

**ARIZONA PUBLIC SERVICE COMPANY
SELECTED FINANCIAL DATA**

	2005	2004	2003
OPERATING STATISTICS			
Electric revenues (thousands)	\$ 2,270,793	\$ 2,197,121	\$ 2,104,931
Sales (MWh)	46,824,014	57,214,618	44,799,324
Employees (year-end) (a)	6,484	6,203	6,155
Average annual use per residential customer (kWh)	13,635	13,418	13,457
FINANCIAL STATISTICS (b)			
Cash interest coverage	4.09x	3.65x	4.71x
Non-cash income as percent of earnings	41.9%	19.4%	26.0%
Net cash flow as percent of capital expenditures	36.9%	45.2%	91.7%
CAPITALIZATION RATIOS (year-end)			
Long-term debt excluding current maturities	44.7%	45.8%	44.2%
Current maturities of long-term debt	1.5	9.1	10.1
Short-term debt	-	-	-
Total debt	46.2	54.9	54.3
Common stock equity	53.8	45.1	45.7
Total capitalization	100.0%	100.0%	100.0%
Debt adjusted for Palo Verde Unit 2 sale and leaseback	49.3%	58.0%	57.7%

(a) Includes APS, Parent Company and marketing and trading employees who support the regulated electricity retail business.

(b) Non-cash income includes capitalized interest and other significant items resulting from regulatory orders.

APS HISTORICAL GROWTH RATES

	2005	2004	2003
Electric revenues			
Total	3.4%	4.4%	8.7%
Retail	8.0%	2.4%	3.9%
Peak load			
Actual	9.3%	1.1%	9.1%
Weather-normalized	7.2%	6.3%	5.2%
Electric sales			
Total	(18.2)%	27.7%	54.2%
Retail	4.4%	3.2%	5.1%
Customers (average)	4.3%	3.7%	3.3%
Employees (year-end)	4.5%	0.8%	0.7%

	2002	2001	2000
	\$ 1,936,166	\$ 2,352,098	\$ 2,934,142
	29,057,497	33,230,065	44,055,293
	6,110	6,322	6,110
	13,025	13,312	13,053
	6.92x	5.96x	5.68x
	20.4%	14.4%	11.9%
	130.6%	105.6%	108.5%
	50.6%	44.3%	42.4%
	0.1	2.9	5.9
	-	3.9	1.9
	50.7	51.1	50.2
	49.3	48.9	49.8
	100.0%	100.0%	100.0%
	54.9%	55.4%	54.9%

	2002	2001	2000	Compound Annual Growth Rates	
				5 Years 2000-2005	10 Years 1995-2005
	(17.7)%	(19.8)%	41.8%	(5.0)%	3.5%
	(1.2)%	2.8%	5.8%	3.2%	3.5%
	2.0%	3.8%	11.0%	5.0%	4.7%
	6.3%	(2.7)%	11.0%	4.4%	5.2%
	(12.6)%	(24.6)%	19.8%	1.2%	8.6%
	(0.2)%	3.8%	6.9%	3.3%	4.1%
	3.1%	3.7%	4.1%	3.6%	3.9%
	(3.4)%	3.5%	1.8%	1.2%	0.0%

ARIZONA PUBLIC SERVICE COMPANY
STATEMENTS OF INCOME (dollars in thousands)

Year Ended December 31,	2005	2004	2003
ELECTRIC OPERATING REVENUES			
Regulated electricity	\$ 2,244,951	\$ 2,051,602	\$ 1,999,390
Marketing and trading	25,842	145,519	105,541
Total	2,270,793	2,197,121	2,104,931
FUEL AND PURCHASED POWER			
Regulated electricity	656,654	612,300	606,251
Marketing and trading	32,328	150,954	97,180
Total	688,982	763,254	703,431
OPERATING REVENUES LESS FUEL AND PURCHASED POWER	1,581,811	1,433,867	1,401,500
OTHER OPERATING EXPENSES			
Operations and maintenance	591,941	540,277	513,604
Depreciation and amortization	325,174	336,648	389,240
Income taxes	157,273	113,696	91,646
Other taxes	125,810	114,265	108,852
Total	1,200,198	1,104,886	1,103,342
OPERATING INCOME	381,613	328,981	298,158
OTHER INCOME (DEDUCTIONS)			
Regulatory disallowance	(138,562)	-	-
Income taxes	59,263	(6,334)	4,792
Allowance for equity funds used during construction	11,191	4,885	14,240
Other income	22,141	30,593	20,277
Other expenses	(23,204)	(13,816)	(12,962)
Total	(69,171)	15,328	26,347
INCOME BEFORE INTEREST DEDUCTIONS	312,442	344,309	324,505
INTEREST DEDUCTIONS			
Interest on long-term debt	138,476	140,556	142,706
Interest on short-term borrowings	7,026	6,427	4,904
Debt discount, premium and expense	4,085	4,854	3,337
Allowance for borrowed funds used during construction	(7,624)	(7,155)	(7,379)
Total	141,963	144,682	143,568
INCOME BEFORE CUMULATIVE EFFECT ADJUSTMENT	170,479	199,627	180,937
Cumulative effect of change in accounting for derivatives - net of income taxes of \$9,892	-	-	-
NET INCOME	\$ 170,479	\$ 199,627	\$ 180,937

