

**PINNACLE WEST CAPITAL CORPORATION**  
**CONSOLIDATING INCOME STATEMENT** *(dollars in thousands)*

	Year Ended December 31, 2004		
	Pinnacle West Parent Company	APS	Pinnacle West Energy
<b>OPERATING REVENUES</b>			
Regulated electricity segment	\$ -	\$ 2,051,602	\$ 45,469
Marketing and trading segment	145,744	145,519	47,839
Real estate segment	-	-	-
Other revenues	-	-	-
Total	145,744	2,197,121	93,308
<b>OPERATING EXPENSES</b>			
Regulated electricity segment purchased power and fuel	12,265	612,300	1,624
Marketing and trading segment purchased power and fuel	120,629	150,954	1,790
Operations and maintenance	(6,243)	540,277	49,435
Real estate operations segment	-	-	-
Depreciation and amortization	9,623	336,648	46,787
Taxes other than income taxes	-	114,265	7,779
Other expenses	-	-	-
Total	136,274	1,754,444	107,415
<b>OPERATING INCOME</b>	9,470	442,677	(14,107)
<b>OTHER</b>			
Allowance for equity funds used during construction	-	4,885	-
Other income	248,530	30,593	1,489
Other expenses	(5,740)	(13,816)	(1,056)
Total	242,790	21,662	433
<b>INTEREST EXPENSE</b>			
Interest charges	25,042	151,837	38,158
Capitalized interest	1,193	(7,155)	(5,225)
Total	26,235	144,682	32,933
<b>INCOME FROM CONTINUING OPERATIONS</b>			
<b>BEFORE INCOME TAXES</b>	226,025	319,657	(46,607)
<b>INCOME TAXES</b>	(19,929)	120,030	-
<b>INCOME FROM CONTINUING OPERATIONS</b>	245,954	199,627	(46,607)
Income (loss) from discontinued operations – net of income taxes	(2,759)	-	-
<b>NET INCOME (LOSS)</b>	\$ 243,195	\$ 199,627	\$ (46,607)

**EXPLANATIONS OF ELIMINATIONS AND ADJUSTMENTS**

- (a) Elimination of intercompany sales of electricity.  
(b) Reclassification of certain expenses.  
(c) Elimination of intercompany interest expense and income.

## Year Ended December 31, 2004

SunCor	El Dorado	APS Energy Services	Eliminations and Adjustments	TOTAL
\$ -	\$ -	\$ -	\$ (61,824) (a)	\$ 2,035,247
-	-	173,588	(50,820) (a)	461,870
359,792	-	-	-	359,792
-	-	42,816	-	42,816
359,792	-	216,404	(112,644)	2,899,725
-	-	-	(58,756) (a)	567,433
-	-	159,594	(50,820) (a)	382,147
-	-	17,435	(4,347) (a)	596,557
288,646	-	-	1,254 (b)	289,900
6,202	-	1,845	-	401,105
-	-	-	172 (b)	122,216
-	-	34,108	-	34,108
294,848	-	212,982	(112,497)	2,393,466
64,944	-	3,422	(147)	506,259
-	-	-	-	4,885
5,123	34,538	2,783	(269,067) (c)	53,989
-	(959)	(111)	172 (b)	(21,510)
5,123	33,579	2,672	(268,895)	37,364
5,942	324	1,612	(27,056) (c)	195,859
(3,805)	-	(65)	(1,254) (b)	(16,311)
2,137	324	1,547	(28,310)	179,548
67,930	33,255	4,547	(240,732)	364,075
27,067	-	1,689	-	128,857
40,863	33,255	2,858	(240,732)	235,218
3,865	6,871	-	-	7,977
\$ 44,728	\$ 40,126	\$ 2,858	\$ (240,732)	\$ 243,195

**PINNACLE WEST CAPITAL CORPORATION**  
**CONSOLIDATING BALANCE SHEETS** *(dollars in thousands)*

	December 31, 2004		
	Pinnacle West Parent Company	APS	Pinnacle West Energy
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 90,721	\$ 49,575	\$ 25
Investment in debt securities	-	181,175	-
Customer and other receivables	184,214	277,618	44,769
Allowance for doubtful accounts	(1,200)	(3,444)	-
Accrued utility revenues	-	76,154	-
Materials and supplies (at average cost)	-	83,893	17,440
Fossil fuel (at average cost)	-	20,506	6
Assets from risk management and trading activities	96,466	70,430	-
Other current assets	1,869	10,187	3,838
Total current assets	372,070	766,094	66,078
<b>INVESTMENTS AND OTHER ASSETS</b>			
Real estate investments - net	-	-	-
Assets from risk management and trading activities - long-term	204,218	20,123	-
Decommissioning trust accounts	-	267,700	-
Other assets	3,348,991	559,853	491
Total investments and other assets	3,553,209	847,676	491
<b>PROPERTY, PLANT AND EQUIPMENT</b>			
Plant in service and held for future use	12,790	9,120,407	1,322,403
Less accumulated depreciation and amortization	1,176	3,266,181	95,369
Total	11,614	5,854,226	1,227,034
Construction work in progress	20	249,243	1,378
Intangible assets, net of accumulated amortization	340	103,701	110
Nuclear fuel, net of accumulated amortization	-	51,188	-
Net property, plant and equipment	11,974	6,258,358	1,228,522
<b>DEFERRED DEBITS</b>			
Regulatory assets	-	135,051	-
Other deferred debits	-	91,373	8,292
Total deferred debits	-	226,424	8,292
<b>TOTAL ASSETS</b>	<b>\$ 3,937,253</b>	<b>\$ 8,098,552</b>	<b>\$ 1,303,383</b>

**EXPLANATIONS OF ELIMINATIONS AND ADJUSTMENTS**

- (a) Elimination of intercompany receivables and payables.  
 (b) Miscellaneous reclassifications.  
 (c) Elimination of Parent Company investments in subsidiaries.

