



Managing Change for a Better Tomorrow

Pinnacle West 2007 Corporate Responsibility Report



PINNACLE WEST
CAPITAL CORPORATION

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Sustainability – A Change Management Strategy

Change is inevitable.

Whether the changes we make are incremental or profound is typically only realized with hindsight. Today, however we are confronted with issues that require atypical changes in the ways we do business and interact with our customers.

Continuing population growth and the consequent consumption of natural resources, climate change and the emergence of new bio, nano and information technologies are just some of the issues that promise to fundamentally change our lives. To address these issues, we must establish a new framework for decision making that allows us to maximize the opportunities and minimize the risks presented by change.

At Pinnacle West, we view sustainability as an overarching business strategy that provides a long-term perspective, and allows us to plan for a future that must be cleaner, faster and smarter. We must better manage the environmental footprint of our operations, work with our customers to be more efficient with their use of our product, and work closely with our stakeholders to plan for and develop vibrant sustainable communities.

Throughout our 2007 Corporate Responsibility Report you'll find numerous examples of our commitment and actions toward achieving a sustainable future.

We are developing an integrated resource plan to address Arizona's electricity needs for the next 25 years, taking into consideration environmental issues, available and anticipated technologies, costs and fuel availability. And we're preparing this plan with the help of key stakeholders to ensure their ideas and concerns are addressed in our plan.

We are committed to developing clean renewable resources and new technologies. We recently announced plans for the Solana Solar Generating Station, a concentrating solar plant which, when completed in 2011, will be one of the world's largest solar facilities and produce enough energy to power 70,000 homes. It is estimated that Solana's energy will cost around 20 percent more than our traditional sources. However, beyond the impact of producing clean, renewable energy, Solana will also lessen our reliance on volatile fuels such as natural gas, and is expected to have a positive economic impact in the neighborhood of \$1 billion.

We are embracing new technologies such as smart meters and a smart grid that will allow us to provide our customers with unprecedented control in how they manage their energy use. This new technology will also help us respond more rapidly to disturbances in our transmission and distribution system thereby improving the reliability of our service. We are installing these meters on customer homes and businesses at a pace of about 84,000 per year, and while they reflect a significant investment, they will be critical to delivering the kind of interactive, intuitive future our customers expect and deserve.

These efforts we've mentioned are reflective of the profound changes occurring at our company and in our communities. They are demonstrations of our commitment to sustainability as a business strategy and not just as a "green" initiative. We are becoming more proficient at analyzing the true life cycle costs of our decisions. We are learning to take a longer-term view of our decisions and our investments. We are embracing the need to consider the potential economic, community and environmental nexus of our decisions.

At Pinnacle West, we will continue to make decisions, and changes, using a long-term view of what is best for our customers, our shareholders, our employees and our state. We look forward to working with all our stakeholders to achieve a cleaner, healthier and economically vibrant sustainable future.

Thank you for your interest in the 2007 Pinnacle West Corporate Responsibility Report.



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