	2002	2001	2000
	\$ 1,902,112	\$ 1,984,305	\$ 2,538,750
	34,054	367,793	395,392
	1,936,166	2,352,098	2,934,142
	438,141	649,405	1,065,596
	32,662	132,544	267,032
	470,803	781,949	1,332,628
	1,465,363	1,570,149	1,601,514
	495,845	465,561	430,092
	399,640	420,893	425,479
	132,953	183,640	199,977
	107,925	101,077	99,730
	1,136,363	1,171,171	1,155,278
	329,000	398,978	446,236
	-	-	-
	6,148	504	4,312
	-	-	-
	5,149	20,207	9,690
	(19,338)	(20,790)	(20,547)
	(8,041)	(79)	(6,545)
	320,959	398,899	439,691
	128,462	126,118	134,431
	5,416	4,407	7,455
	2,888	2,650	2,105
	(15,150)	(14,964)	(10,894)
	121,616	118,211	133,097
	199,343	280,688	306,594
	-	(15,201)	-
	\$ 199,343	\$ 265,487	\$ 306,594

ARIZONA PUBLIC SERVICE COMPANY
BALANCE SHEETS (dollars in thousands)

December 31,	2005	2004	2003
ASSETS			
UTILITY PLANT			
Electric plant in service and held for future use	\$ 10,682,999	\$ 9,120,407	\$ 8,826,033
Less accumulated depreciation and amortization	3,616,886	3,266,181	3,089,645
Total	7,066,113	5,854,226	5,736,388
Construction work in progress	314,584	249,243	187,478
Intangible assets, net of accumulated amortization	90,327	103,701	94,181
Nuclear fuel, net of accumulated amortization	54,184	51,188	52,011
Utility plant - net	7,525,208	6,258,358	6,070,058
INVESTMENTS AND OTHER ASSETS			
Notes receivable from Pinnacle West Energy	-	498,489	497,865
Decommissioning trust accounts	293,943	267,700	240,645
Assets from risk management and trading activities	234,372	20,123	18,001
Other assets	64,128	61,364	64,119
Total investments and other assets	592,443	847,676	820,630
CURRENT ASSETS			
Cash and cash equivalents	49,933	49,575	42,152
Investment in debt securities	-	181,175	69,850
Customer and other receivables	421,621	353,772	329,925
Allowance for doubtful accounts	(3,568)	(3,444)	(3,743)
Materials and supplies (at average cost)	109,736	83,893	80,682
Fossil fuel (at average cost)	23,658	20,506	28,360
Deferred income taxes	-	-	-
Assets from risk management and trading activities	532,923	70,430	52,448
Other	14,639	10,187	6,969
Total current assets	1,148,942	766,094	606,643
DEFERRED DEBITS			
Deferred fuel and purchased power regulatory asset	172,756	-	-
Other regulatory assets	151,123	135,051	132,349
Unamortized debt issue costs	25,279	21,832	19,797
Other	91,690	69,541	73,056
Total deferred debits	440,848	226,424	225,202
TOTAL ASSETS	\$ 9,707,441	\$ 8,098,552	\$ 7,722,533

	2002	2001	2000
	\$ 8,299,131	\$ 7,935,206	\$ 7,638,687
	2,885,798	2,739,957	2,580,810
	5,413,333	5,195,249	5,057,877
	329,089	321,305	245,749
	93,259	83,135	94,393
	51,124	49,282	47,389
	5,886,805	5,648,971	5,445,408
	-	-	-
	194,440	202,036	204,716
	31,622	2,082	32,955
	57,380	108,159	77,903
	283,442	312,277	315,574
	42,549	16,821	2,609
	-	-	-
	412,457	313,896	521,667
	(1,341)	(3,349)	(2,380)
	79,985	81,215	71,966
	28,185	27,023	19,405
	4,094	-	5,793
	39,616	10,097	17,506
	7,945	10,172	6,352
	613,490	455,875	642,918
	-	-	-
	241,045	342,383	469,867
	16,696	13,163	12,805
	80,760	42,789	37,928
	338,501	398,335	520,600
	\$ 7,122,238	\$ 6,815,458	\$ 6,924,500

ARIZONA PUBLIC SERVICE COMPANY
BALANCE SHEETS (dollars in thousands)

