

CONSOLIDATED BALANCE SHEETS (dollars in thousands)

	December 31,	
	2004	2003
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 163,366	\$ 131,062
Investment in debt securities	181,175	91,850
Customer and other receivables	367,863	354,666
Allowance for doubtful accounts	(4,896)	(9,223)
Accrued utility revenues	93,227	88,629
Materials and supplies (at average cost)	101,333	96,099
Fossil fuel (at average cost)	20,512	28,367
Assets from risk management and trading activities (Note 18)	166,896	97,630
Assets related to discontinued operations (Note 22)	-	23,065
Other current assets	47,654	72,649
Total current assets	<u>1,137,130</u>	<u>974,794</u>
INVESTMENTS AND OTHER ASSETS		
Real estate investments – net (Notes 1 and 6)	382,398	358,441
Assets from risk management and trading activities – long-term (Note 18)	224,341	138,946
Decommissioning trust accounts (Note 12)	267,700	240,645
Other assets	107,212	88,473
Total investments and other assets	<u>981,651</u>	<u>826,505</u>
PROPERTY, PLANT AND EQUIPMENT (NOTES 1, 6, 9 AND 10)		
Plant in service and held for future use	10,486,648	9,904,874
Less accumulated depreciation and amortization	3,365,954	3,145,609
Total	<u>7,120,694</u>	<u>6,759,265</u>
Construction work in progress	258,119	554,876
Intangible assets, net of accumulated amortization of \$158,584 and \$128,126	105,486	108,534
Nuclear fuel, net of accumulated amortization of \$59,020 and \$58,053	51,188	52,011
Net property, plant and equipment	<u>7,535,487</u>	<u>7,474,686</u>
DEFERRED DEBITS		
Regulatory assets (Notes 1, 3 and 4)	135,051	132,349
Other deferred debits	107,428	110,708
Total deferred debits	<u>242,479</u>	<u>243,057</u>
TOTAL ASSETS	<u>\$ 9,896,747</u>	<u>\$ 9,519,042</u>

See Notes to Pinnacle West's Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS (dollars in thousands)

	December 31,	
	2004	2003
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 373,526	\$ 283,021
Accrued taxes	245,611	69,769
Accrued interest	38,795	51,825
Short-term borrowings (Note 5)	71,030	86,081
Current maturities of long-term debt (Note 6)	617,165	704,914
Customer deposits	55,558	49,783
Deferred income taxes (Note 4)	9,057	631
Liabilities from risk management and trading activities (Note 18)	113,406	92,755
Liabilities related to discontinued operations (Note 22)	–	16,427
Other current liabilities	101,748	77,362
Total current liabilities	1,625,896	1,432,568
LONG-TERM DEBT LESS CURRENT MATURITIES (NOTE 6)	2,584,985	2,616,585
DEFERRED CREDITS AND OTHER		
Deferred income taxes (Note 4)	1,227,553	1,338,527
Regulatory liabilities (Notes 1, 3 and 4)	506,646	468,694
Liability for asset retirements (Note 12)	251,612	234,440
Pension liability (Note 8)	234,445	188,041
Liabilities from risk management and trading activities – long-term (Note 18)	156,262	82,730
Unamortized gain – sale of utility plant (Note 9)	50,333	54,909
Other	308,819	272,769
Total deferred credits and other	2,735,670	2,640,110
COMMITMENTS AND CONTINGENCIES (NOTES 3, 11 AND 12)		
COMMON STOCK EQUITY (NOTE 7)		
Common stock, no par value; authorized 150,000,000 shares; issued 91,802,861 at end of 2004 and 91,379,947 at end of 2003	1,769,047	1,744,354
Treasury stock at cost; 9,522 shares at end of 2004 and 92,015 shares at end of 2003	(428)	(3,273)
Total common stock	1,768,619	1,741,081
Accumulated other comprehensive income (loss):		
Minimum pension liability adjustment	(81,788)	(66,564)
Derivative instruments	59,243	27,563
Total accumulated other comprehensive loss	(22,545)	(39,001)
Retained earnings	1,204,122	1,127,699
Total common stock equity	2,950,196	2,829,779
TOTAL LIABILITIES AND EQUITY	\$ 9,896,747	\$ 9,519,042

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