

CONSOLIDATED BALANCE SHEETS

(DOLLARS IN THOUSANDS)

DECEMBER 31,	2006	2005
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ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 87,210	\$ 154,003
Investment in debt securities	32,700	-
Customer and other receivables	501,628	502,681
Allowance for doubtful accounts	(5,597)	(4,979)
Materials and supplies (at average cost)	125,802	109,736
Fossil fuel (at average cost)	21,973	23,658
Deferred income taxes (Note 4)	982	-
Assets from risk management and trading activities (Note 18)	641,040	827,779
Assets held for sale (Note 22)	-	202,645
Other current assets	68,924	75,869
Total current assets	<u>1,474,662</u>	<u>1,891,392</u>
INVESTMENTS AND OTHER ASSETS		
Real estate investments – net (Notes 1 and 6)	526,008	390,702
Assets from long-term risk management and trading activities (Note 18)	167,211	597,831
Decommissioning trust accounts (Note 12)	343,771	293,943
Other assets	111,388	111,931
Total investments and other assets	<u>1,148,378</u>	<u>1,394,407</u>
PROPERTY, PLANT AND EQUIPMENT (NOTES 1, 6, 9 AND 10)		
Plant in service and held for future use	11,154,919	10,727,695
Less accumulated depreciation and amortization	3,797,475	3,622,884
Net	7,357,444	7,104,811
Construction work in progress	368,284	327,172
Intangible assets, net of accumulated amortization of \$218,836 and \$182,576	96,100	90,916
Nuclear fuel, net of accumulated amortization of \$50,741 and \$53,984	60,100	54,184
Total property, plant and equipment	<u>7,881,928</u>	<u>7,577,083</u>
DEFERRED DEBITS		
Deferred fuel and purchased power regulatory asset (Notes 1, 3 and 4)	160,268	172,756
Other regulatory assets (Notes 1, 3 and 4)	686,016	151,123
Other deferred debits	104,691	135,884
Total deferred debits	<u>950,975</u>	<u>459,763</u>
TOTAL ASSETS	<u>\$ 11,455,943</u>	<u>\$ 11,322,645</u>

See Notes to Pinnacle West's Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

(DOLLARS IN THOUSANDS)

DECEMBER 31,	2006	2005
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LIABILITIES AND COMMON STOCK EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 346,047	\$ 377,107
Accrued taxes	263,935	289,235
Accrued interest	48,746	31,774
Short-term borrowings (Note 5)	35,750	15,673
Current maturities of long-term debt (Note 6)	1,596	384,947
Customer deposits	70,168	60,509
Deferred income taxes (Note 4)	-	94,710
Liabilities from risk management and trading activities (Note 18)	558,195	720,693
Other current liabilities	134,123	297,425
Total current liabilities	<u>1,458,560</u>	<u>2,272,073</u>
LONG-TERM DEBT LESS CURRENT MATURITIES (NOTE 6)	<u>3,232,633</u>	<u>2,608,455</u>
DEFERRED CREDITS AND OTHER		
Deferred income taxes (Note 4)	1,225,798	1,225,253
Regulatory liabilities (Notes 1, 3 and 4)	635,431	592,494
Liability for asset retirements (Note 12)	268,389	269,011
Liabilities for pension and other postretirement benefits (Note 8)	588,852	264,476
Liabilities from risk management and trading activities (Note 18)	171,170	256,413
Unamortized gain – sale of utility plant (Note 9)	41,182	45,757
Other	387,812	363,749
Total deferred credits and other	<u>3,318,634</u>	<u>3,017,153</u>
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 99,961,066 at end of 2006 and 99,077,133 at end of 2005	2,114,550	2,067,377
Treasury stock at cost; 2,419 shares at end of 2006 and 20,058 shares at end of 2005	(449)	(1,245)
Total common stock	<u>2,114,101</u>	<u>2,066,132</u>
Accumulated other comprehensive income (loss):		
Pension and other postretirement benefits (Note 8)	(19,263)	(97,277)
Derivative instruments	31,531	262,397
Total accumulated other comprehensive income	<u>12,268</u>	<u>165,120</u>
Retained earnings	1,319,747	1,193,712
Total common stock equity	<u>3,446,116</u>	<u>3,424,964</u>
TOTAL LIABILITIES AND COMMON STOCK EQUITY	<u>\$ 11,455,943</u>	<u>\$ 11,322,645</u>

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