December 31,	2005	2004	2003
LIABILITIES AND EQUITY			
CAPITALIZATION			
Common stock	\$ 178,162	\$ 178,162	\$ 178,162
Additional paid-in capital	1,853,098	1,246,804	1,246,804
Retained earnings	860,675	860,196	830,569
Accumulated other comprehensive income (loss):			
Minimum pension liability adjustment	(86,132)	(71,087)	(57,158)
Derivative instruments	179,422	18,327	5,253
Common stock equity	2,985,225	2,232,402	2,203,630
Long-term debt less current maturities	2,479,703	2,267,094	2,135,606
Total capitalization	5,464,928	4,499,496	4,339,236
CURRENT LIABILITIES			
Commercial paper	-	-	-
Current maturities of long-term debt	85,620	451,247	487,067
Accounts payable	215,384	215,076	131,383
Accrued taxes	360,737	292,521	90,474
Accrued interest	25,003	33,332	42,702
Customer deposits	55,474	51,804	45,481
Deferred income taxes	64,210	9,057	631
Liabilities from risk management and trading activities	480,138	34,292	58,138
Other	227,398	91,441	60,008
Total current liabilities	1,513,964	1,178,770	915,884
DEFERRED CREDITS AND OTHER			
Deferred income taxes	1,215,403	1,108,571	1,257,671
Regulatory liabilities	592,494	506,646	468,694
Liability for asset retirements	269,011	251,612	234,440
Pension liability	233,342	203,668	160,639
Customer advances for construction	60,287	59,185	52,783
Unamortized gain - sale of utility plant	45,757	50,333	54,909
Liabilities from risk management and trading activities	83,774	13,124	4,502
Other	228,481	227,147	233,775
Total deferred credits and other	2,728,549	2,420,286	2,467,413
TOTAL LIABILITIES AND EQUITY	\$ 9,707,441	\$ 8,098,552	\$ 7,722,533

	2002	2001	2000
	\$ 178,162	\$ 178,162	\$ 178,162
	1,246,804	1,246,804	1,246,804
	819,632	790,289	694,802
	(61,487)	(966)	-
	(23,799)	(63,599)	-
	2,159,312	2,150,690	2,119,768
	2,217,340	1,949,074	1,806,908
	4,376,652	4,099,764	3,926,676
	-	171,162	82,100
	3,503	125,451	250,266
	118,133	98,959	267,999
	82,557	107,595	106,515
	42,608	41,043	39,488
	39,865	28,664	24,498
	-	3,244	-
	59,773	21,840	37,179
	51,820	18,798	81,325
	398,259	616,756	889,370
	1,225,552	1,023,079	1,110,437
	26,264	27,355	28,022
	600,431	589,725	574,891
	156,442	30,247	62,193
	45,513	69,293	40,694
	59,484	64,060	68,636
	36,678	95,159	14,711
	196,963	200,020	208,870
	2,347,327	2,098,938	2,108,454
	\$ 7,122,238	\$ 6,815,458	\$ 6,924,500

ARIZONA PUBLIC SERVICE COMPANY
STATEMENTS OF CASH FLOWS (dollars in thousands)

Year Ended December 31,	2005	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 170,479	\$ 199,627	\$ 180,937
Adjustments to reconcile net income to net cash provided by operating activities:			
Regulatory disallowance	138,562	-	-
Depreciation and amortization including nuclear fuel	353,082	367,094	417,997
Deferred fuel and purchased power	(172,756)	-	-
Allowance for equity funds used during construction	(11,191)	(4,885)	(14,240)
Deferred income taxes	9,659	(140,855)	(1,087)
Change in derivative mark-to-market valuations	3,492	(15,807)	2,339
Cumulative effect of change in accounting, net of tax	-	-	-
Changes in current assets and liabilities:			
Customer and other receivables	(56,152)	(24,146)	85,106
Materials, supplies and fossil fuel	(12,268)	4,643	(872)
Other current assets	(2,592)	(2,529)	976
Accounts payable	(12,372)	88,937	17,961
Accrued taxes	67,454	202,047	7,917
Collateral	169,080	5,671	11,431
Other current liabilities	(37,781)	22,715	9,737
Change in risk management and trading - liabilities	115,495	8,879	-
Change in other long-term assets	(9,303)	(44,386)	(2,072)
Change in other long-term liabilities	9,002	51,133	60,994
Net cash flow provided by operating activities	721,890	718,138	777,124
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(609,857)	(513,677)	(426,260)
Transfer of PWEC Dedicated Assets to APS	(500,000)	-	-
Purchase of Sundance Plant	(185,046)	-	-
Allowance for borrowed funds used during construction	(7,624)	(7,155)	(7,379)
Purchases of investment securities	(1,476,623)	(871,610)	(855,660)
Proceeds from sale of investment securities	1,657,798	760,285	785,810
Proceeds from nuclear decommissioning trust sales	186,215	123,795	168,874
Investment in nuclear decommissioning trust	(204,633)	(135,239)	(180,319)
Loan to Pinnacle West Energy	-	-	(497,865)
Repayment of loan by Pinnacle West Energy	500,000	-	-
Other	(5,372)	10,639	3,149
Net cash flow used for investing activities	(645,142)	(632,962)	(1,009,650)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of long-term debt	411,787	478,140	491,654
Short-term borrowings	-	-	-
Equity infusion	250,000	-	-
Dividends paid on common stock	(170,000)	(170,000)	(170,000)
Repayment and reacquisition of long-term debt	(568,177)	(385,893)	(89,525)
Net cash flow provided by (used for) financing activities	(76,390)	(77,753)	232,129
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	358	7,423	(397)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	49,575	42,152	42,549
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 49,933	\$ 49,575	\$ 42,152

