

PINNACLE WEST
CAPITAL CORPORATION

Deutsche Bank Securities, Inc.
2002 Electric Power Conference

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Forward-Looking Statements

This presentation contains forward-looking statements based on current expectations and the company assumes no obligation to update these statements. Because actual results may differ materially from expectations, the company readers not to place undue reliance on these statements. A number of factors could cause future results to differ materially from historical results, or from results or outcomes currently expected or sought by the company. These factors include the ongoing restructuring of the electric industry, including the introduction of retail electric competition in Arizona and APS' October 2001 ACC filing; the outcome of regulatory and legislative proceedings relating to the restructuring; state and federal regulatory and legislative decisions and actions, including the price mitigation plan adopted by the FERC in June 2001; regional economic and market conditions, including the California energy situation and completion of generation construction in the region, which could affect customer growth and the cost of power supplies; the cost of debt and equity capital; weather variations affecting local and regional customer energy usage; conservation programs; power plant performance; the successful completion of the company's generation expansion program; regulatory issues associated with generation expansion, such as permitting and licensing; the company's ability to compete successfully outside traditional regulated markets (including the wholesale market); technological developments in the electric industry; and the strength of the real estate market in SunCor's market areas, which include Arizona, New Mexico and Utah.

Managing and Succeeding ... in Today's Changing Industry

Discussion Topics

- **Business overview**
- **Major forces impacting our industry**
 - **Regulatory**
 - **Marketplace and illiquidity**
 - **Headline risks - credibility**
- **Financial performance**

Pinnacle West

Generates, sells and delivers electricity and energy related products and services to retail and wholesale customers in the western United States

<i>Twelve Months Ended March 31, 2002</i>	
Assets	\$8.2 billion
Revenues	\$4.2 billion
Retail customers	900,402
Peak load	5,687 MW
Generation capacity*	5,235 MW

