3,118	\$ -
Other liabilities	20,848	18,146	6,037	687	-	-
Stockholder's equity	60,206	59,380	42,918	6,705	2,254	-
Total liabilities and equity	\$ 90,231	\$ 89,584	\$ 70,206	\$ 22,864	\$ 5,372	\$ -

(a) Prior to 2003, income taxes were recorded at the Parent.

**EL DORADO INVESTMENT COMPANY FINANCIAL HIGHLIGHTS** (dollars in thousands)

Year Ended December 31,	2003	2002	2001	2000	1999	1998
<b>NET INCOME (LOSS)</b>	\$ 7,289	\$ (55,173)	\$ 206	\$ 1,983	\$ 11,483	\$ 4,528
<b>DIVIDENDS DECLARED TO PARENT</b>	-	-	-	14,000	10,000	12,000
December 31,	2003	2002	2001	2000	1999	1998
<b>ASSETS</b>						
Customer and other receivables	\$ 12,181	\$ 19,993	\$ 12,547	\$ 182	\$ 2,746	\$ 1,000
Property, plant and equipment	5,404	10,126	-	-	-	-
Investments	2,695	2,143	9,241	13,945	9,586	17,310
Investments in funds managed by others	-	295	782	6,911	21,344	6,985
Cash and other assets	6,725	3,535	158	390	2,939	1,848
Total assets	\$ 27,005	\$ 36,092	\$ 22,728	\$ 21,428	\$ 36,615	\$ 27,143
<b>LIABILITIES AND EQUITY</b>						
Short-term borrowings	\$ 39,418	\$ 23,456	\$ -	\$ -	\$ -	\$ -
Deferred taxes	-	-	1,051	1,546	7,774	-
Other liabilities	18,969	51,235	5,103	3,514	457	237
Stockholder's equity	(31,382)	(38,599)	16,574	16,368	28,384	26,906
Total liabilities and equity	\$ 27,005	\$ 36,092	\$ 22,728	\$ 21,428	\$ 36,615	\$ 27,143

**INVESTMENT SUMMARY** as of December 31, 2003

El Dorado's largest holding is a majority interest in NAC, a company specializing in spent nuclear fuel technology, which has been consolidated for financial reporting purposes since mid-2002.

El Dorado also owns minority interests in several energy-related investments and Arizona community-based ventures.