	2002	2001	2000
	\$ 199,343	\$ 265,487	\$ 306,594
	-	-	-
	430,825	449,255	455,562
	-	-	-
	-	-	-
	206,767	(26,516)	(65,726)
	2,957	(100,030)	(11,752)
	-	15,201	-
	(99,234)	302,283	(209,705)
	68	(16,867)	475
	2,227	(5,385)	(26,682)
	15,372	(190,141)	101,558
	(25,038)	1,080	43,657
	3,873	-	-
	41,916	(56,806)	108,874
	-	-	-
	(58,101)	(20,753)	64,041
	(16,463)	(11,733)	(43,225)
	704,512	605,075	723,671
	(490,156)	(465,360)	(464,368)
	-	-	-
	-	-	-
	(15,150)	(14,964)	(10,894)
	-	-	-
	-	-	-
	103,516	68,730	134,456
	(114,961)	(80,383)	(145,900)
	-	-	-
	-	-	-
	56,363	(30,273)	(60,745)
	(460,388)	(522,250)	(547,451)
	459,926	396,072	300,000
	(171,162)	89,062	43,800
	-	-	-
	(170,000)	(170,000)	(170,000)
	(337,160)	(383,747)	(354,888)
	(218,396)	(68,613)	(181,088)
	25,728	14,212	(4,868)
	16,821	2,609	7,477
	\$ 42,549	\$ 16,821	\$ 2,609

ARIZONA PUBLIC SERVICE COMPANY
LONG-TERM DEBT SCHEDULE (dollars in thousands)

December 31,	2005	2004	2003	2002	2001	2000
FIRST MORTGAGE BONDS						
8.125% series due						
March 15, 2002	\$ -	\$ -	\$ -	\$ -	\$ 125,000	\$ 125,000
6.625% series due						
March 1, 2004	-	-	80,000	80,000	80,000	80,000
9.5% series due April 15, 2021	-	-	-	-	-	45,140
9% series due Dec. 15, 2021	-	-	-	-	-	72,370
7.25% series due Aug. 1, 2023	-	-	-	54,150	54,150	70,650
8.75% series due Jan. 15, 2024	-	-	-	-	121,668	121,668
8% series due Feb. 1, 2025	-	-	-	33,075	33,075	33,075
5.5% series due Aug. 15, 2028	-	-	25,000	25,000	25,000	25,000
5.875% series due						
Aug. 15, 2028	-	-	154,000	154,000	154,000	154,000
Total first mortgage bonds	-	-	259,000	346,225	592,893	726,903
POLLUTION CONTROL BONDS						
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	163,975	106,980	106,980	106,980	106,980	106,980
Due May 1, 2029	90,000	90,000	90,000	90,000	90,000	90,000
Due May 1, 2029	-	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	20,000
Due June 1, 2034	179,000	179,000	-	-	-	-
Total pollution control bonds	\$ 655,855	\$ 655,860	\$ 476,860	\$ 476,860	\$ 476,860	\$ 476,860

December 31,	2005	2004	2003	2002	2001	2000
OTHER LONG-TERM DEBT						
Floating rate notes						
due Nov. 15, 2001	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 250,000
5.875% unsecured notes						
due Feb. 15, 2004	-	-	125,000	125,000	125,000	125,000
6.25% unsecured notes						
due Jan. 15, 2005	-	100,000	100,000	100,000	100,000	100,000
7.625% unsecured notes						
due Aug. 1, 2005	-	300,000	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	83,695
6.375% unsecured notes						
due Oct. 15, 2011	400,000	400,000	400,000	400,000	400,000	-
6.50% unsecured notes						
due Mar. 1, 2012	375,000	375,000	375,000	375,000	-	-
5.80% unsecured notes						
due June 30, 2014	300,000	300,000	-	-	-	-
6.00% unsecured notes						
due Dec. 31, 2014	1,745	1,900	-	-	-	-
4.65% unsecured notes						
due May 15, 2015	300,000	300,000	300,000	-	-	-
5.625% unsecured notes						
due May 15, 2033	200,000	200,000	200,000	-	-	-
5.50% senior notes						
due Sept. 1, 2035	250,000	-	-	-	-	-
Capitalized lease obligation	8,179	9,854	11,749	20,400	1,343	709
Total other long-term debt	1,918,619	2,070,449	1,895,444	1,404,095	1,010,038	859,404
UNAMORTIZED DISCOUNT AND PREMIUM	(9,151)	(7,968)	(8,631)	(6,337)	(5,266)	(5,993)
Total long-term debt	2,565,323	2,718,341	2,622,673	2,220,843	2,074,525	2,057,174
LESS CURRENT MATURITIES						
First mortgage bonds	-	-	(80,000)	-	(125,000)	-
Senior notes	(83,695)	(400,000)	(125,000)	-	-	-
Secured notes	(152)	-	-	-	-	-
Floating rate notes	-	-	-	-	-	(250,000)
Pollution control bonds	-	(49,520)	-	-	-	-
Capitalized lease obligation	(1,773)	(1,727)	(1,727)	(3,503)	(451)	(266)
Total current maturities	(85,620)	(451,247)	(206,727)	(3,503)	(125,451)	(250,266)
LONG-TERM DEBT LESS CURRENT MATURITIES	\$ 2,479,703	\$ 2,267,094	\$ 2,415,946	\$ 2,217,340	\$ 1,949,074	\$ 1,806,908
WEIGHTED-AVERAGE INTEREST RATE ON LONG-TERM DEBT AT YEAR-END	4.83%	5.13%	5.48%	5.72%	6.54%	6.50%