* Reflects 2002 generation additions

Pinnacle West's Sustainable Business Model

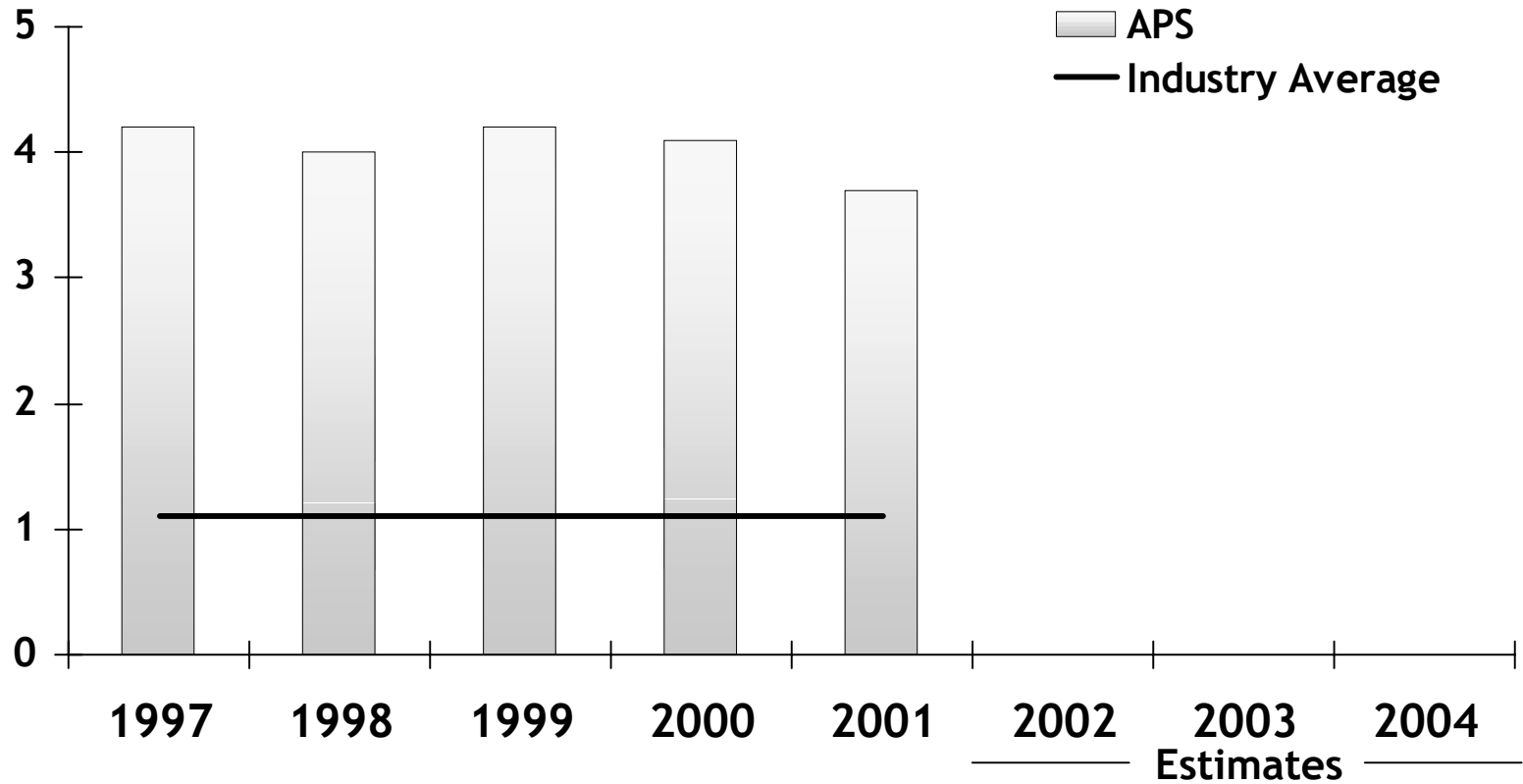
- **Deliver superior combined earnings and dividend growth**
- **Provide retail electricity customers reliable energy at stable prices**
- **Capture retail electric growth opportunities and capitalize on opportunities in Western markets**
- **Build our generation portfolio consistent with our native load, cash flow and market conditions**
- **Maintain discipline to focus on our long-term goals while remaining agile**

Pinnacle West Competitive Strengths

- **Consistent strategic direction**
- **Integrated platform**
- **Disciplined generation growth plan**
- **High growth western markets**
- **Solid core customer growth**
- **Strong financial performance**

