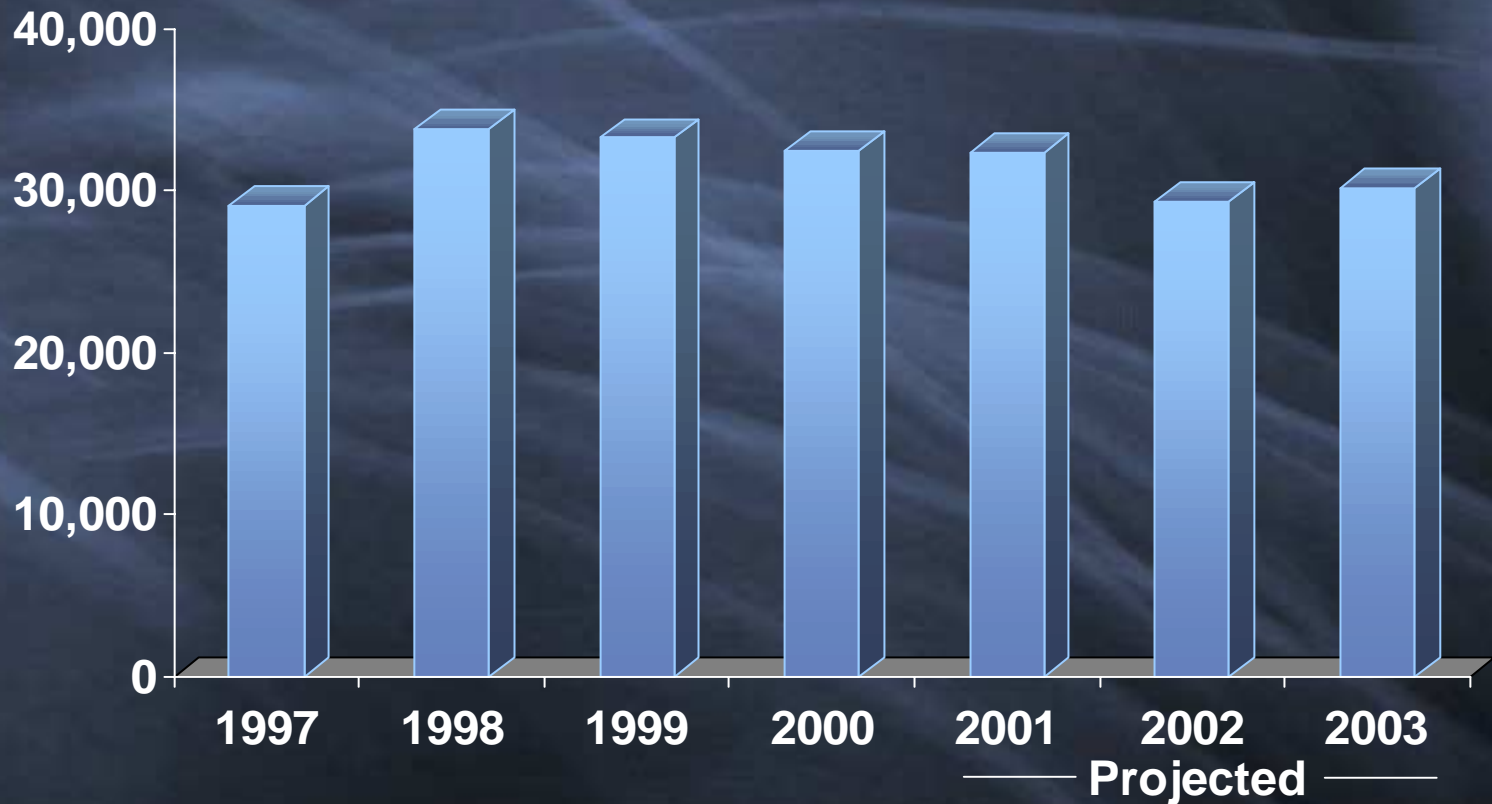




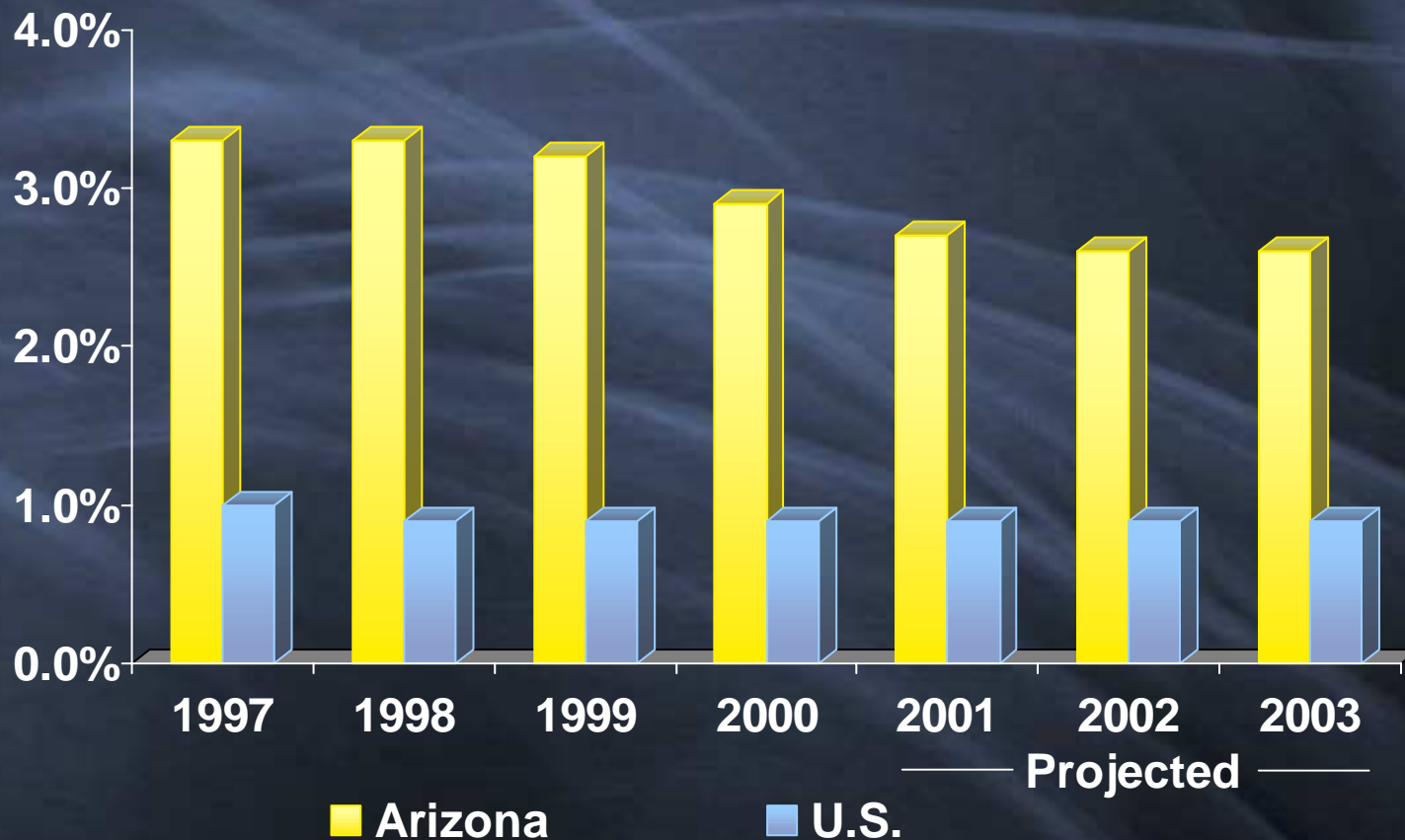
Financial & Economic Overview

Phoenix Single-Family