**ARIZONA PUBLIC SERVICE COMPANY
ELECTRIC REVENUE ANALYSIS**

Year Ended December 31,	2005		2004	
ELECTRIC REVENUES (dollars in thousands)				
REGULATED ELECTRICITY SEGMENT				
Retail sales				
Residential	\$ 1,079,223	47.5%	\$ 983,525	44.8%
Commercial	881,432	38.8	830,419	37.8
Industrial	145,490	6.4	135,982	6.2
Irrigation	1,745	0.1	1,900	0.1
Other	13,203	0.6	12,438	0.6
Total retail	2,121,093	93.4	1,964,264	89.5
Wholesale revenue on delivered electricity				
Traditional contracts	22,708	1.0	16,545	0.8
Off-system sales (a)	39,643	1.8	-	-
Retail load hedge management	-	-	-	-
Transmission for others	31,879	1.4	45,146	2.0
Other miscellaneous services	29,628	1.3	25,647	1.2
Total regulated electricity	2,244,951	98.9	2,051,602	93.5
MARKETING AND TRADING SEGMENT (b)				
Electricity and other commodity sales	25,842	1.1	145,519	6.5
Total electric revenues	\$ 2,270,793	100.0%	\$ 2,197,121	100.0%
INCREASE (DECREASE) VS. PRIOR YEAR				
Retail revenues	8.0%		2.4%	
Regulated electricity revenues	9.4%		2.6%	
Marketing and trading revenues	(82.2)%		37.9%	
Total electric revenues	3.4%		4.4%	
AVERAGE RETAIL REVENUE PER kWh				
Residential	8.83¢		8.53¢	
Commercial	7.52¢		7.36¢	
Industrial	6.09¢		5.67¢	
Irrigation	7.53¢		7.35¢	
Total retail	8.01¢		7.75¢	
REVENUE PER AVERAGE CUSTOMER (dollars)				
Residential	\$ 1,204		\$ 1,145	
Commercial and industrial	\$ 9,350		\$ 9,136	

(a) Consistent with a 2005 ACC regulatory decision, off-system sales began being recorded in the regulated electricity segment in April 2005.

(b) Due to regulatory policy changes, marketing and trading was moved to the Parent Company from APS during 2001, and it was moved back to APS in early 2003.

	2003		2002		2001		2000	
	\$ 960,303	45.6%	\$ 912,245	47.1%	\$ 914,711	38.9%	\$ 880,468	30.0%
	811,642	38.5	795,999	41.1	805,326	34.2	771,909	26.3
	132,146	6.3	123,508	6.4	133,663	5.7	146,088	5.0
	1,898	0.1	2,257	0.1	1,975	0.1	6,498	0.2
	11,818	0.6	11,554	0.6	11,663	0.5	10,719	0.4
	1,917,807	91.1	1,845,563	95.3	1,867,338	79.4	1,815,682	61.9
	15,301	0.7	8,616	0.5	73,305	3.1	120,618	4.1
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	560,493	19.1
	41,379	2.0	29,803	1.5	25,971	1.1	14,765	0.5
	24,903	1.2	18,130	0.9	17,691	0.8	27,192	0.9
	1,999,390	95.0	1,902,112	98.2	1,984,305	84.4	2,538,750	86.5
	105,541	5.0	34,054	1.8	367,793	15.6	395,392	13.5
	\$ 2,104,931	100.0%	\$ 1,936,166	100.0%	\$ 2,352,098	100.0%	\$ 2,934,142	100.0%
	3.9%		(1.2)%		2.8%		5.8%	
	5.1%		(4.1)%		(21.8)%		32.6%	
	209.9%		(90.7)%		(7.0)%		156.5%	
	8.7%		(17.7)%		(19.8)%		41.8%	
	8.61¢		8.73¢		8.85¢		9.00¢	
	7.40¢		7.52¢		7.67¢		7.67¢	
	5.69¢		5.63¢		5.49¢		5.82¢	
	7.13¢		7.06¢		7.35¢		7.46¢	
	7.81¢		7.90¢		7.98¢		8.06¢	
	\$ 1,159		\$ 1,138		\$ 1,178		\$ 1,175	
	\$ 9,274		\$ 9,297		\$ 9,698		\$ 9,894	