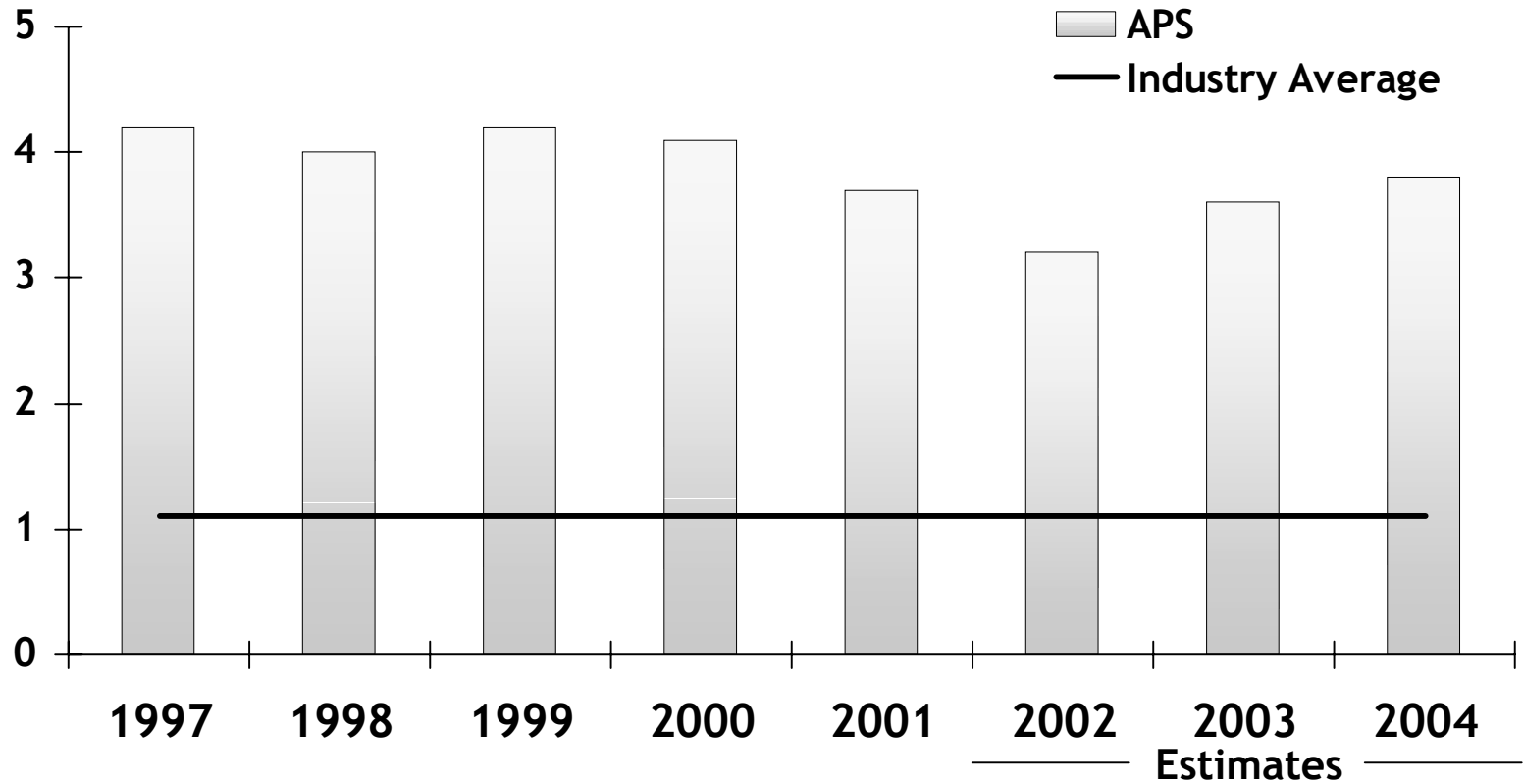
Superior Retail Customer Growth

Percent



Superior Retail Customer Growth

Percent



Regulatory Update

APS Regulatory Plan

- **APS filed request with Arizona Corporation Commission in October 2001**
 - **Variance from competitive bidding requirements**
 - **Approval of purchase power agreement**
- **Generation assets to be transferred to Pinnacle West Energy by end of 2002**

Arizona Corporation Commission

- **Generic docket on electric competition rules opened February 2002**
- **Staff report - areas for consideration**
 - **Market power and monitoring**
 - **Competitive bid process**
 - **Asset transfer**
 - **Transmission**
 - **Adjustor mechanisms**
 - **Shopping credits**