Building Permits



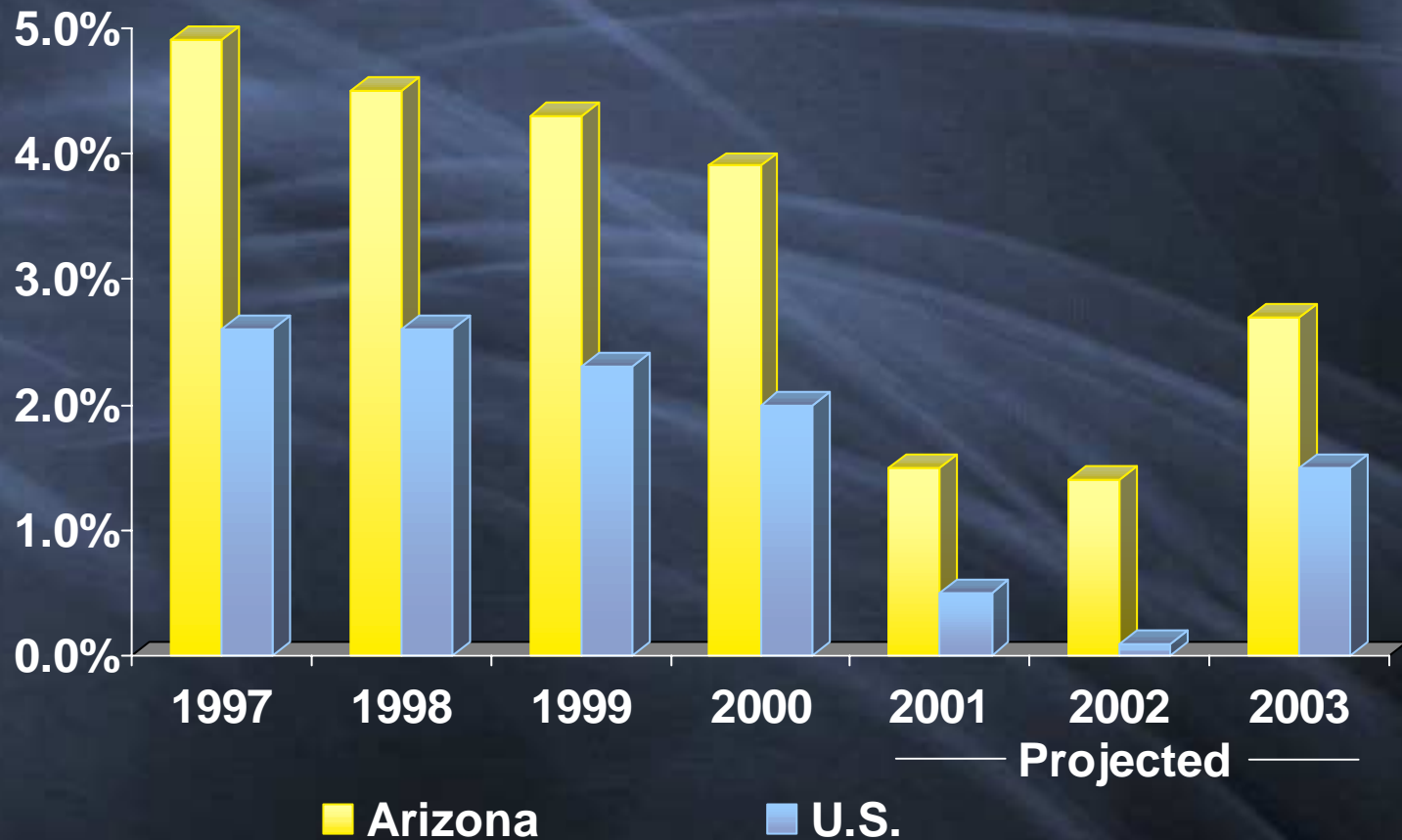
Source: Arizona Real Estate Center (Actual)
PNW Forecast Dept. (Projected)