**ARIZONA PUBLIC SERVICE COMPANY
ELECTRIC SALES ANALYSIS**

Year Ended December 31,	2005		2004	
ELECTRIC SALES (MWh)				
REGULATED ELECTRICITY SEGMENT				
Retail sales				
Residential	12,223,576	26.1%	11,527,402	20.1%
Commercial	11,726,801	25.0	11,289,523	19.7
Industrial	2,388,095	5.1	2,397,916	4.2
Irrigation	23,179	0.1	25,865	0.1
Other	115,900	0.2	112,617	0.2
Total retail	26,477,551	56.5	25,353,323	44.3
Wholesale electricity delivered				
Traditional contracts	850,069	1.8	709,128	1.2
Off-system sales (a)	1,413,643	3.0	-	-
Retail load hedge management	2,979,879	6.4	2,732,296	4.8
Total regulated electricity	31,721,142	67.7	28,794,747	50.3
MARKETING AND TRADING SEGMENT (b)				
Wholesale sales of electricity	15,102,872	32.3	28,419,871	49.7
Total electric sales	46,824,014	100.0%	57,214,618	100.0%
INCREASE (DECREASE) VS. PRIOR YEAR				
Retail sales	4.4%		3.2%	
Regulated electricity sales	10.2%		10.1%	
Marketing and trading sales	(46.9)%		52.4%	
Total electric sales	(18.2)%		27.7%	
ANNUAL USE PER AVERAGE CUSTOMER (kWh)				
Residential	13,635		13,418	
Commercial and industrial	128,514		129,392	

(a) Consistent with a 2005 ACC regulatory decision, off-system sales began being recorded in the regulated electricity segment in April 2005.

(b) Due to regulatory policy changes, marketing and trading was moved to the Parent Company from APS during 2001, and it was moved back to APS in early 2003.

	2003		2002		2001		2000	
	11,147,195	24.9%	10,443,820	35.9%	10,334,860	31.1%	9,780,680	22.2%
	10,961,417	24.5	10,589,065	36.4	10,504,044	31.6	10,057,707	22.8
	2,322,074	5.2	2,192,958	7.6	2,433,438	7.3	2,511,292	5.7
	26,626	0.1	31,964	0.1	26,860	0.1	87,073	0.2
	104,993	0.2	103,948	0.4	99,810	0.3	97,772	0.2
	24,562,305	54.9	23,361,755	80.4	23,399,012	70.4	22,534,524	51.1
	499,949	1.1	473,699	1.6	1,213,704	3.7	1,610,032	3.7
	-	-	-	-	-	-	-	-
	1,093,846	2.4	3,523,478	12.1	3,039,905	9.1	6,673,658	15.2
	26,156,100	58.4	27,358,932	94.1	27,652,621	83.2	30,818,214	70.0
	18,643,224	41.6	1,698,565	5.9	5,577,444	16.8	13,237,079	30.0
	44,799,324	100.0%	29,057,497	100.0%	33,230,065	100.0%	44,055,293	100.0%
	5.1%		(0.2)%		3.8%		6.9%	
	(4.4)%		(1.1)%		(10.3)%		33.3%	
	997.6%		(69.5)%		(57.9)%		(3.0)%	
	54.2%		(12.6)%		(24.6)%		19.8%	
	13,457		13,025		13,312		13,053	
	130,529		129,241		133,625		135,468	

APS CUSTOMER DATA

Year Ended December 31,	2005	2004	2003	2002	2001	2000
CUSTOMERS – AVERAGE						
Residential	896,472	859,069	828,366	801,801	776,339	749,285
Commercial	106,374	102,393	98,427	95,575	93,499	89,539
Industrial	3,458	3,390	3,340	3,325	3,320	3,243
Irrigation	336	339	341	346	366	412
Other	1,000	993	988	982	1,013	934
Total retail	1,007,640	966,184	931,462	902,029	874,537	843,413
Sales for resale	78	81	66	67	66	67
Total average customers	1,007,718	966,265	931,528	902,096	874,603	843,480
INCREASE OVER PRIOR YEAR	4.3%	3.7%	3.3%	3.1%	3.7%	4.1%
CUSTOMERS - END OF YEAR						
Residential	920,420	880,232	848,334	819,821	793,931	768,574
Commercial	108,216	104,503	100,285	96,805	94,250	91,720
Industrial	3,477	3,428	3,361	3,337	3,251	3,339
Irrigation	337	343	334	339	364	371
Other	973	996	937	949	1,009	986
Total retail	1,033,423	989,502	953,251	921,251	892,805	864,990
Sales for resale	77	78	66	67	66	67
Total end of year customers	1,033,500	989,580	953,317	921,318	892,871	865,057
INCREASE OVER PRIOR YEAR	4.4%	3.8%	3.5%	3.2%	3.2%	4.0%

ARIZONA PUBLIC SERVICE COMPANY RATE REGULATION

DETAILED INFORMATION ON REGULATORY MATTERS

Regulatory developments are discussed in detail in a number of sections of the 2005 Annual Report on Form 10-K for Pinnacle West and APS. 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.

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
Jeff Hatch-Miller (Rep.) (Chairman)	January 2003	January 2009
Michael Gleason (Rep.)	January 2003	January 2009
Kristin Mayes (Rep.)	October 2003	January 2007
William Mundell (Rep.)	June 1999	January 2009
Marc Spitzer (Rep.)	January 2001	January 2007

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' power supply adjustor (PSA) was approved by the ACC in April 2005. The PSA provides for adjustment of retail rates to reflect variations in fuel and purchased power costs. APS defers for recovery or refund 90% of the difference between actual retail fuel and purchased power costs (as defined) and the base fuel amount (currently \$0.020743 per kWh). Net under/over recoveries are recognized as a deferred asset/liability with an offsetting amount recognized in fuel and purchased power expense.