## December 31, 2004

	SunCor	El Dorado	APS Energy Services	Eliminations and Adjustments	TOTAL
\$	23,045	\$ -	\$ -	\$ -	\$ 163,366
	-	-	-	-	181,175
	7,189	47	23,057	(169,031) (a)	367,863
	-	-	(252)	-	(4,896)
	-	-	17,073	-	93,227
	-	-	-	-	101,333
	-	-	-	-	20,512
	-	-	-	-	166,896
	32,010	139	(389)	-	47,654
	62,244	186	39,489	(169,031)	1,137,130
	380,524	-	-	1,874 (b)	382,398
	-	-	-	-	224,341
	-	-	-	-	267,700
	3,417	23,309	415	(3,829,264) (a,b,c)	107,212
	383,941	23,309	415	(3,827,390)	981,651
	-	-	31,048	-	10,486,648
	-	-	3,228	-	3,365,954
	-	-	27,820	-	7,120,694
	-	-	7,478	-	258,119
	-	-	1,335	-	105,486
	-	-	-	-	51,188
	-	-	36,633	-	7,535,487
	-	-	-	-	135,051
	17,519	-	-	(9,756) (b)	107,428
	17,519	-	-	(9,756)	242,479
\$	463,704	\$ 23,495	\$ 76,537	\$ (4,006,177)	\$ 9,896,747

**PINNACLE WEST CAPITAL CORPORATION**  
**CONSOLIDATING BALANCE SHEETS** *(dollars in thousands)*

	December 31, 2004		
	Pinnacle West Parent Company	APS	Pinnacle West Energy
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 95,698	\$ 215,076	\$ 19,381
Accrued taxes	16,212	292,521	(89,900)
Accrued interest	5,283	33,332	5,325
Short-term borrowings	-	-	-
Current maturities of long-term debt	165,133	451,247	-
Customer deposits	-	51,804	-
Deferred income taxes	-	9,057	-
Liabilities from risk management and trading activities	79,114	34,292	-
Other current liabilities	67,441	91,441	7,398
Total current liabilities	428,881	1,178,770	(57,796)
<b>LONG-TERM DEBT LESS CURRENT MATURITIES</b>	<b>302,702</b>	<b>2,267,094</b>	<b>500,000</b>
<b>DEFERRED CREDITS AND OTHER</b>			
Deferred income taxes	35,436	1,108,571	91,315
Regulatory liabilities	-	506,646	-
Liability for asset retirements	-	251,612	-
Pension liability	23,228	203,668	590
Liabilities from risk management and trading activities - long-term	143,138	13,124	-
Unamortized gain - sale of utility plant	-	50,333	-
Other	912	286,332	(302)
Total deferred credits and other	202,714	2,420,286	91,603
<b>COMMON STOCK EQUITY</b>			
Common stock, no par value	2,242,148	1,424,966	821,294
Treasury stock, at cost	(428)	-	-
Total common stock	2,241,720	1,424,966	821,294
Accumulated other comprehensive income (loss):			
Minimum pension liability adjustment	(10,701)	(71,087)	-
Derivative instruments	40,916	18,327	-
Total accumulated other comprehensive income (loss)	30,215	(52,760)	-
Retained earnings	731,021	860,196	(51,718)
Total common stock equity	3,002,956	2,232,402	769,576
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 3,937,253</b>	<b>\$ 8,098,552</b>	<b>\$ 1,303,383</b>

**EXPLANATIONS OF ELIMINATIONS AND ADJUSTMENTS**

- (a) Elimination of intercompany receivables and payables.  
 (b) Miscellaneous reclassifications.  
 (c) Elimination of Parent Company equity interest in subsidiaries.

## December 31, 2004

	SunCor	El Dorado	APS Energy Services	Eliminations and Adjustments	TOTAL
\$	30,342	\$ 27	\$ 13,002	\$ -	\$ 373,526
	34,102	(5,974)	(1,350)	-	245,611
	180	-	-	(5,325) (a)	38,795
	71,030	19,457	2,771	(22,228) (a)	71,030
	785	-	-	-	617,165
	3,754	-	-	-	55,558
	-	-	-	-	9,057
	-	-	-	-	113,406
	36,123	1,169	15,496	(117,320) (a,b)	101,748
	176,316	14,679	29,919	(144,873)	1,625,896
	15,189	-	-	(500,000) (a)	2,584,985
	-	-	2,250	(10,019) (b)	1,227,553
	-	-	-	-	506,646
	-	-	-	-	251,612
	6,696	-	263	-	234,445
	-	-	-	-	156,262
	-	-	-	-	50,333
	46,244	-	(209)	(24,158) (b)	308,819
	52,940	-	2,304	(34,177)	2,735,670
	150,052	14,046	29,467	(2,912,926) (c)	1,769,047
	-	-	-	-	(428)
	150,052	14,046	29,467	(2,912,926)	1,768,619
	-	-	-	-	(81,788)
	-	-	-	-	59,243
	-	-	-	-	(22,545)
	69,207	(5,230)	14,847	(414,201) (c)	1,204,122
	219,259	8,816	44,314	(3,327,127)	2,950,196
\$	463,704	\$ 23,495	\$ 76,537	\$ (4,006,177)	\$ 9,896,747

**PINNACLE WEST CAPITAL CORPORATION**  
**CONSOLIDATED STATEMENTS OF INCOME** *(dollars and shares in thousands, except per share amounts)*