Regional Economic Strength Arizona Vs U.S. Population Growth



Source : University of Arizona Division of Economic and Business Research

Regional Economic Strength Arizona Vs U.S. Job Growth

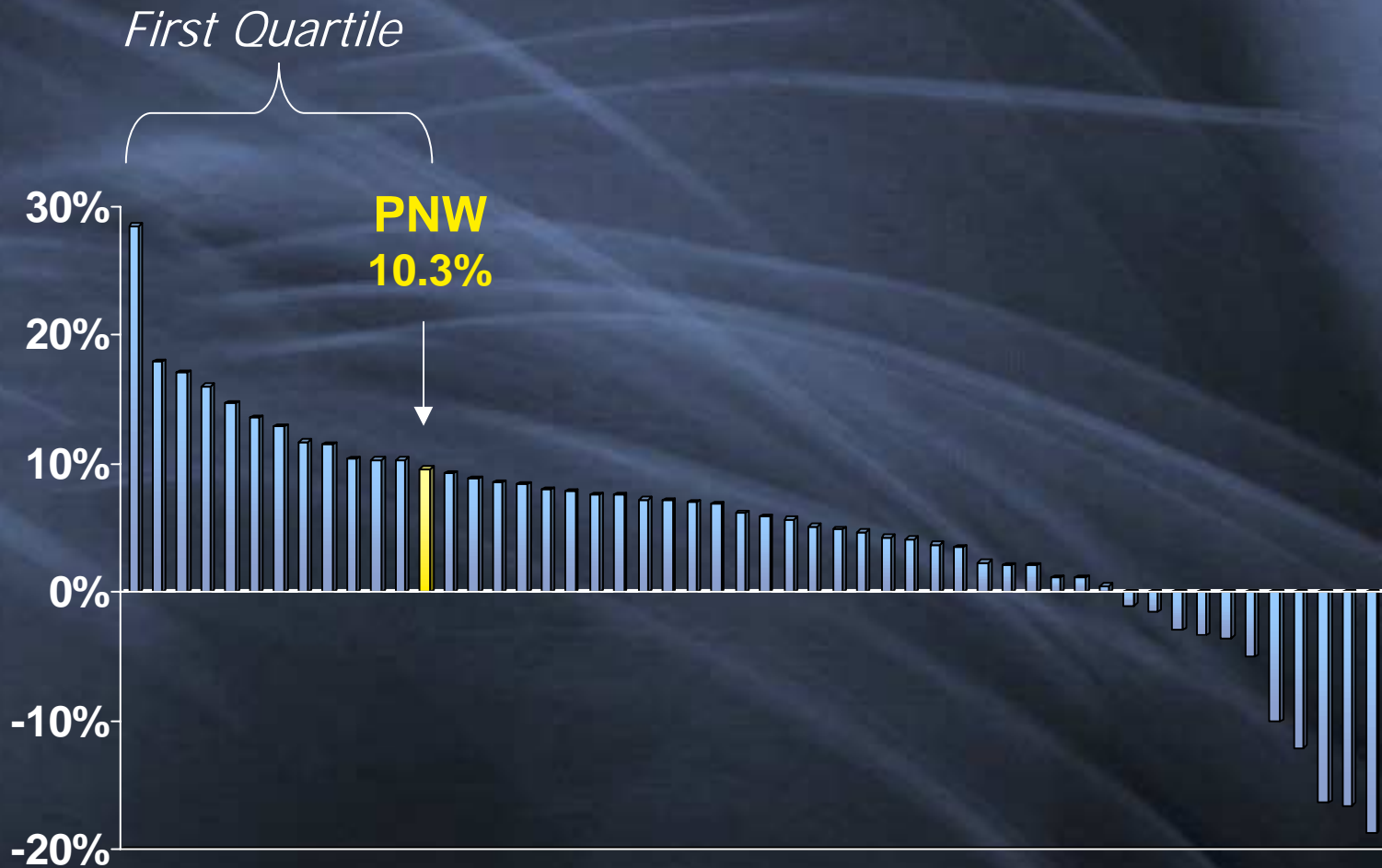


Source : University of Arizona Division of Economic and Business Research

Retail Customer Growth Current Expectations



PNW Earnings Growth Performance 1998-2000 CAGR



PNW Dividend Growth Performance



Credit Ratings Profile

	<u>S&P</u>	<u>Moody's</u>	<u>Fitch</u>
Arizona Public Service Co.			
Senior Secured Debt	A-	A3	A-
Senior Unsecured Debt	BBB	Baa1	BBB+
Secured Lease Obligation Bonds	BBB	Baa2	BBB
Commercial Paper	A2	P2	F2
Pinnacle West Capital Corp.			
Senior Unsecured Debt	BBB	Baa2	BBB
Commercial Paper	A2	P2	F2
Pinnacle West Energy Corp.			
Senior Unsecured Debt	BBB	Baa2	BBB+

Capital Expenditures

(\$ Millions)

1,200

1,000

800

600

400

200

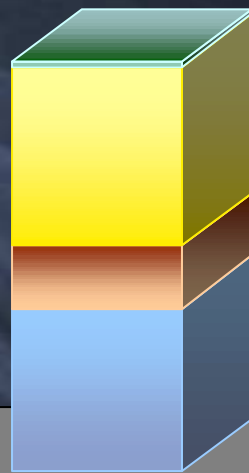
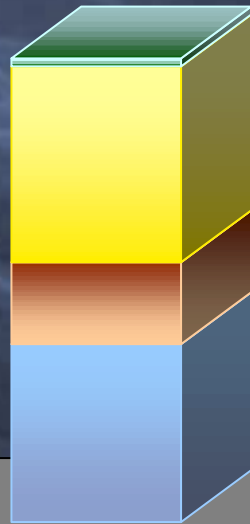
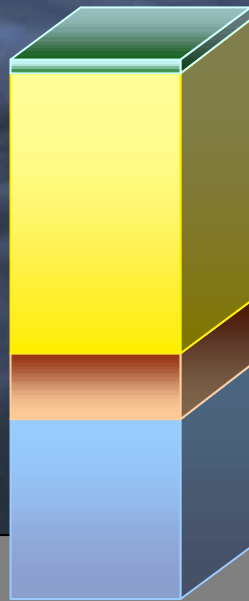
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2001