Arizona Corporation Commission

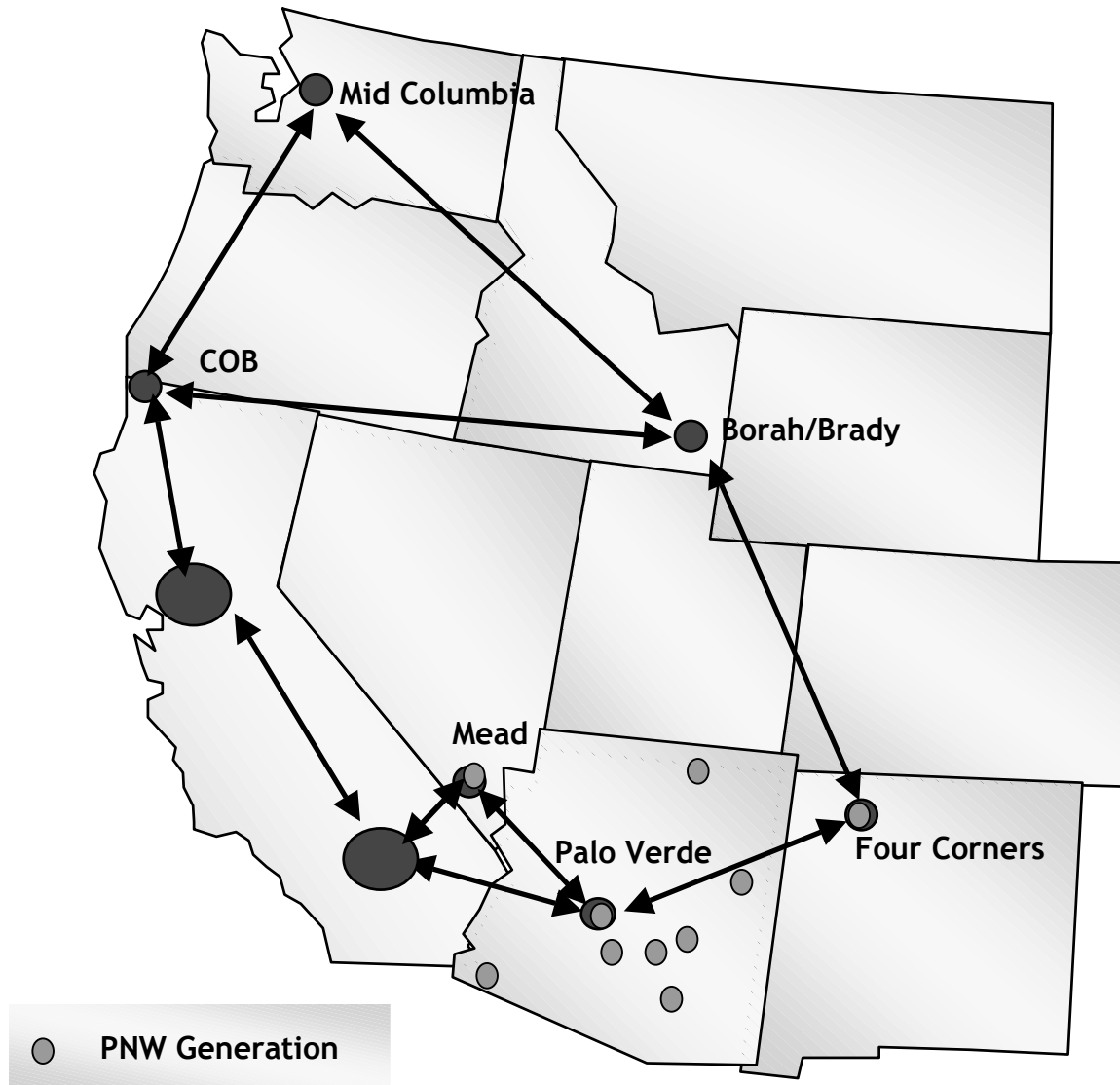
- **APS hearing stayed pending generic proceedings**
- **Generic proceedings**
 - “Track A” issues - asset transfer, market and affiliate issues
 - “Track B” issues - competitive bidding
- **Generic procedural schedule**
 - “Track A” issues
 - Hearing to begin June 17th
 - Target decision in August
 - “Track B” issues

