

## Economic Impacts

While strong growth in our number of customers is projected long term, APS customers also continue to use more electricity per customer. To meet this added demand, we will invest \$10 billion in energy resources over the next decade. We continue to secure new generation and site new power lines, improve reliability and expand customer choice. We're also holding down costs and increasing productivity, planning for the future and seeking fair returns for investors for one clear, indispensable purpose—to create a sustainable energy future for Arizona. Reliable and affordable electric power is the key energy cornerstone for a dynamic modern economy. New investments now can lower long-run costs, ensure high levels of service quality, facilitate competitive markets and promote environmental goals.

The economic and business success of our family of companies is linked to the economic success and sustainability of the communities that we serve. That is why Pinnacle West is so active in the community. We have a commitment to bettering the state's economic and social vitality by being active in economic development, through community and business leadership, volunteerism, education, environmental stewardship and charitable giving.

Pinnacle West has a tremendous economic impact on the communities we serve, including:

- Our product, electricity, is essential to economic growth and a functional economy. Our customers rely on us to provide efficient and reliable electrical service so that they can live, work and grow their businesses
- Pinnacle West is a major employer in Arizona, and one of a relatively few S&P 500 companies with headquarters in Arizona
- APS is essentially one of the largest construction companies in Arizona due to the extensive construction of new substations, distribution and transmission lines, power plants and other infrastructure necessary to both maintain our system and to expand our system to meet the rapid growth of our customers. Last year, we kept pace with Arizona's growth by investing \$900 million in infrastructure, and we expect that amount to rise and remain around \$1 billion annually.
- Affiliate SunCor is a major developer in commercial and residential projects
- Pinnacle West's economic development efforts are a major contributor to economic growth in Arizona. We are somewhat unique in that our economic development efforts extend to all areas of the state, including rural areas, rather than just focusing in on the major metropolitan areas
- Pinnacle West's Supplier Diversity Program has provided a significant benefit to the development of a diverse supplier network in Arizona
- Our extensive network of power plants, transmission and distribution lines, offices and support facilities provides a great deal of property tax dollars to the areas we are located. For example, the Palo Verde Nuclear Generating Station is the largest single commercial taxpayer in Arizona

In this report, we also provide financial details on issues such as spending on minority- and women-owned businesses, and charitable donations, and have a detailed discussion on climate change which may have future economic impacts.

**“Sustainability is smart business”**

**~Don Brandt~**

**PNW President and Chief Operating Officer**

## FINANCIAL PERFORMANCE

It is a business' responsibility to increase profits and provide economic return to its shareholders. Some believe that efforts such as environmental stewardship and other sustainability efforts, while perhaps necessary to a degree in today's business climate, are costs to the organization and they are treated as such. At Pinnacle West, we believe that effective sustainability governance is a competitive business strategy that will lead to increased profitability and business success.

Benefits to our company from our sustainability programs include:

- risk reduction
- operating efficiencies
- early identification of emerging opportunities and issues
- waste and emissions reductions
- enhanced corporate reputation
- human capital - enhanced recruitment and retention
- enhanced interactions with our critical stakeholders, and
- compliance benefits

These allow our company to be more innovative and effective in our operations over time, which is a competitive advantage that results in improved shareholder value, not just over a quarter but long term.

Our financial performance in 2007 is discussed in great detail in our 2007 Pinnacle West Annual Report.

## ECONOMIC DEVELOPMENT

One of the tenants of sustainability is economic development. We realize that in order for our enterprise to be successful, the state's business community must remain robust. That is why our company places such stock in economic development.

Our company is dedicated to supporting economic development efforts throughout the state. We help many Arizona communities retain successful hometown companies and encourage them to create more jobs through APS' Building Bridges to Business program and through APS' Focused Future economic development program.