	Year Ended December 31,		
	2004	2003	2002
<b>OPERATING REVENUES</b>			
Regulated electricity segment	\$ 2,035,247	\$ 1,978,075	\$ 1,890,391
Marketing and trading segment	461,870	391,886	286,879
Real estate segment	359,792	361,604	201,081
Other revenues	42,816	27,929	26,899
Total	<u>2,899,725</u>	<u>2,759,494</u>	<u>2,405,250</u>
<b>OPERATING EXPENSES</b>			
Regulated electricity segment purchased power and fuel	567,433	517,320	376,911
Marketing and trading segment purchased power and fuel	382,147	344,862	154,987
Operations and maintenance	596,557	548,732	584,538
Real estate operations segment	289,900	305,974	185,925
Depreciation and amortization	401,105	435,140	422,299
Taxes other than income taxes	122,216	110,270	107,952
Other expenses	34,108	23,254	21,895
Total	<u>2,393,466</u>	<u>2,285,552</u>	<u>1,854,507</u>
<b>OPERATING INCOME</b>	<u>506,259</u>	<u>473,942</u>	<u>550,743</u>
<b>OTHER</b>			
Preferred stock dividend of APS	-	-	-
Allowance for equity funds used during construction	4,885	14,240	-
Other income	53,989	35,563	14,910
Other expenses	(21,510)	(20,574)	(33,655)
Total	<u>37,364</u>	<u>29,229</u>	<u>(18,745)</u>
<b>INTEREST EXPENSE</b>			
Interest charges	195,859	204,339	187,039
Capitalized interest	(16,311)	(29,444)	(43,749)
Total	<u>179,548</u>	<u>174,895</u>	<u>143,290</u>
<b>INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES</b>	<u>364,075</u>	<u>328,276</u>	<u>388,708</u>
<b>INCOME TAXES</b>	<u>128,857</u>	<u>102,473</u>	<u>152,145</u>
<b>INCOME FROM CONTINUING OPERATIONS</b>	<u>235,218</u>	<u>225,803</u>	<u>236,563</u>
Income (loss) from discontinued operations - net of income tax expense (benefit) of \$5,480, \$9,616 and (\$14,045)	7,977	14,776	(21,410)
Income tax benefit from discontinued operations	-	-	-
Extraordinary charge for regulatory disallowance - net of income tax expense of \$94,115	-	-	-
Cumulative effect of change in accounting for derivatives - net of income tax expense of \$9,892	-	-	-
Cumulative effect of a change in accounting for trading activities - net of income tax benefit of (\$43,123)	-	-	(65,745)
<b>NET INCOME</b>	<u>\$ 243,195</u>	<u>\$ 240,579</u>	<u>\$ 149,408</u>
<b>WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING - BASIC</b>	<u>91,397</u>	<u>91,265</u>	<u>84,903</u>
<b>WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING - DILUTED</b>	<u>91,532</u>	<u>91,405</u>	<u>84,964</u>
<b>EARNINGS PER WEIGHTED-AVERAGE COMMON SHARE OUTSTANDING</b>			
Income from continuing operations - basic	\$ 2.57	\$ 2.47	\$ 2.79
Net income - basic	2.66	2.64	1.76
Income from continuing operations - diluted	2.57	2.47	2.78
Net income - diluted	2.66	2.63	1.76
<b>DIVIDENDS DECLARED PER SHARE</b>	<u>\$ 1.825</u>	<u>\$ 1.725</u>	<u>\$ 1.625</u>

## Year Ended December 31,

	2001	2000	1999
\$	1,984,305	\$ 2,538,752	\$ 1,915,108
	469,784	418,532	154,125
	168,908	158,365	130,169
	11,771	3,873	439
	2,634,768	3,119,522	2,199,841
	583,080	1,065,597	433,459
	152,762	292,669	136,521
	530,095	450,205	446,173
	153,462	134,422	119,516
	427,903	431,229	419,842
	101,068	99,780	96,606
	10,375	782	200
	1,958,745	2,474,684	1,652,317
	676,023	644,838	547,524
	-	-	(1,016)
	-	-	-
	26,416	21,832	38,303
	(33,577)	(25,329)	(27,969)
	(7,161)	(3,497)	9,318
	175,822	166,447	157,142
	(47,862)	(21,638)	(11,664)
	127,960	144,809	145,478
	540,902	496,532	411,364
	213,535	194,200	141,592
	327,367	302,332	269,772
	-	-	-
	-	-	38,000
	-	-	(139,885)
	(15,201)	-	-
	-	-	-
\$	312,166	\$ 302,332	\$ 167,887
	84,718	84,733	84,717
	84,930	84,935	85,009
\$	3.86	\$ 3.57	\$ 3.18
	3.68	3.57	1.98
	3.85	3.56	3.17
	3.68	3.56	1.97
\$	1.525	\$ 1.425	\$ 1.325

**PINNACLE WEST CAPITAL CORPORATION**  
**CONSOLIDATED BALANCE SHEETS** *(dollars in thousands)*

	December 31,		
	2004	2003	2002
<b>ASSETS</b>			
<b>CURRENT ASSET</b>			
Cash and cash equivalents	\$ 163,366	\$ 131,062	\$ 77,566
Investment in debt securities	181,175	91,850	-
Customer and other receivables	367,863	354,666	362,587
Allowance for doubtful accounts	(4,896)	(9,223)	(9,607)
Accrued utility revenues	93,227	88,629	94,504
Materials and supplies (at average cost)	101,333	96,099	91,652
Fossil fuel (at average cost)	20,512	28,367	28,185
Deferred income taxes	-	-	4,094
Assets from risk management and trading activities	166,896	97,630	102,664
Assets related to discontinued operations	-	23,065	42,339
Other current assets	47,654	72,649	66,388
Total current assets	<u>1,137,130</u>	<u>974,794</u>	<u>860,372</u>
<b>INVESTMENTS AND OTHER ASSETS</b>			
Real estate investments - net	382,398	358,441	384,427
Assets from risk management and trading activities - long-term	224,341	138,946	191,754
Decommissioning trust accounts	267,700	240,645	194,440
Other assets	107,212	88,473	76,843
Total investments and other assets	<u>981,651</u>	<u>826,505</u>	<u>847,464</u>
<b>PROPERTY, PLANT AND EQUIPMENT</b>			
Plant in service and held for future use	10,486,648	9,904,874	9,058,900
Less accumulated depreciation and amortization	3,365,954	3,145,609	2,917,552
Total	<u>7,120,694</u>	<u>6,759,265</u>	<u>6,141,348</u>
Construction work in progress	258,119	554,876	777,542
Intangible assets, net of accumulated amortization	105,486	108,534	109,815
Nuclear fuel, net of accumulated amortization	51,188	52,011	51,124
Net property, plant and equipment	<u>7,535,487</u>	<u>7,474,686</u>	<u>7,079,829</u>
<b>DEFERRED DEBITS</b>			
Regulatory assets	135,051	132,349	241,045
Other deferred debits	107,428	110,708	110,447
Total deferred debits	<u>242,479</u>	<u>243,057</u>	<u>351,492</u>
<b>TOTAL ASSETS</b>	<u>\$ 9,896,747</u>	<u>\$ 9,519,042</u>	<u>\$ 9,139,157</u>