FERC Activity

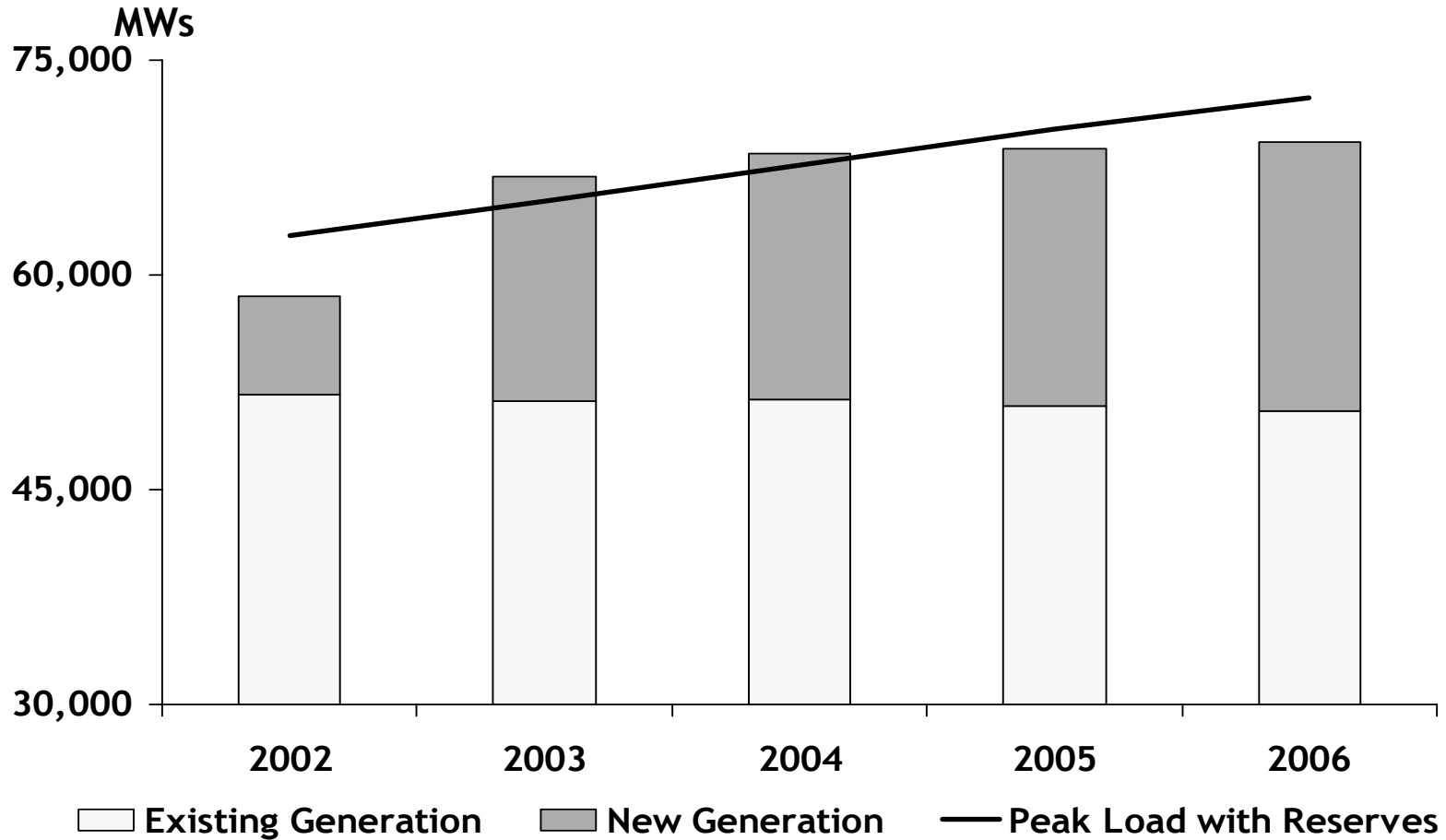


Focus & Agility in Changing Energy Marketplace

Major Trading Hubs in the West



Southwest Electricity Supply and Demand



Pinnacle West Measured Generation Growth Plan

<u>Commercial Operation</u>	<u>New Facilities</u>	<u>MWs</u>
2001	West Phoenix 4	120
2002	Redhawk 1 and 2	1,060
2002	Saguaro CT 3	80
2003	West Phoenix 5	530
<hr/>		
2004	Silverhawk	570
2006/2007	Redhawk 3 and 4	1,060