Retail Rate Changes

The table below includes APS' retail rate changes since 2000:

Type	Effective Date	Annual Change	
		Millions	Percent
PSA Annual Adjustor	February 1, 2006	\$110	5.0%
Base Rate Increase	April 1, 2005	76	4.2%
Base Rate Decrease	July 1, 2003	(29)	(1.5)%
Base Rate Decrease	July 1, 2002	(28)	(1.5)%
Base Rate Decrease	July 1, 2001	(27)	(1.5)%
Base Rate Decrease	July 1, 2000	(28)	(1.5)%

Pending General Rate Case

In November 2005, APS filed a general rate case, which was updated in January 2006. The major provisions of the filing include a 21.3% retail rate increase (approximately \$454 million pretax annually); updated base fuel and purchased power costs; updated rate base including the acquisition of the Sundance power plant; updated capital structure with a proposed return on common equity of 11.5%. APS has requested a decision effective no later than December 31, 2006.

Emergency Interim Rate Request

In January 2006, APS filed with the ACC an application requesting an emergency interim rate increase of \$232 million, or approximately 11%, to be effective April 1, 2006. The purpose of the emergency interim rate increase is solely to address APS' under-collection of higher annual fuel and purchased power costs. The increase would accelerate recovery of the fuel and purchased power component of APS' pending general rate case and would be subject to refund.

Application for PSA Surcharges

In February 2006, APS filed with the ACC an application for two separate surcharges totaling approximately \$60 million to recover retail fuel and purchased power costs deferred in 2005 by APS under the PSA. In April 2006, the ACC approved APS' request for a \$15 million PSA surcharge over a 12-month period. The surcharge will be effective with the ACC's decision on the emergency interim rate request. The remaining \$45 million of the requested surcharge is pending further regulatory review.

FEDERAL REGULATION

APS is subject to regulation by the U.S. Federal Energy Regulatory Commission (FERC) in certain matters which include wholesale power sales and transmission services. The FERC is composed of five commissioners who are appointed by the President, approved by Congress and serve five-year terms. There are currently two vacant Commissioner positions.

The FERC continues to address issues related to standard market design for wholesale markets, regional transmission organizations to support non-discriminatory markets, and other issues related to restructuring wholesale power markets. APS is an active participant in these proceedings.

ARIZONA PUBLIC SERVICE COMPANY
SOURCE AND DISPOSITION OF ELECTRIC ENERGY AND FUEL MIX

Year Ended December 31,	2005	2004	2003	2002	2001	2000
APS SOURCE OF ENERGY (MWh)						
Steam generation						
Nuclear	7,508,820	8,183,262	8,314,712	8,980,814	8,384,724	8,840,745
Coal	13,060,080	12,665,720	11,366,560	12,055,956	12,573,954	12,509,372
Gas	182,670	299,181	265,180	456,582	1,359,747	1,161,775
Oil	-	3,415	12,475	-	127,670	23,041
Combustion turbines						
Gas	114,598	90,706	72,533	169,925	734,743	445,796
Oil	719	3,052	2,115	2,847	100,585	51,907
Combined cycle						
Gas	3,051,405	620,437	687,677	862,940	1,131,172	1,048,237
Oil	-	-	-	144	60	19,404
Hydro and solar	20,601	36,549	34,920	31,536	33,660	33,746
Total generation	23,938,893	21,902,322	20,756,172	22,560,744	24,446,315	24,134,023
Purchased power (a)						
Firm load	6,181,170	6,513,677	6,717,242	3,944,335	3,466,189	2,514,500
Marketing and trading	19,525,517	30,520,660	19,000,993	3,949,748	7,229,489	18,416,438
Total purchased power	25,706,687	37,034,337	25,718,235	7,894,083	10,695,678	20,930,938
Total source of energy	49,645,580	58,936,659	46,474,407	30,454,827	35,141,993	45,064,961
APS DISPOSITION OF ENERGY (MWh)						
Sales to ultimate customers	26,477,551	25,353,323	24,562,305	23,361,755	23,399,012	22,534,524
Sales for resale (a)	20,954,820	31,861,295	20,237,019	5,695,742	9,831,053	21,520,769
Losses and company use	2,213,209	1,722,041	1,675,083	1,397,330	1,911,928	1,009,668
Total disposition of energy	49,645,580	58,936,659	46,474,407	30,454,827	35,141,993	45,064,961
APS ENERGY FUEL MIX (%)						
Nuclear	15.1%	13.9%	17.9%	29.5%	23.9%	19.6%
Coal	26.3%	21.4%	24.5%	39.6%	35.8%	27.8%
Gas	6.8%	1.7%	2.2%	4.9%	9.2%	5.9%
Other (b)	0.0%	0.1%	0.1%	0.1%	0.7%	0.3%
Purchased power and interchange - net	51.8%	62.9%	55.3%	25.9%	30.4%	46.4%
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.