December 31,		
2001	2000	1999
\$ 28,619	\$ 10,363	\$ 20,705
-	-	-
381,575	516,402	246,137
(14,334)	(2,580)	(1,538)
76,131	74,566	72,919
81,215	71,966	69,977
27,023	19,405	21,869
-	5,793	8,163
66,973	17,506	-
-	-	-
48,366	48,430	47,950
695,568	761,851	486,182
417,711	369,714	343,382
200,351	32,955	-
202,036	204,716	175,733
135,216	126,213	83,960
955,314	733,598	603,075
8,030,847	7,644,018	7,412,937
2,742,721	2,581,784	2,498,250
5,288,126	5,062,234	4,914,687
1,047,072	465,620	229,554
86,782	94,393	93,384
49,282	47,389	49,113
6,471,262	5,669,636	5,286,738
342,383	469,867	613,729
64,597	62,606	105,717
406,980	532,473	719,446
\$ 8,529,124	\$ 7,697,558	\$ 7,095,441

**PINNACLE WEST CAPITAL CORPORATION**  
**CONSOLIDATED BALANCE SHEETS** *(dollars in thousands)*

	December 31,		
	2004	2003	2002
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 373,526	\$ 283,021	\$ 332,441
Accrued taxes	245,611	69,769	71,107
Accrued interest	38,795	51,825	53,018
Short-term borrowings	71,030	86,081	227,683
Current maturities of long-term debt	617,165	704,914	280,888
Customer deposits	55,558	49,783	42,190
Deferred income taxes	9,057	631	-
Liabilities from risk management and trading activities	113,406	92,755	111,329
Liabilities related to discontinued operations	-	16,427	28,855
Other current liabilities	101,748	77,362	85,585
Total current liabilities	<u>1,625,896</u>	<u>1,432,568</u>	<u>1,233,096</u>
<b>LONG-TERM DEBT LESS CURRENT MATURITIES</b>			
	<u>2,584,985</u>	<u>2,616,585</u>	<u>2,743,741</u>
<b>DEFERRED CREDITS AND OTHER</b>			
Deferred income taxes	1,227,553	1,338,527	1,209,074
Regulatory liabilities	506,646	468,694	26,264
Liability for asset retirements	251,612	234,440	600,431
Pension liability	234,445	188,041	183,880
Liabilities from risk management and trading activities - long-term	156,262	82,730	147,900
Unamortized gain - sale of utility plant	50,333	54,909	59,484
Other	308,819	272,769	249,134
Total deferred credits and other	<u>2,735,670</u>	<u>2,640,110</u>	<u>2,476,167</u>
<b>COMMON STOCK EQUITY</b>			
Common stock, no par value	1,769,047	1,744,354	1,737,258
Treasury stock, at cost	(428)	(3,273)	(4,358)
Total common stock	<u>1,768,619</u>	<u>1,741,081</u>	<u>1,732,900</u>
Accumulated other comprehensive income (loss):			
Minimum pension liability adjustment	(81,788)	(66,564)	(71,264)
Derivative instruments	59,243	27,563	(20,020)
Total accumulated other comprehensive loss	<u>(22,545)</u>	<u>(39,001)</u>	<u>(91,284)</u>
Retained earnings	1,204,122	1,127,699	1,044,537
Total common stock equity	<u>2,950,196</u>	<u>2,829,779</u>	<u>2,686,153</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>\$ 9,896,747</u>	<u>\$ 9,519,042</u>	<u>\$ 9,139,157</u>

## December 31,

	2001	2000	1999
\$	268,521	\$ 375,437	\$ 185,720
	96,729	89,246	70,510
	48,806	42,954	33,253
	405,762	82,775	38,300
	126,140	463,469	114,798
	30,232	26,189	26,098
	3,244	-	-
	35,994	37,179	-
	-	-	-
	70,078	70,360	25,062
	1,085,506	1,187,609	493,741
	2,673,078	1,955,083	2,206,052
	1,064,993	1,143,040	1,183,855
	27,355	28,022	45,263
	589,725	574,891	524,418
	49,032	78,979	95,554
	207,576	14,711	-
	64,060	68,636	73,212
	268,476	263,873	267,613
	2,271,217	2,172,152	2,189,915
	1,536,924	1,537,920	1,540,197
	(5,886)	(5,089)	(2,748)
	1,531,038	1,532,831	1,537,449
	(966)	-	-
	(63,599)	-	-
	(64,565)	-	-
	1,032,850	849,883	668,284
	2,499,323	2,382,714	2,205,733
\$	8,529,124	\$ 7,697,558	\$ 7,095,441