Pinnacle West Power Marketing and Trading Objectives

- **Provide sufficient capacity, energy and ancillary services to meet native load obligations**
- **Procure fuel for generation plants to maximize value**
- **Manage commodity price risk to ensure financial performance of the enterprise**
- **Contribute profitability within disciplined risk parameters**

Continuing Challenges

- **Market Liquidity**
- **Regulatory Developments**
- **Development of RTOs**
- **Accounting Issues**

Superior Financial Track Record

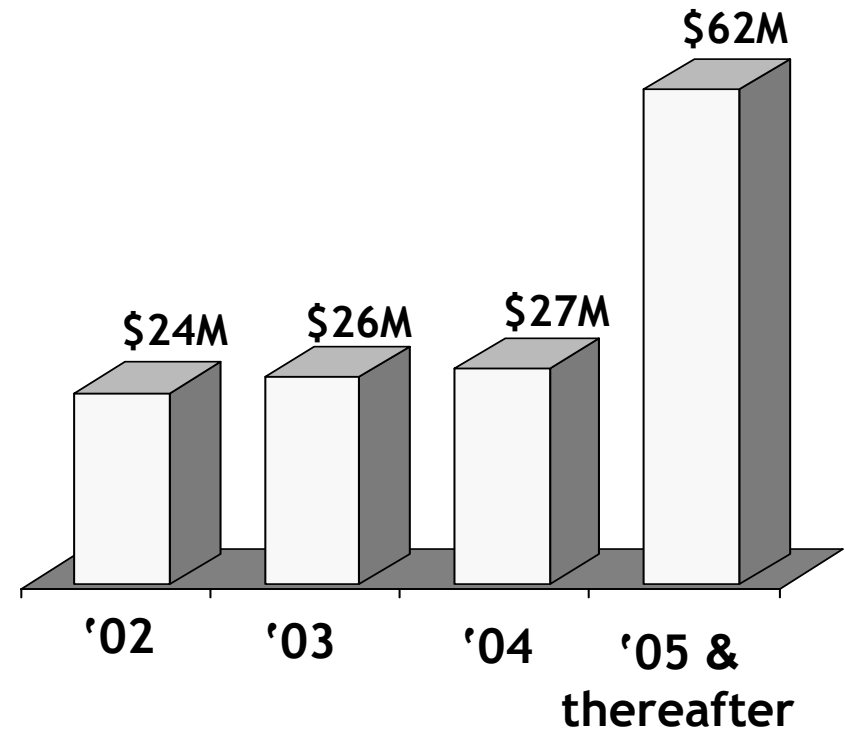
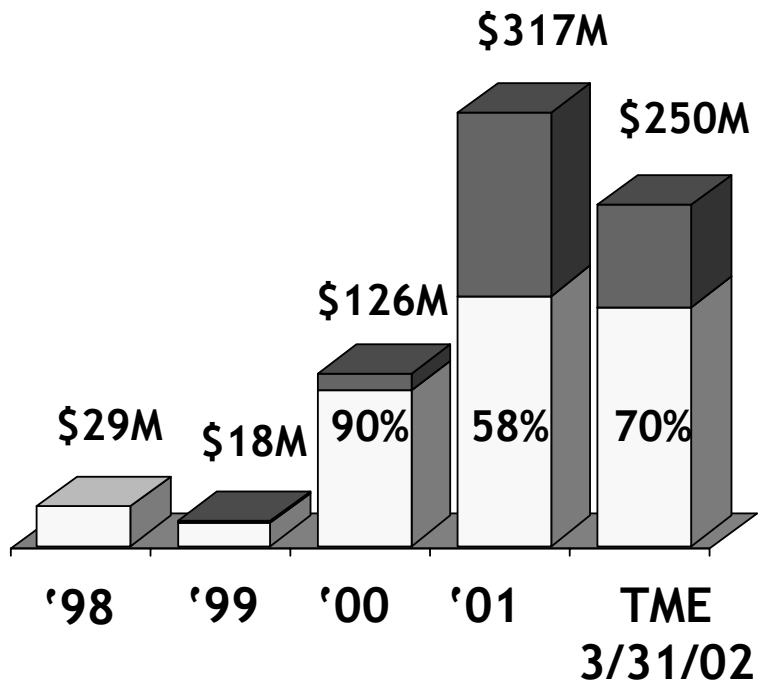
Pinnacle West Earnings Drivers 2002 - 2003