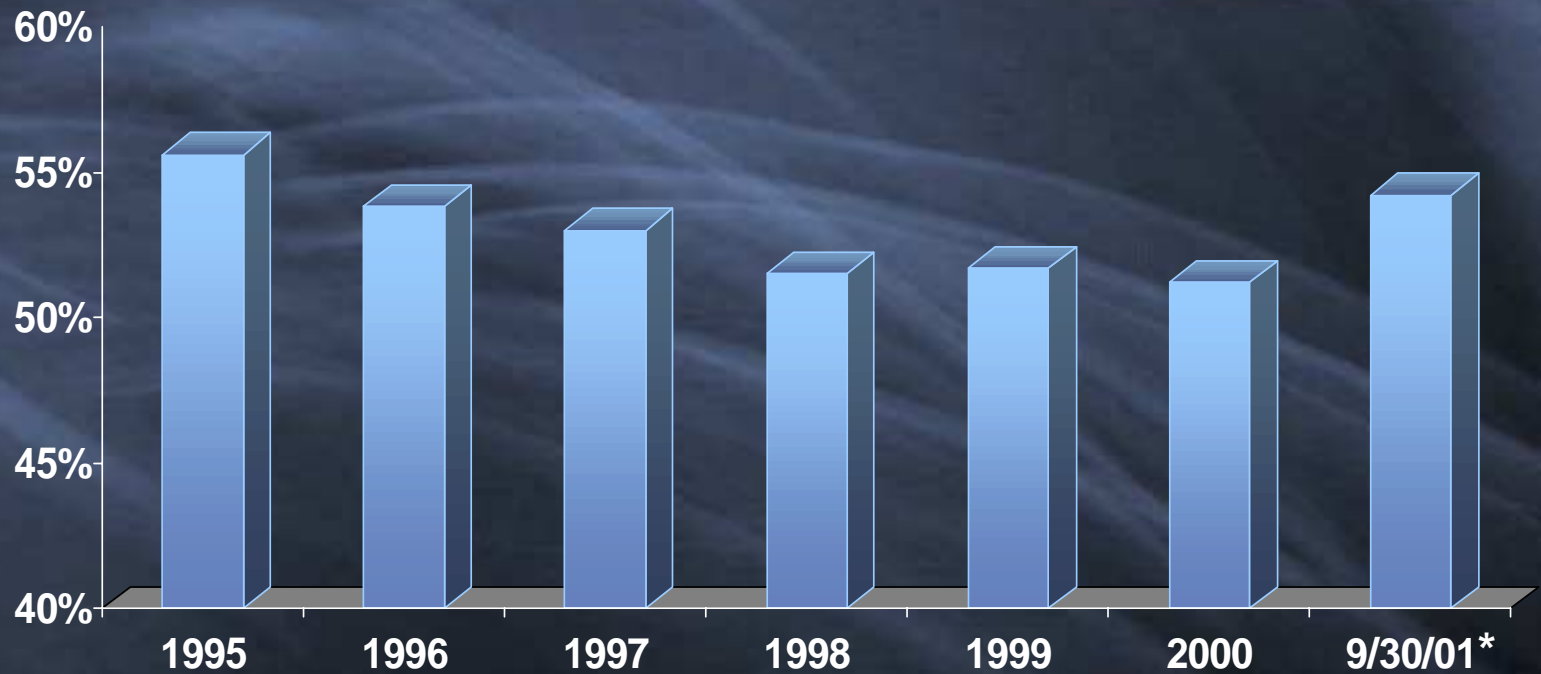
2002

2003

■ Delivery ■ Existing Generation ■ Generation Expansion ■ Other

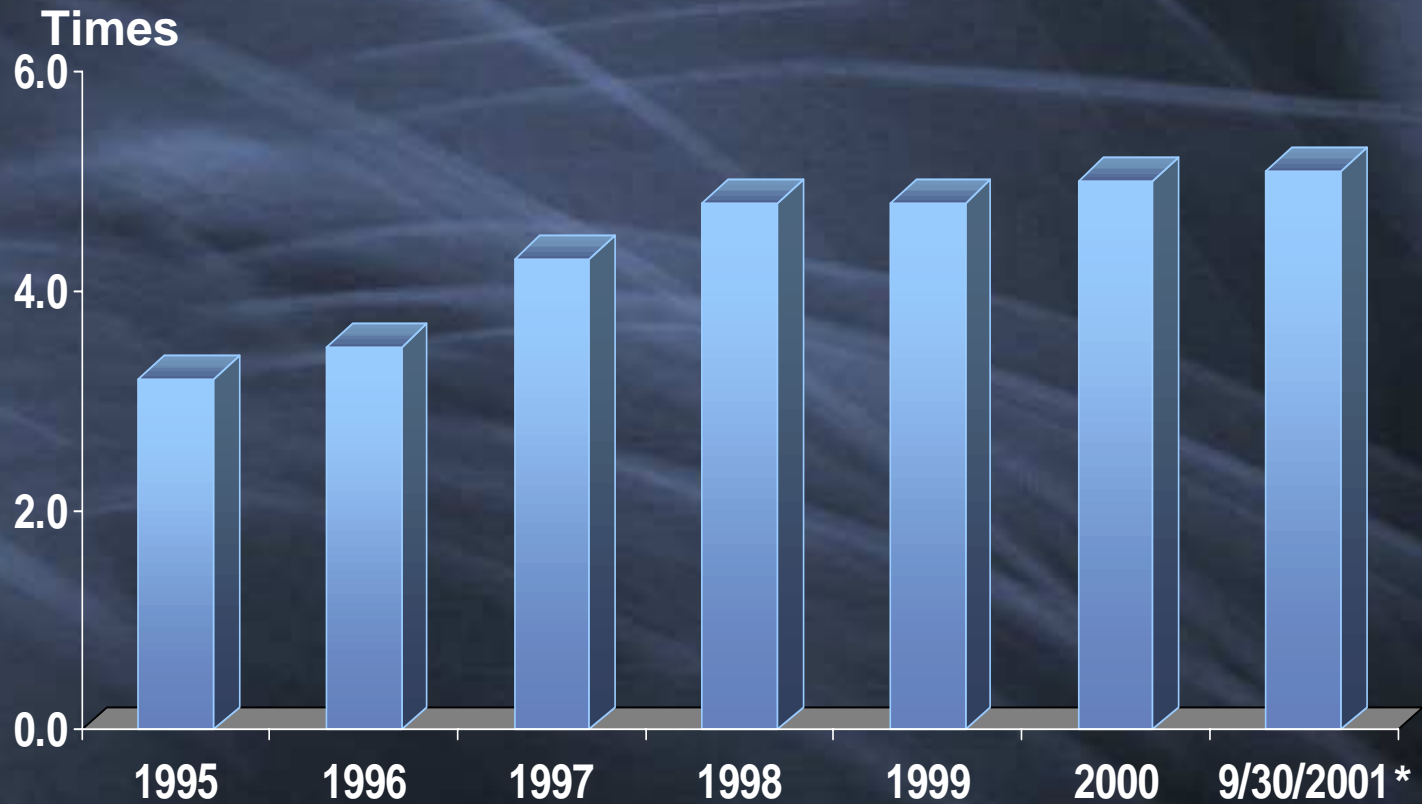


PNW Consolidated Debt Ratio



* Preliminary

PNW Cash Interest Coverage Ratio



* Preliminary

Credit Rating Considerations

- **Maintain commitment to investment grade ratings at APS, PNW, and PWEC**
- **Moderate increase in consolidated leverage offset by reducing business risk**

