

CONSOLIDATED BALANCE SHEETS (dollars in thousands)

December 31,	2005	2004
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 154,003	\$ 163,366
Investment in debt securities	–	181,175
Customer and other receivables	502,681	461,090
Allowance for doubtful accounts	(4,979)	(4,896)
Materials and supplies (at average cost)	109,736	101,333
Fossil fuel (at average cost)	23,658	20,512
Assets from risk management and trading activities (Note 18)	827,779	166,896
Assets held for sale (Note 22)	202,645	–
Other current assets	75,869	47,654
Total current assets	1,891,392	1,137,130
INVESTMENTS AND OTHER ASSETS		
Real estate investments – net (Notes 1 and 6)	390,702	382,398
Assets from long-term risk management and trading activities (Note 18)	597,831	224,341
Decommissioning trust accounts (Note 12)	293,943	267,700
Other assets	111,931	107,212
Total investments and other assets	1,394,407	981,651
PROPERTY, PLANT AND EQUIPMENT (NOTES 1, 6, 9 AND 10)		
Plant in service and held for future use	10,727,695	10,486,648
Less accumulated depreciation and amortization	3,622,884	3,365,954
Total	7,104,811	7,120,694
Construction work in progress	327,172	258,119
Intangible assets, net of accumulated amortization of \$182,576 and \$158,584	90,916	105,486
Nuclear fuel, net of accumulated amortization of \$53,984 and \$59,020	54,184	51,188
Net property, plant and equipment	7,577,083	7,535,487
DEFERRED DEBITS		
Deferred fuel and purchased power regulatory asset (Notes 1, 3 and 4)	172,756	–
Other regulatory assets (Notes 1, 3 and 4)	151,123	135,051
Other deferred debits	135,884	107,428
Total deferred debits	459,763	242,479
TOTAL ASSETS	\$ 11,322,645	\$ 9,896,747

See Notes to Pinnacle West's Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS (dollars in thousands)

December 31,	2005	2004
LIABILITIES AND COMMON STOCK EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 377,107	\$ 373,526
Accrued taxes	289,235	245,611
Accrued interest	31,774	38,795
Short-term borrowings (Note 5)	15,673	71,030
Current maturities of long-term debt (Note 6)	384,947	617,165
Customer deposits	60,509	55,558
Deferred income taxes (Note 4)	94,710	9,057
Liabilities from risk management and trading activities (Note 18)	720,693	113,406
Other current liabilities	297,425	101,748
Total current liabilities	2,272,073	1,625,896
LONG-TERM DEBT LESS CURRENT MATURITIES (NOTE 6)	2,608,455	2,584,985
DEFERRED CREDITS AND OTHER		
Deferred income taxes (Note 4)	1,225,253	1,227,553
Regulatory liabilities (Notes 1, 3 and 4)	592,494	506,646
Liability for asset retirements (Note 12)	269,011	251,612
Pension liability (Note 8)	264,476	234,445
Liabilities from risk management and trading activities (Note 18)	256,413	156,262
Unamortized gain – sale of utility plant (Note 9)	45,757	50,333
Other	363,749	308,819
Total deferred credits and other	3,017,153	2,735,670
COMMITMENTS AND CONTINGENCIES (NOTES 3, 11, 12 AND 21)		
COMMON STOCK EQUITY (NOTE 7)		
Common stock, no par value; authorized 150,000,000 shares; issued 99,077,133 at end of 2005 and 91,802,861 at end of 2004	2,067,377	1,769,047
Treasury stock at cost; 20,058 shares at end of 2005 and 9,522 shares at end of 2004	(1,245)	(428)
Total common stock	2,066,132	1,768,619
Accumulated other comprehensive income (loss):		
Minimum pension liability adjustment	(97,277)	(81,788)
Derivative instruments	262,397	59,243
Total accumulated other comprehensive income (loss)	165,120	(22,545)
Retained earnings	1,193,712	1,204,122
Total common stock equity	3,424,964	2,950,196
TOTAL LIABILITIES AND COMMON STOCK EQUITY	\$11,322,645	\$ 9,896,747

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