- **Strong retail customer growth**
- **Reversal of 2001 reliability O&M costs**
- **Reduced purchased power costs for outages**
- **Regulatory asset amortization**
- **Retail price reductions**
- **Economic conditions, weather, and regulatory and legislative developments**
- **Power marketing and trading results**

Pinnacle West Power Marketing and Trading Results

Gross Margin

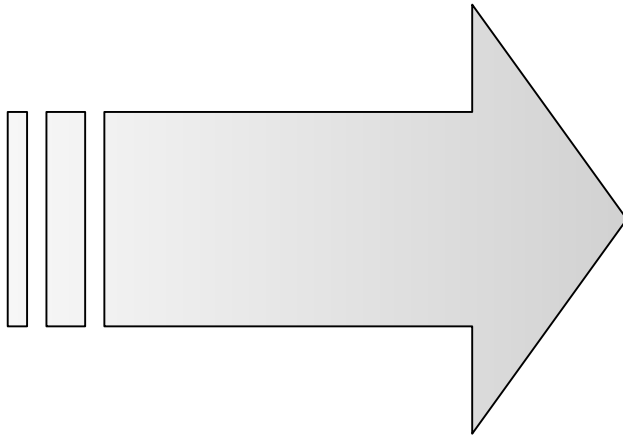
Estimated Realized MTM Gains*



Net change in mark-to-market
 Realized gain

* Based on accumulated mark-to-market gains as of 3/31/02

Limited capital devoted to Power Marketing and Trading business



< 3.5% of Total Assets

Gross Margin Analysis Tools

Total
Realized Margin

Prior-period
mark-to-market

Future period
mark-to-market

Total
Gross Margin

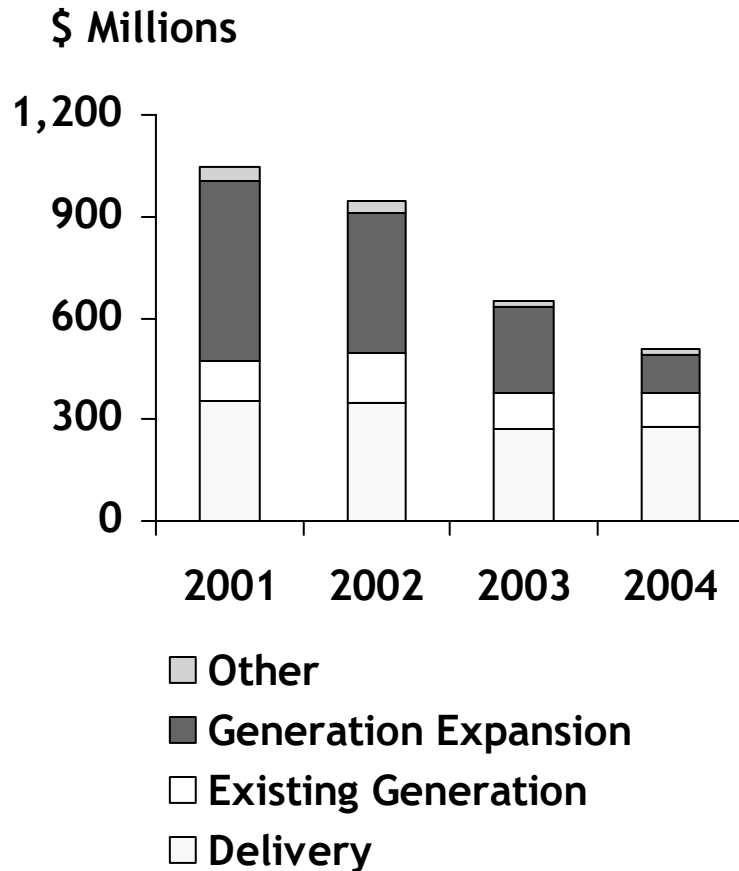
Margin by
Commodity

Quarterly Consolidated Statistical Summary Periods Ended March 31, 2002 and 2001						
Line	3 Mo. Ended March 31			12 Mo. Ended March 31		
	2002	2001	Incr (Decr)	2002	2001	Incr (Decr)
