

## CONSOLIDATED STATEMENTS OF CHANGES IN COMMON STOCK EQUITY

(DOLLARS IN THOUSANDS)

YEAR ENDED DECEMBER 31,	2006	2005	2004
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<b>COMMON STOCK (NOTE 7)</b>			
Balance at beginning of year	\$ 2,067,377	\$ 1,769,047	\$ 1,744,354
Issuance of common stock	39,420	298,330	18,291
Other	7,753	-	6,402
Balance at end of year	<u>2,114,550</u>	<u>2,067,377</u>	<u>1,769,047</u>
<b>TREASURY STOCK (NOTE 7)</b>			
Balance at beginning of year	(1,245)	(428)	(3,273)
Purchase of treasury stock	(229)	(1,601)	(2,986)
Reissuance of treasury stock used for stock compensation, net	1,025	784	5,831
Balance at end of year	<u>(449)</u>	<u>(1,245)</u>	<u>(428)</u>
<b>RETAINED EARNINGS</b>			
Balance at beginning of year	1,193,712	1,204,122	1,127,699
Net income	327,255	176,267	243,195
Common stock dividends	(201,220)	(186,677)	(166,772)
Balance at end of year	<u>1,319,747</u>	<u>1,193,712</u>	<u>1,204,122</u>
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)</b>			
Balance at beginning of year	165,120	(22,545)	(39,001)
Unrealized gain (loss) on derivative instruments, net of tax expense (benefit) of (\$137,606), \$179,927 and \$31,117	(214,777)	281,019	48,226
Reclassification of realized gain to income, net of tax benefit of (\$10,308), (\$50,056) and (\$10,695)	(16,089)	(77,865)	(16,546)
Minimum pension liability adjustment, net of tax expense (benefit) of \$28,245, (\$9,526) and (\$9,756)	44,086	(15,489)	(15,224)
Adjustment to reflect a change in accounting for pension and other postretirement benefits, net of tax expense of \$22,412 (Note 8)	33,928	-	-
Balance at end of year	<u>12,268</u>	<u>165,120</u>	<u>(22,545)</u>
<b>TOTAL COMMON STOCK EQUITY</b>	<b><u>\$ 3,446,116</u></b>	<b><u>\$ 3,424,964</u></b>	<b><u>\$ 2,950,196</u></b>
<b>COMPREHENSIVE INCOME</b>			
Net income	\$ 327,255	\$ 176,267	\$ 243,195
Other comprehensive income (loss)	(186,780)	187,665	16,456
Comprehensive income	<u>\$ 140,475</u>	<u>\$ 363,932</u>	<u>\$ 259,651</u>

See Notes to Pinnacle West's Consolidated Financial Statements.