**ARIZONA PUBLIC SERVICE COMPANY
LOADS AND RESOURCES AT PEAK**

Year Ended December 31,	2005	2004	2003	2002	2001	2000
PEAK LOAD (kW)						
Actual	6,999,600	6,402,100	6,332,400	5,802,900	5,687,200	5,478,500
Weather-normalized (a)	7,090,700	6,615,000	6,221,300	5,916,500	5,567,800	5,723,300
Increase (decrease) vs. prior year						
Actual	9.3%	1.1%	9.1%	2.0%	3.8%	11.0%
Weather-normalized	7.2%	6.3%	5.2%	6.3%	(2.7)%	11.0%
FIRM POWER SALES (kW)	855,000	1,125,000	1,200,000	429,000	1,000	50,000
RESOURCES AVAILABLE AT PEAK (kW)						
Generating capacity	3,820,000	3,570,600	3,736,500	3,877,600	3,234,500	3,501,600
Purchase power contracts (b)	4,653,000	4,187,000	4,198,000	2,612,000	2,490,000	2,238,000
Total resources	8,473,000	7,757,600	7,934,500	6,489,600	5,724,500	5,739,600
RESERVE MARGIN	19.3%	6.9%	12.1%	7.1%	1.1%	6.4%
ANNUAL LOAD FACTOR - NET	50.0%	52.2%	50.9%	52.6%	53.2%	52.3%

(a) Prior years have been restated to reflect average weather statistics for the ten-year period ended December 31, 2004.

(b) Including firm seasonal purchases and unit contingent purchases.

POWER PLANT OPERATING PERFORMANCE

Year Ended December 31,	2005	2004	2003	2002	2001	2000
NUCLEAR (NET CAPACITY FACTORS)						
Palo Verde Unit 1	66.2%	84.6%	97.2%	89.1%	87.8%	100.4%
Palo Verde Unit 2	81.9%	90.9%	77.6%	92.0%	92.6%	87.2%
Palo Verde Unit 3	83.9%	75.1%	87.5%	102.0%	83.9%	90.3%
Palo Verde site average	77.4%	83.7%	87.4%	94.4%	88.1%	92.7%
COAL (NET CAPACITY FACTORS)						
Four Corners	89.5%	86.5%	84.5%	82.7%	85.6%	83.0%
Cholla	85.5%	82.2%	65.1%	77.5%	81.2%	82.8%
Navajo	84.2%	82.7%	74.8%	80.4%	84.7%	84.4%
Total coal average	87.1%	84.2%	75.8%	80.4%	83.8%	83.3%
GAS/OIL (NET CAPACITY FACTORS)						
Redhawk	46.4%	28.9%	45.9%	58.3%	N/A	N/A
West Phoenix	27.2%	18.6%	30.9%	32.7%	46.4%	38.2%
Other (a)	20.5%	15.1%	4.8%	8.6%	29.8%	21.3%
Total gas/oil average	29.3%	20.4%	27.1%	26.5%	35.5%	26.5%
GAS/OIL (EQUIVALENT AVAILABILITY FACTORS)						
Redhawk	94.7%	92.0%	85.0%	75.6%	N/A	N/A
West Phoenix	88.9%	90.9%	90.2%	91.7%	83.8%	86.2%
Other (a)	92.7%	91.7%	88.7%	86.2%	85.6%	86.4%
Total gas/oil average	92.2%	91.5%	87.8%	85.3%	85.0%	86.3%

(a) Includes Ocotillo, Saguaro, Sundance, Yucca, Douglas and Silverhawk.

GENERATION RESOURCES (in service as of December 31, 2005)

Plant Type and Name	Location	Ownership or Interest (a)	Number of Units	APS Share (kW)
ARIZONA PUBLIC SERVICE (Net Accredited Capacity)				
NUCLEAR-FUELED STEAM PLANT				
Palo Verde	Wintersburg, Arizona	29.1%	3	1,107,000
COAL-FUELED STEAM PLANTS				
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
GAS- OR OIL-FUELED STEAM PLANTS				
Ocotillo	Tempe, Arizona	100%	2	220,000
Saguaro	Red Rock, Arizona	100%	2	210,000
			4	430,000
GAS- OR OIL-FUELED COMBUSTION TURBINES				
Sundance	Casa Grande, Arizona	100%	10	420,000
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%	3	190,000
Douglas	Douglas, Arizona	100%	1	16,000
			22	993,000
GAS- OR OIL-FUELED COMBINED CYCLE PLANT				
West Phoenix	Phoenix, Arizona	100%	5	905,000
Redhawk	Arlington, Arizona	100%	2	1,060,000
			7	1,965,000
SOLAR GENERATION				
		100%	13	5,715
TOTAL			60	6,212,715
PINNACLE WEST ENERGY CORPORATION (Permitted Capacity)				
GAS-FUELED COMBINED CYCLE PLANT				
Silverhawk (b)	Las Vegas, Nevada	75%	1	428,000
TOTAL			1	428,000

(a) Includes leased generating plants.

(b) Sold ownership interest in January 2006.