**PINNACLE WEST CAPITAL CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS** *(dollars in thousands)*

	Year Ended December 31,		
	2004	2003	2002
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net Income	\$ 243,195	\$ 240,579	\$ 149,408
Adjustments to reconcile net income to net cash provided by operating activities:			
Loss (income) from discontinued operations, net of tax	(7,977)	(14,776)	21,410
Cumulative effect of accounting change, net of tax	-	-	65,745
Equity earnings in Phoenix Suns partnership	(34,594)	-	-
Extraordinary charge for regulatory disallowance, net of tax	-	-	-
Depreciation and amortization	401,105	435,140	422,299
Nuclear fuel amortization	30,446	28,757	31,185
Allowance for equity funds used during construction	(4,885)	(14,240)	-
Deferred income taxes	(113,850)	81,756	191,135
Change in mark-to-market valuations	(18,915)	17,410	(18,146)
Redhawk Units 3 and 4 cancellation charge	-	-	49,192
Changes in current assets and liabilities:			
Customer and other receivables	(17,524)	(12,456)	60,336
Accrued utility revenues	(4,598)	5,875	(18,373)
Materials, supplies and fossil fuel	2,621	(4,629)	(11,599)
Other current assets	24,995	(6,865)	(6,643)
Accounts payable	98,001	(7,125)	17,008
Accrued taxes	175,842	(1,338)	(36,041)
Accrued interest	(13,030)	(1,193)	4,212
Other current liabilities	33,669	8,668	24,755
Proceeds from the sale of real estate assets	80,035	130,597	47,906
Real estate investments	(62,812)	(51,837)	(56,355)
Increase in regulatory assets	(2,702)	(20,971)	(11,029)
Change in risk management and trading - assets	(2,549)	46,911	(11,700)
Change in risk management and trading - liabilities	13,018	(11,613)	(22,783)
Change in customer advances	6,402	7,270	(23,780)
Change in pension liability	23,822	19,074	(3,009)
Change in other long-term assets	(39,710)	13,124	(13,593)
Change in other long-term liabilities	32,075	12,635	9,785
Net cash flow provided by operating activities	<b>842,080</b>	<b>900,753</b>	<b>861,325</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditures	(538,232)	(713,256)	(909,259)
Proceeds from the sale of Silverhawk	90,967	-	-
Capitalized interest	(16,311)	(29,444)	(43,749)
Discontinued operations - real estate	8,927	27,193	28,917
Discontinued operations - NAC	8,499	(19,971)	(12,259)
Proceeds from sale of Phoenix Suns partnership	23,101	-	-
Purchases of investment securities	(1,040,955)	(877,660)	-
Proceeds from sale of investment securities	951,630	785,810	-
Proceeds from commercial real estate properties	-	33,297	9,272
Other	(19,579)	(21,040)	36,635
Net cash flow used for investing activities	<b>(531,953)</b>	<b>(815,071)</b>	<b>(890,443)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Issuance of long-term debt	478,328	656,850	674,919
Short-term borrowings and payments - net	(15,051)	(173,303)	(306,079)
Dividends paid on common stock	(166,772)	(157,417)	(137,721)
Repayment of long-term debt	(604,015)	(366,497)	(354,916)
Common stock equity issuance	18,291	-	199,238
Redemption of preferred stock	-	-	-
Other	11,396	8,181	2,624
Net cash flow (used for) provided by financing activities	<b>(277,823)</b>	<b>(32,186)</b>	<b>78,065</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>32,304</b>	<b>53,496</b>	<b>48,947</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>131,062</b>	<b>77,566</b>	<b>28,619</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 163,366</b>	<b>\$ 131,062</b>	<b>\$ 77,566</b>

Year Ended December 31,			
	2001	2000	1999
\$	312,166	\$ 302,332	\$ 167,887
	-	-	(38,000)
	15,201	-	-
	-	-	-
	-	-	139,885
	427,903	431,229	419,842
	28,362	30,083	31,371
	-	-	-
	(17,203)	(37,885)	(67,400)
	(133,573)	(11,752)	(975)
	-	-	-
	146,581	(269,223)	(10,723)
	(1,565)	(1,647)	(5,179)
	(16,867)	475	(8,794)
	64	(17,986)	(12,066)
	(128,017)	193,066	28,110
	7,483	18,736	12,591
	5,852	9,701	1,387
	3,761	98,929	14,130
	35,783	23,836	38,212
	(80,603)	(49,075)	(50,630)
	(17,516)	(14,138)	(12,262)
	(51,894)	-	-
	45,330	13,834	-
	28,599	2,544	6,699
	(30,205)	(19,614)	(14,078)
	14,746	34,681	185,944
	(23,345)	(24,732)	(190,351)
	571,043	713,394	635,600
	(1,055,574)	(658,608)	(343,448)
	-	-	-
	(47,862)	(21,638)	(11,664)
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	(16,481)	(55,595)	(16,143)
	(1,119,917)	(735,841)	(371,255)
	995,447	651,000	607,791
	322,987	44,475	(140,530)
	(129,199)	(120,733)	(112,311)
	(621,057)	(558,019)	(510,693)
	-	-	-
	-	-	(96,499)
	(1,048)	(4,618)	(11,936)
	567,130	12,105	(264,178)
	18,256	(10,342)	167
	10,363	20,705	20,538
\$	28,619	\$ 10,363	\$ 20,705

**PINNACLE WEST CAPITAL CORPORATION**  
**SELECTED CONSOLIDATED FINANCIAL DATA** *(dollars per share)*

	2004	2003	2002	2001	2000	1999
<b>BOOK VALUE PER SHARE</b>						
<b>AT YEAR-END</b>						
APS	\$ 24.32	\$ 24.12	\$ 23.63	\$ 25.35	\$ 24.99	\$ 23.38
SunCor	2.39	2.84	3.41	3.61	3.57	3.67
El Dorado	(0.06)	(0.34)	(0.42)	0.20	0.19	0.33
APS Energy Services	0.48	0.66	0.65	0.51	0.08	0.03
Pinnacle West Energy	8.38	10.65	6.62	0.99	0.16	-
Parent Company	(3.37)	(6.96)	(4.49)	(1.20)	(0.90)	(1.41)
Total	\$ 32.14	\$ 30.97	\$ 29.40	\$ 29.46	\$ 28.09	\$ 26.00
<b>COMMON SHARES</b>						
OUTSTANDING AT YEAR-END	91,802,861	91,379,947	91,379,947	84,824,947	84,824,947	84,824,947
<b>EARNINGS PER SHARE</b>						
<b>FROM CONTINUING OPERATIONS - DILUTED</b>						
APS	\$ 2.18	\$ 1.98	\$ 2.35	\$ 3.30	\$ 3.61	\$ 3.14
SunCor	0.45	0.50	0.11	0.04	0.14	0.07
El Dorado	0.36	(0.01)	(0.06)	-	0.02	0.14
APS Energy Services	0.03	0.18	0.33	(0.12)	(0.16)	(0.11)
Pinnacle West Energy	(0.51)	(0.01)	(0.23)	0.21	(0.03)	-
Parent Company	0.06	(0.17)	0.28	0.42	(0.02)	(0.07)
Total	\$ 2.57	\$ 2.47	\$ 2.78	\$ 3.85	\$ 3.56	\$ 3.17
<b>WEIGHTED-AVERAGE COMMON SHARES</b>						
OUTSTANDING - DILUTED	91,532,473	91,405,134	84,963,921	84,930,140	84,935,282	85,008,527
<b>STOCK PRICE HISTORY</b>						
High	\$ 45.84	\$ 40.48	\$ 46.68	\$ 50.70	\$ 52.22	\$ 43.38
Low	36.30	28.34	21.70	37.65	26.25	30.19
Close	44.41	40.02	34.09	41.85	47.63	30.56