FAS 133

- **Adopted for gas derivatives January 1, 2001**
- **Adopted new guidance for electricity derivatives July 1, 2001**
- **Requires all derivatives to be recorded at fair value on the balance sheet**
- **Provides hedge accounting treatment if certain criteria are met**
- **If not a hedge, changes in fair value are recorded in current earnings**

FAS 133 & EITF 98-10 PNW Applications

Normal Business

- **Electricity forward contracts**
- **Electricity options in the money at inception**

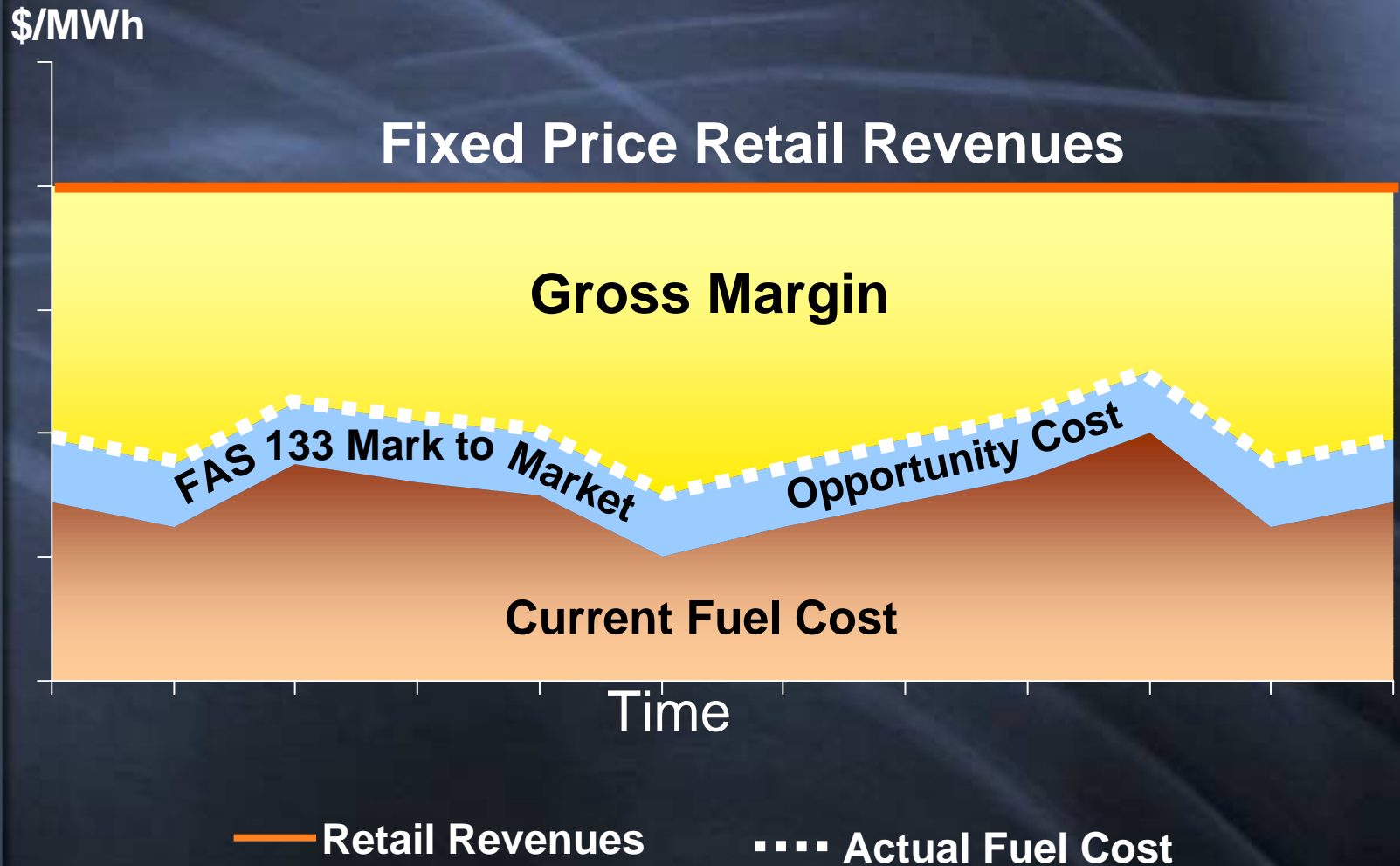
Hedge Accounting (other comprehensive income)