**An example of the company's commitment to economic development can be seen in Gila Bend, where APS helped Doubletree Paper establish new roots.**



In 2007, APS' Business Development team worked with our economic development partners to bring new business to Arizona which resulted in:

- creation of an estimated 2,420 new jobs
- new electrical load of 23 megawatts (MW)
- capital investments of \$415 million, and
- 1,247,000 square feet of new building space.

## APS B3: Building Bridges to Business

A community's greatest assets are the businesses that call it home.

Economic Development studies show that at least 76 percent of new jobs and capital investment comes from a community's existing companies. That is why APS' Building Bridges to Business program or B3 is investing in Arizona's greatest assets – the businesses that call our communities home.

APS' B3 program goes beyond traditional business development to provide an innovative retention and expansion tool that addresses the needs of existing businesses and the cities and towns in which they reside. The B3 program helps economic development organizations define and analyze company and community specific information, and creates an environment for establishing relationships between businesses and their community.

With the B3 program, community leaders and economic development organizations gain a better understanding of individual business needs and insights into their local economy and each company's role in the community's economic future.

The B3 program utilizes an internet-based business assessment software program called Synchronist, and uses a face to face interview/survey to find and track a wide range of useful company and community specific information, such as:

Determining benchmarks on critical economic indicators, such as value to the community, growth potential, risk of relocation or downsizing, overall satisfaction, employment trends, and tracking business and workforce status.

### What Others Are Saying About B3:

"The B3 Program has allowed us to collect information in a standard format that allows comparison of businesses in this region to other parts of the country. It also allows us to identify issues that need to be addressed by us, the County and the State. B3 helps us provide better services to businesses because we know what issues affect them most."

*- Michelle Pierson, Economic Development Deputy Directory, City of Phoenix*

### Benefits to Local Community and APS

The B3 program strengthens community by helping:

- Retain and expand existing businesses
- Retain jobs and tax revenues
- Develop local firms, creating new jobs
- Enhance a community's reputation as a good place to do business

APS' partners include the Arizona Department of Commerce (ADOC), the Greater Phoenix Economic Council (GPEC), as well as all of the rural Economic Development Departments in our Arizona communities (such as Casa Grande, Yuma, Prescott, Prescott Valley, Payson, Flagstaff, Globe and Parker).

### APS Focused Future Program

Through its Focused Future program, established in 1991, APS has helped leaders from less populated areas develop community and economic development plans that will best prepare their communities for inevitable growth. Focused Future is a step by-step process designed to empower rural communities with the ability to determine their own futures.

The program helps them:

- Define the goals that ensure their economic futures
- Uncover their community's strengths and weaknesses
- Create policies and implement practical programs that enhance their economy
- Save time and money

## Additional APS Economic Development Initiatives:

- APS offers its economic development Web site, Explore Arizona, which provides Arizona demographic information and information on available buildings in rural communities and has now created an updated tool called Arizona Prospector [www.arizonapro prospector.com](http://www.arizonapro prospector.com) to help find land, buildings, and demographics with a GIS integrated system
- APS provides electric rate analysis and infrastructure evaluations for prospective companies
- APS assists its partners with site visits from site selectors and facility managers, and on occasion for the larger companies, a helicopter tour to help them get a better perspective of transportation routes and other factors
- APS helps GPEC, ADOC and our rural partners with sales missions with site selectors throughout the United States
- The APS Community Initiatives team works with Arizona communities to create business plans that emphasize quality growth with quality of life as well as leadership and other programs, all to help them become vibrant, growing communities

APS Community Development  
Your Arizona Economic Development Tool

EXPLORE *Arizona*

Find available buildings, sites, GIS maps and demographics at [ArizonaProspector.com](http://ArizonaProspector.com)

[Competitive States Analysis Chart](#)

View the [Arizona Association for Economic Development \(AAED\) Newsletter](#) for the latest in Arizona Economic Development happenings.

The reasons to locate your company in Arizona go far beyond the bottom line.

SEARCH  GO

WHO WE ARE  
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COMMUNITIES  
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