**PINNACLE WEST CAPITAL CORPORATION**  
**NON-UTILITY LONG-TERM DEBT SCHEDULE** *(dollars in thousands)*

	December 31,					
	2004	2003	2002	2001	2000	1999
<b>PARENT COMPANY</b>						
<b>REVOLVING CREDIT</b>						
Variable-rate loan due 2001	\$ -	\$ -	\$ -	\$ -	\$ 188,000	\$ 56,000
<b>NOTES PAYABLE</b>						
6.62% senior notes due 2001	-	-	-	-	25,000	25,000
6.87% senior notes due 2003	-	-	25,000	25,000	25,000	25,000
4.50% senior notes due 2004	-	215,000	215,000	-	-	-
6.40% senior notes due 2006	<b>302,589</b>	300,000	300,000	300,000	-	-
Floating-rate notes due 2003	-	-	250,000	250,000	-	-
Floating-rate senior notes due 2005	<b>165,000</b>	165,000	-	-	-	-
Unamortized discount and premium	<b>(143)</b>	(270)	(530)	-	-	-
	<b>467,446</b>	679,730	789,470	575,000	50,000	50,000
<b>OTHER LONG-TERM DEBT</b>						
Capitalized lease obligations	<b>389</b>	1,243	1,999	1,066	-	-
Total Parent Company	<b>467,835</b>	680,973	791,469	576,066	238,000	106,000
<b>SUNCOR</b>						
<b>REVOLVING CREDIT</b>						
Variable-rate facility due 2003	-	-	-	128,000	110,000	94,000
<b>NOTES PAYABLE</b>						
Variable-rate notes due 2004 - 2008	<b>15,467</b>	17,125	7,647	7,912	8,163	3,404
<b>BONDS PAYABLE</b>						
5.95% bonds due 2024	-	-	-	5,215	-	-
6.75% bonds due 2026	-	-	-	7,500	-	-
5.85% bonds due 2039	-	-	-	-	5,215	5,335
	-	-	-	12,715	5,215	5,335
<b>OTHER LONG-TERM DEBT</b>						
Capitalized lease obligations	<b>507</b>	728	1,299	-	-	-
Total SunCor	<b>15,974</b>	17,853	8,946	148,627	123,378	102,739
<b>TOTAL NON-UTILITY LONG-TERM DEBT INCLUDING CURRENT MATURITIES</b>						
	<b>\$ 483,809</b>	\$ 698,826	\$ 800,415	\$ 724,693	\$ 361,378	\$ 208,739

**PINNACLE WEST CAPITAL CORPORATION**  
**CONSOLIDATED ELECTRIC REVENUE ANALYSIS**

	Year Ended December 31,			
	2004		2003	
<b>ELECTRIC REVENUES (dollars in thousands)</b>				
<b>REGULATED ELECTRICITY SEGMENT</b>				
Retail sales				
Residential	\$ 983,525	39.4%	\$ 956,553	40.4%
Commercial	830,419	33.3	808,901	34.1
Industrial	133,682	5.3	130,603	5.5
Irrigation	1,900	0.1	1,898	0.1
Other	12,438	0.5	11,818	0.5
Total retail	<b>1,961,964</b>	<b>78.6</b>	<b>1,909,773</b>	<b>80.6</b>
Wholesale revenue on delivered electricity				
Traditional contracts	16,545	0.6	15,301	0.6
Retail load hedge management	-	-	-	-
Transmission for others	31,847	1.3	28,098	1.2
Other miscellaneous services	24,891	1.0	24,903	1.1
Total regulated electricity	<b>2,035,247</b>	<b>81.5</b>	<b>1,978,075</b>	<b>83.5</b>
<b>MARKETING AND TRADING SEGMENT</b>				
Delivered marketing and trading				
Generation sales other than Native Load	135,655	5.4	87,832	3.7
Realized margin on electricity trading	35,911	1.4	21,605	0.9
Other delivered electricity	278,699	11.2	308,345	13.0
Total delivered marketing and trading	<b>450,265</b>	<b>18.0</b>	<b>417,782</b>	<b>17.6</b>
Other marketing and trading				
Realized margins on delivered commodities other than electricity	(4,593)	(0.2)	(7,858)	(0.3)
Prior-period mark-to-market gains on contracts delivered during current period	(5,203)	(0.2)	(10,740)	(0.5)
Change in mark-to-market for future-period deliveries	21,401	0.9	(7,298)	(0.3)
Total other marketing and trading	<b>11,605</b>	<b>0.5</b>	<b>(25,896)</b>	<b>(1.1)</b>
Total marketing and trading	<b>461,870</b>	<b>18.5</b>	<b>391,886</b>	<b>16.5</b>
Total electric revenues	<b>\$ 2,497,117</b>	<b>100.0%</b>	<b>\$ 2,369,961</b>	<b>100.0%</b>
<b>INCREASE (DECREASE) VS. PRIOR YEAR</b>				
Retail revenues	2.7%		4.1%	
Regulated electricity revenues	2.9%		4.6%	
Marketing and trading revenues	17.9%		36.6%	
Total electric revenues	5.4%		8.9%	
<b>AVERAGE RETAIL REVENUE PER KWH</b>				
Residential	8.53¢		8.58¢	
Commercial	7.36¢		7.38¢	
Industrial	5.57¢		5.62¢	
Irrigation	7.35¢		7.13¢	
Total retail	7.74¢		7.78¢	