- **Most gas forwards and futures**
- **Certain purchased options**

Current Earnings

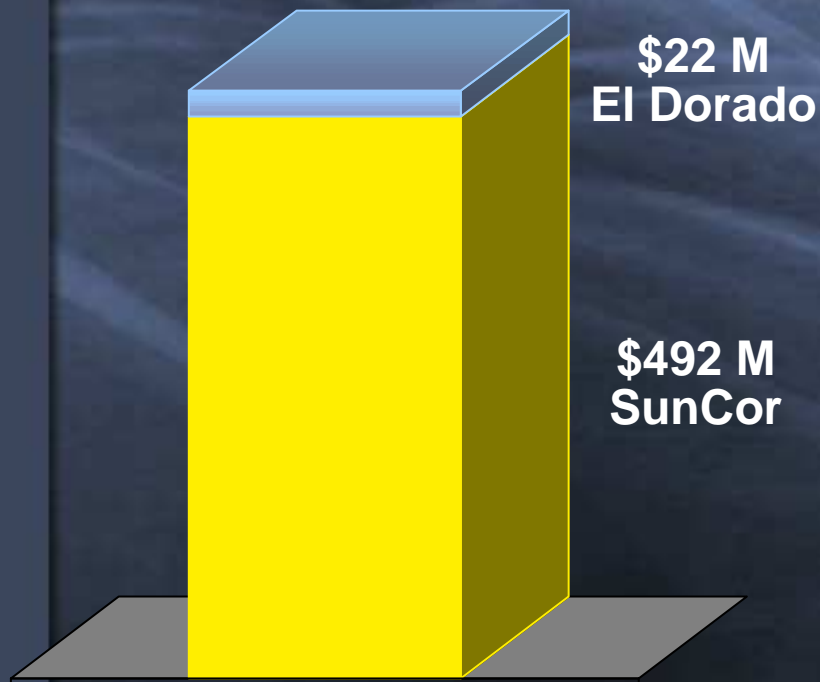
- **Trading**
- **Hedge ineffectiveness**
- **Certain written options**

Why FAS 133 Doesn't Tell the Whole Story?



