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*Every time this light blinks, APS customers  
increase their peak energy demand by 130 watts.*

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THAT TRANSLATES TO ABOUT  
**350,000,000 watts a year.**

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IN 2005, THE PEAK ENERGY DEMAND OF OUR  
CUSTOMERS IS PROJECTED TO INCREASE 350 MILLION  
WATTS OVER 2004. THIS INCREASE REPRESENTS  
ENOUGH ENERGY TO SERVE THE EQUIVALENT  
OF 100,000 ARIZONA HOMES.

## CREATING VALUE

Pinnacle West stock outperformed the S&P 500 Index again in 2004. Pinnacle West's total return for 2004 was 16 percent, compared to 10.8 percent for the S&P 500.

## ACCOMPLISHMENTS

- We serve 225 customers for every employee, compared with fewer than 200 customers per employee in 1999 – a better than 11 percent efficiency increase.
- APS has significantly and steadily improved system reliability. In 1996, the average customer experienced 1.5 outages in a year. In 2004, that number decreased to about one outage – a 33 percent improvement.
- In both the latest J.D. Power Residential and Business Customer Satisfaction Surveys, APS earned the second highest ranking among utilities in the West in overall customer satisfaction, and ranked first among investor-owned utilities in the region.
- Improved efficiency and streamlined processes allowed APS to reduce customer electricity prices by about 16 percent since 1993.
- Sixteen APS line trucks and 40 crew members trekked across the country this summer to lend a much needed hand to overwhelmed Florida electric crews restoring power after the state's devastating hurricane season.

## MANAGING GROWTH

APS' customer base grew 3.7 percent in 2004 – a rate three times the national average.

### ACCOMPLISHMENTS

- In early 2005, APS surpassed one million customers for the first time in our company's 118-year history. This includes more than 300,000 customers added in the last decade alone.
- APS installed nearly 42,000 business and residential meters in 2004 – a new company record.
- To keep up with Arizona's growth, APS completed 75 substation improvement projects, five new substations and four new temporary substations in 2004.
- Our company continues to be a leader in renewable technology. In addition to expanding and developing more solar technology, we are exploring new renewable technologies including biogas, wind and biomass.
- Our call center fielded a record 4.5 million calls in 2004 and met its goal of answering calls in a timely manner.
- APS Energy Services has steadily grown its energy efficiency and district cooling and heating services in the Western region.

## ACHIEVING EXCELLENCE

In 2004, the Palo Verde Nuclear Generating Station marked its 13th consecutive year as the nation's largest power producer of any kind.

### ACCOMPLISHMENTS

- In 2004, our company reduced our number of preventable recordable injuries, breaking the previous record low and setting a new safety performance standard.
- In the last 20 years, our West Phoenix, Ocotillo and Yucca Power Plants have zero combined lost-time accidents.
- SunCor, our real estate development company, produced significant earnings again this year – contributing \$45 million to the bottom line.
- For the third time in as many studies, we earned the top rating – AAA – from Innovest Strategic Value Advisors, for our environmental performance.
- In 2004, Innovest Strategic Advisors also ranked Pinnacle West as the top utility in its Intangible Value Assessment (IVA). The IVA is designed to uncover investment value potential by measuring companies in areas such as corporate governance, community outreach, labor relations and regulatory relations.