## Year Ended December 31,

2002		2001		2000		1999	
\$ 906,069	41.6%	\$ 914,711	37.3%	\$ 880,468	29.8%	\$ 805,173	38.9%
791,728	36.4	805,326	32.8	771,909	26.1	733,038	35.4
122,234	5.6	133,663	5.4	146,088	4.9	159,329	7.7
2,257	0.1	1,975	0.1	6,498	0.2	7,374	0.4
11,554	0.5	11,663	0.5	10,719	0.4	11,708	0.6
1,833,842	84.2	1,867,338	76.1	1,815,682	61.4	1,716,622	83.0
8,616	0.4	73,305	3.0	120,618	4.1	60,486	2.9
-	-	-	-	560,493	18.9	108,153	5.2
29,803	1.4	25,971	1.1	14,765	0.5	11,348	0.6
18,130	0.8	17,691	0.7	27,194	0.9	18,499	0.9
1,890,391	86.8	1,984,305	80.9	2,538,752	85.8	1,915,108	92.6
50,364	2.3	148,316	6.0	115,476	3.9	29,551	1.4
50,431	2.3	69,942	2.9	55,910	1.9	8,565	0.4
167,731	7.7	131,468	5.4	244,183	8.3	112,551	5.5
268,526	12.3	349,726	14.3	415,569	14.1	150,667	7.3
7,771	0.4	(13,646)	(0.6)	(8,789)	(0.3)	2,483	0.1
(41,422)	(1.9)	6,303	0.2	(2,079)	(0.1)	-	-
52,004	2.4	127,401	5.2	13,831	0.5	975	-
18,353	0.9	120,058	4.8	2,963	0.1	3,458	0.1
286,879	13.2	469,784	19.1	418,532	14.2	154,125	7.4
\$ 2,177,270	100.0%	\$ 2,454,089	100.0%	\$ 2,957,284	100.0%	\$ 2,069,233	100.0%
(1.8)%		2.8%		5.8%		3.7%	
(4.7)%		(21.8)%		32.6%		10.0%	
(38.9)%		12.2%		171.6%		(14.4)%	
(11.3)%		(17.0)%		42.9%		7.7%	
8.68¢		8.85¢		9.00¢		9.18¢	
7.48¢		7.67¢		7.67¢		7.68¢	
5.57¢		5.49¢		5.82¢		6.22¢	
7.06¢		7.35¢		7.46¢		7.40¢	
7.85¢		7.98¢		8.06¢		8.15¢	

**PINNACLE WEST CAPITAL CORPORATION  
CONSOLIDATED ELECTRIC SALES ANALYSIS**

	Year Ended December 31,			
	2004		2003	
<b>ELECTRIC SALES (MWh)</b>				
<b>REGULATED ELECTRICITY SEGMENT</b>				
Retail sales				
Residential	11,527,402	19.5%	11,147,195	20.3%
Commercial	11,289,523	19.1	10,961,417	19.9
Industrial	2,397,916	4.1	2,322,074	4.2
Irrigation	25,865	0.1	26,626	0.1
Other	112,617	0.2	104,993	0.2
Total retail	25,353,323	43.0	24,562,305	44.7
Wholesale electricity delivered				
Traditional contracts	709,128	1.2	499,949	0.9
Retail load hedge management	2,732,296	4.6	1,093,846	2.0
Total regulated electricity	28,794,747	48.8	26,156,100	47.6
<b>MARKETING AND TRADING SEGMENT</b>				
Delivered marketing and trading				
Generation sales other than Native Load	2,717,709	4.6	2,146,271	3.9
Electricity trading and marketing	22,714,188	38.5	21,304,944	38.8
Other delivered electricity	4,745,742	8.1	5,351,539	9.7
Total delivered marketing and trading	30,177,639	51.2	28,802,754	52.4
Total electric sales	58,972,386	100.0%	54,958,854	100.0%
<b>INCREASE (DECREASE) VS. PRIOR YEAR</b>				
Retail sales	3.2%		5.1%	
Regulated electricity sales	10.1%		(1.2)%	
Delivered marketing and trading sales	4.8%		26.0%	
Total electric sales	7.3%		11.4%	

## Year Ended December 31,

2002		2001		2000		1999	
10,443,820	21.2%	10,334,860	23.7%	9,780,680	22.0%	8,774,822	23.9%
10,589,065	21.5	10,504,044	24.1	10,057,707	22.6	9,543,853	26.0
2,192,958	4.4	2,433,438	5.6	2,511,292	5.6	2,561,349	7.0
31,964	0.1	26,860	-	87,073	0.2	99,669	0.3
103,948	0.2	99,810	0.2	97,772	0.2	94,877	0.2
23,361,755	47.4	23,399,012	53.6	22,534,524	50.6	21,074,570	57.4
473,699	1.0	1,213,704	2.8	1,610,032	3.6	1,421,522	3.9
2,641,714	5.3	3,039,905	7.0	6,673,658	15.0	630,945	1.7
26,477,168	53.7	27,652,621	63.4	30,818,214	69.2	23,127,037	63.0
1,791,319	3.6	1,387,860	3.2	1,494,299	3.4	1,267,349	3.4
18,035,867	36.6	13,587,032	31.1	9,259,054	20.8	5,679,023	15.4
3,026,697	6.1	1,025,965	2.3	2,960,314	6.6	6,694,995	18.2
22,853,883	46.3	16,000,857	36.6	13,713,667	30.8	13,641,367	37.0
49,331,051	100.0%	43,653,478	100.0%	44,531,881	100.0%	36,768,404	100.0%
(0.2)%		3.8%		6.9%		3.0%	
(4.3)%		(10.3)%		33.3%		5.7%	
42.8%		16.7%		0.5%		53.2%	
13.0%		(2.0)%		21.1%		19.5%	

**PINNACLE WEST CAPITAL CORPORATION**  
**CONSOLIDATED MARKETING AND TRADING GROSS MARGIN SUMMARY** *(dollars in thousands)*