PNW Non-Energy Subsidiaries

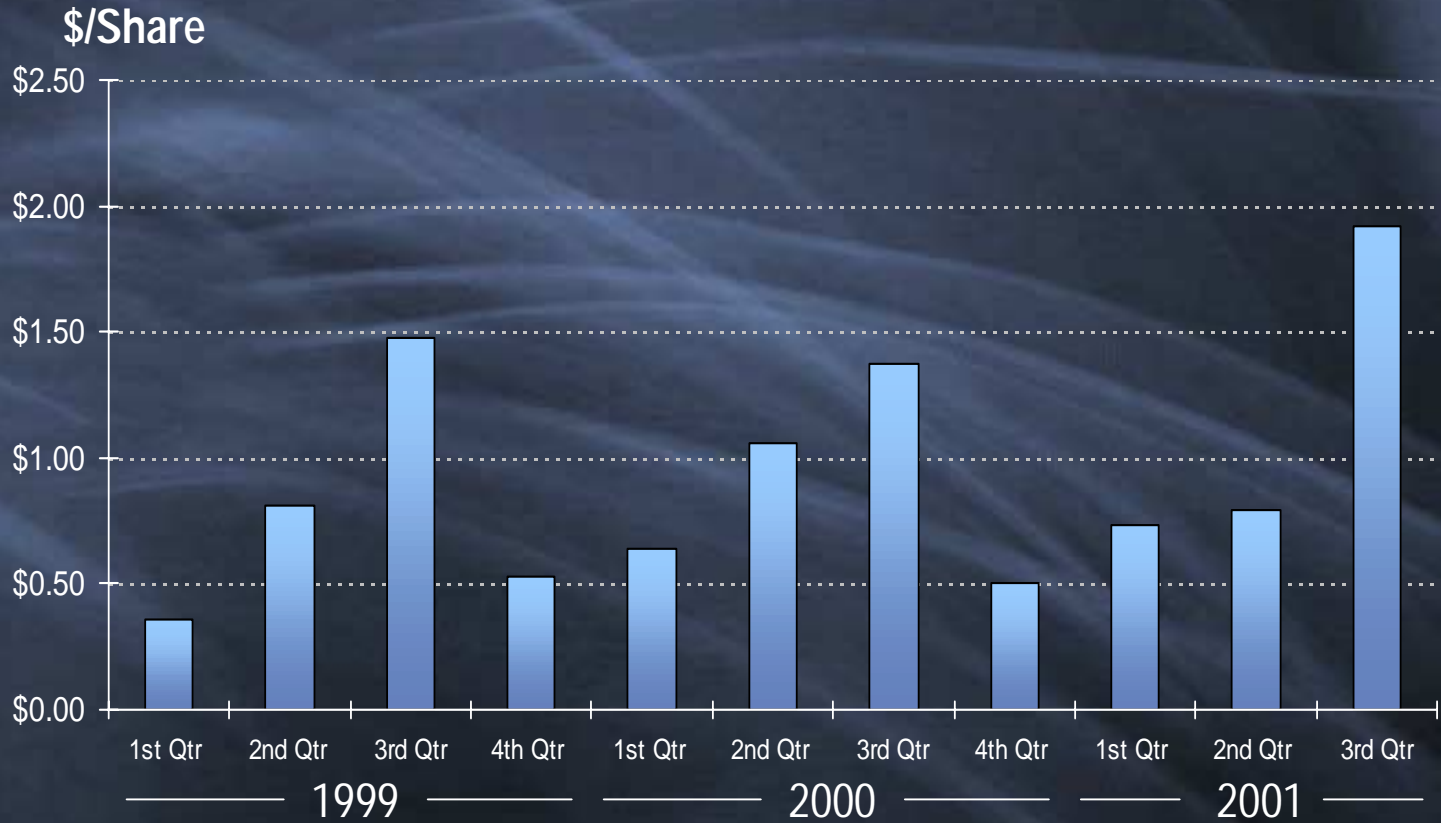
Assets *
\$514 Million



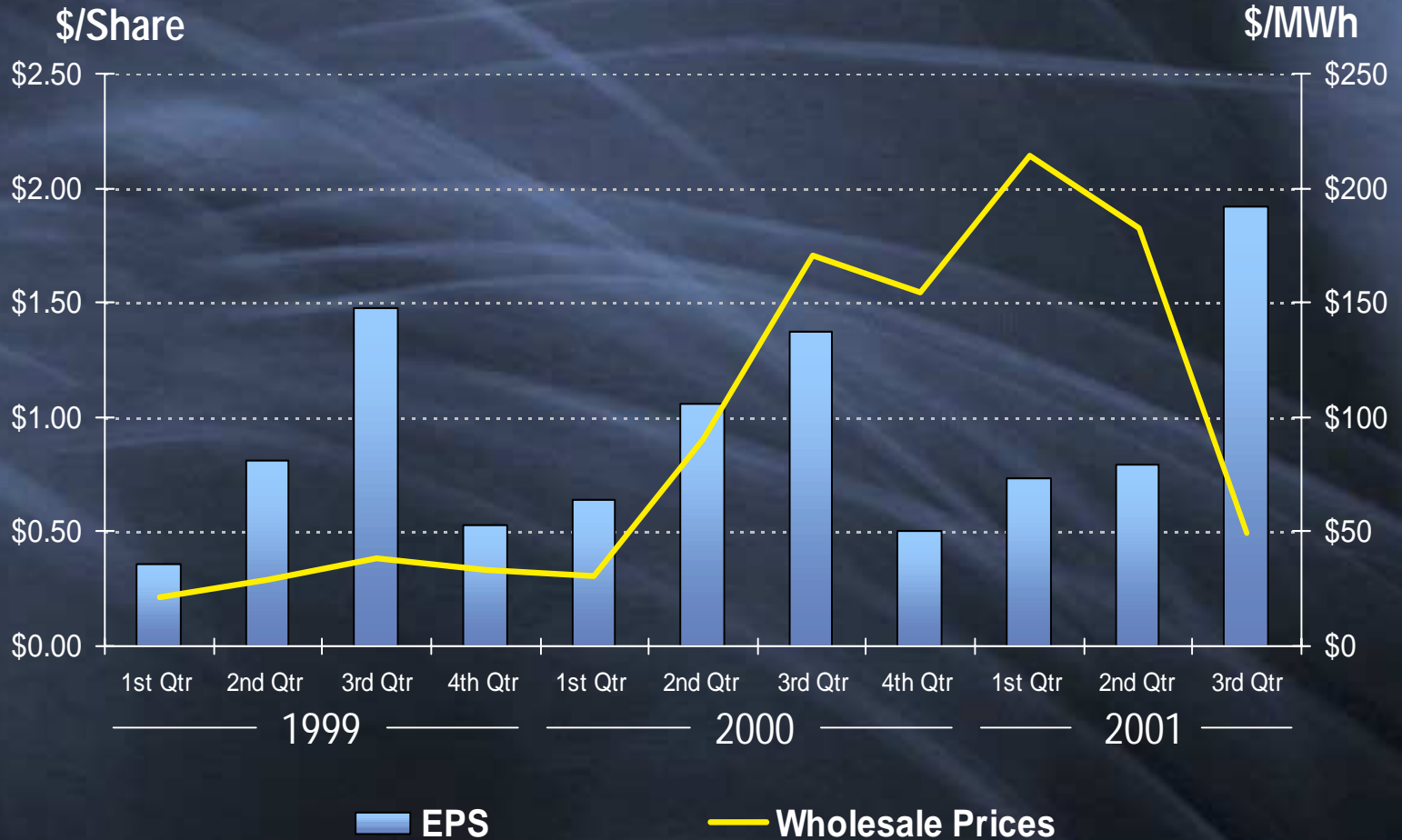
* Preliminary 9/30/01

- *Objectives*
Cash flow and profit potential to parent
- *Current activities*
 - Developing real estate in Southwest
 - Harvesting venture capital portfolio as it matures
- *Growth opportunities*
 - Select real estate opportunities
 - Future investments complementing energy business

EPS Performance



EPS Performance in a Volatile Wholesale Market



"Visible" Earnings Factors

	2001	2002
Retail customer growth	+	+
Retail price decreases	-	-
Regulatory asset amortization	+	+
Generation reliability program	-	+
El Dorado	+	neutral
Interest expense	+	-

Other Earnings Factors

- **Economic factors**
- **Weather impact**
- **Power marketing and trading activity**
- **Generation growth**
- **FAS 133**



PINNACLE WEST
CAPITAL CORPORATION