	Year Ended December 31,		
	2004	2003	2002
<b>REALIZED AND MARK-TO-MARKET COMPONENTS</b>			
Current period effects			
Realized margin on delivered commodities			
Electricity			
Generation sales other than Native Load	\$ 15,816	\$ 6,676	\$ 13,971
Other electricity marketing and trading	52,302	66,245	99,568
Total electricity	68,118	72,921	113,539
Other commodities	(4,593)	(7,858)	7,771
Total realized margin	63,525	65,063	121,310
Prior-period mark-to-market (gains) losses on contracts delivered during current period			
Electricity	(6,985)	(13,656)	(30,220)
Other commodities	1,782	2,917	(11,202)
Charge related to trading activities with Enron and its affiliates	-	-	-
Subtotal	(5,203)	(10,739)	(41,422)
Total current period effects	58,322	54,324	79,888
Change in mark-to-market gains (losses) for future period deliveries			
Electricity	13,867	(8,098)	63,047
Other commodities	7,534	798	(11,043)
Total future period effects	21,401	(7,300)	52,004
Total gross margin before income taxes	\$ 79,723	\$ 47,024	\$ 131,892
<b>BY COMMODITY SOLD OR TRADED</b>			
Electricity	\$ 74,999	\$ 51,167	\$ 146,366
Other commodities	4,724	(4,143)	(14,474)
Total gross margin before income taxes	\$ 79,723	\$ 47,024	\$ 131,892
<b>BY PINNACLE WEST ENTITY</b>			
Parent Company marketing and trading division			
Generation sales other than Native Load	\$ -	\$ (2,977)	\$ 8,390
Electricity marketing and trading	24,497	(1,881)	96,535
Other commodities marketing and trading	618	(795)	(14,474)
APS			
Generation sales other than Native Load	11,831	11,487	1,392
Electricity marketing and trading	(21,371)	222	-
Other commodities marketing and trading	4,105	(3,348)	-
Pinnacle West Energy			
Generation sales other than Native Load	3,985	(1,834)	4,189
Electricity marketing and trading	42,064	10,134	-
APS Energy Services			
Electricity marketing and trading	13,994	36,016	35,860
Total gross margin before income taxes	\$ 79,723	\$ 47,024	\$ 131,892
<b>ACCUMULATED MARK-TO-MARKET GAINS YEAR-END (a)</b>	\$ 39,279	\$ 23,083	\$ 41,233

(a) As of December 31, 2004, Pinnacle West had accumulated net mark-to-market gains of \$39 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: 2005, \$15 million; 2006, \$6 million; and thereafter, \$18 million.

## Year Ended December 31,

	2001	2000	1999
	\$ 79,328	\$ 54,396	\$ 7,043
	117,636	68,585	7,103
	196,964	122,981	14,146
	(13,646)	(8,789)	2,483
	183,318	114,192	16,629
	(10,954)	(2,071)	-
	25,197	(8)	-
	(7,940)	-	-
	6,303	(2,079)	-
	189,621	112,113	16,629
	145,749	7,205	1,548
	(18,348)	6,545	(573)
	127,401	13,750	975
	\$ 317,022	\$ 125,863	\$ 17,604
	\$ 327,586	\$ 128,115	\$ 15,695
	(10,564)	(2,252)	1,909
	\$ 317,022	\$ 125,863	\$ 17,604
	\$ -	\$ -	\$ -
	59,681	(1,717)	-
	18,073	-	-
	79,328	54,396	7,043
	180,791	76,216	8,651
	(24,870)	(2,253)	1,910
	-	-	-
	-	-	-
	4,019	(779)	-
	\$ 317,022	\$ 125,863	\$ 17,604
	\$ 137,926	\$ 12,405	\$ 653

**PINNACLE WEST CAPITAL CORPORATION**  
**CONSOLIDATED SOURCE AND DISPOSITION OF ELECTRIC ENERGY AND FUEL MIX**

	Year Ended December 31,		
	2004	2003	2002
<b>CONSOLIDATED SOURCE OF ENERGY (MWh)</b>			
Steam generation			
Nuclear	8,183,262	8,314,712	8,980,814
Coal	12,665,720	11,366,560	12,055,956
Gas	299,181	265,180	456,582
Oil	3,415	12,475	-
Combustion turbines			
Gas	102,937	99,032	224,678
Oil	3,052	2,115	2,847
Combined cycle			
Gas	4,882,938	5,677,345	3,653,015
Oil	-	-	144
Hydro and solar	36,549	34,920	31,536
Total generation	<u>26,177,054</u>	<u>25,772,339</u>	<u>25,405,572</u>
Purchased power (a)			
Firm load	4,325,147	3,111,269	1,618,531
Marketing and trading	30,192,226	27,750,329	23,704,278
Total	<u>34,517,373</u>	<u>30,861,598</u>	<u>25,322,809</u>
Total source of energy	<u><u>60,694,427</u></u>	<u><u>56,633,937</u></u>	<u><u>50,728,381</u></u>
<b>CONSOLIDATED DISPOSITION OF ENERGY (MWh)</b>			
Sales to ultimate customers	25,353,323	24,562,305	23,361,755
Sales for resale (a)	33,619,063	30,396,549	25,969,296
Losses and company use	1,722,041	1,675,083	1,397,330
Total disposition of energy	<u>60,694,427</u>	<u>56,633,937</u>	<u>50,728,381</u>
<b>CONSOLIDATED ENERGY FUEL MIX (%)</b>			
Nuclear	13.5%	14.7%	17.7%
Coal	20.8%	20.1%	23.8%
Gas	8.7%	10.7%	8.5%
Other (b)	0.1%	0.1%	0.1%
Purchased power and interchange - net	56.9%	54.4%	49.9%
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

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

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

## Year Ended December 31,

2001	2000	1999
8,384,724	8,840,745	8,848,661
12,573,954	12,509,372	11,878,404
1,359,747	1,161,775	822,572
127,670	23,041	-
803,031	445,796	141,193
100,585	51,907	2,347
1,567,869	1,048,237	756,967
60	19,404	482
33,660	33,746	33,908
24,951,300	24,134,023	22,484,534
2,961,204	2,514,500	2,479,342
17,652,902	18,893,026	14,594,983
20,614,106	21,407,526	17,074,325
45,565,406	45,541,549	39,558,859
23,399,012	22,534,524	21,074,570
20,254,466	21,997,357	15,693,834
1,911,928	1,009,668	2,790,455
45,565,406	45,541,549	39,558,859
18.4%	19.4%	22.4%
27.6%	27.5%	29.9%
8.2%	5.8%	4.4%
0.6%	0.3%	0.1%
45.2%	47.0%	43.2%
100.0%	100.0%	100.0%