MARKETING AND TRADING PRETAX GROSS MARGIN ANALYSIS (Dollars in Millions)						
Realized and Mark-To-Market Components						
Current Period Effects						
Realized margin on delivered commodities						
Electricity						
48	\$ 2	\$ 48	\$ (46)	\$ 34	\$ 100	\$ (66)
49	33	4	29	146	70	76
50	35	52	(17)	180	170	10
51	4	(5)	9	(5)	(9)	4
52	39	47	(8)	175	161	14
Prior-period mark-to-market (gains) losses on contracts delivered during current period						
53	(16)	1	(17)	(48)	(13)	(35)
54	(6)	12	(18)	10	(1)	11
55	-	-	-	(8)	-	(8)
56	(22)	13	(35)	(46)	(14)	(32)
57	17	60	(43)	129	147	(18)
Change in mark-to-market gains (losses) for future period deliveries (b)						
58	25	45	(20)	145	63	82
59	(2)	2	(4)	(24)	16	(40)
60	23	47	(24)	121	79	42
61	\$ 40	\$ 107	\$ (67)	\$ 250	\$ 226	\$ 24
By Commodity Sold or Traded						
62	\$ 45	\$ 98	\$ (53)	\$ 274	\$ 219	\$ 55
63	(5)	(3)	(2)	(10)	2	(12)
64	(1)	14	(15)	(7)	11	(18)
65	1	(2)	3	(7)	(6)	(1)
66	-	-	-	-	-	-
67	\$ 40	\$ 107	\$ (67)	\$ 250	\$ 226	\$ 24

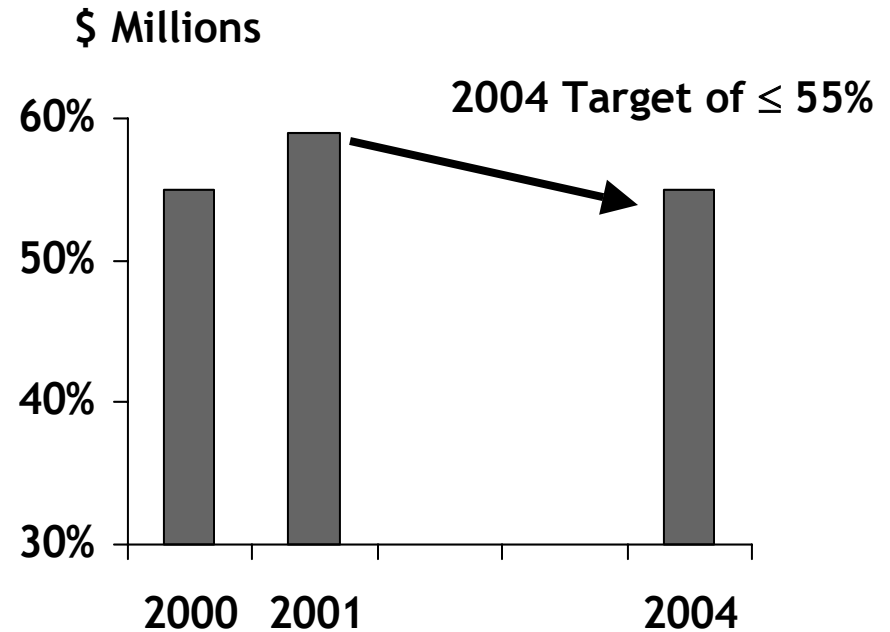
Pinnacle West

Managing Growth with Financial Strength

Capital Expenditures

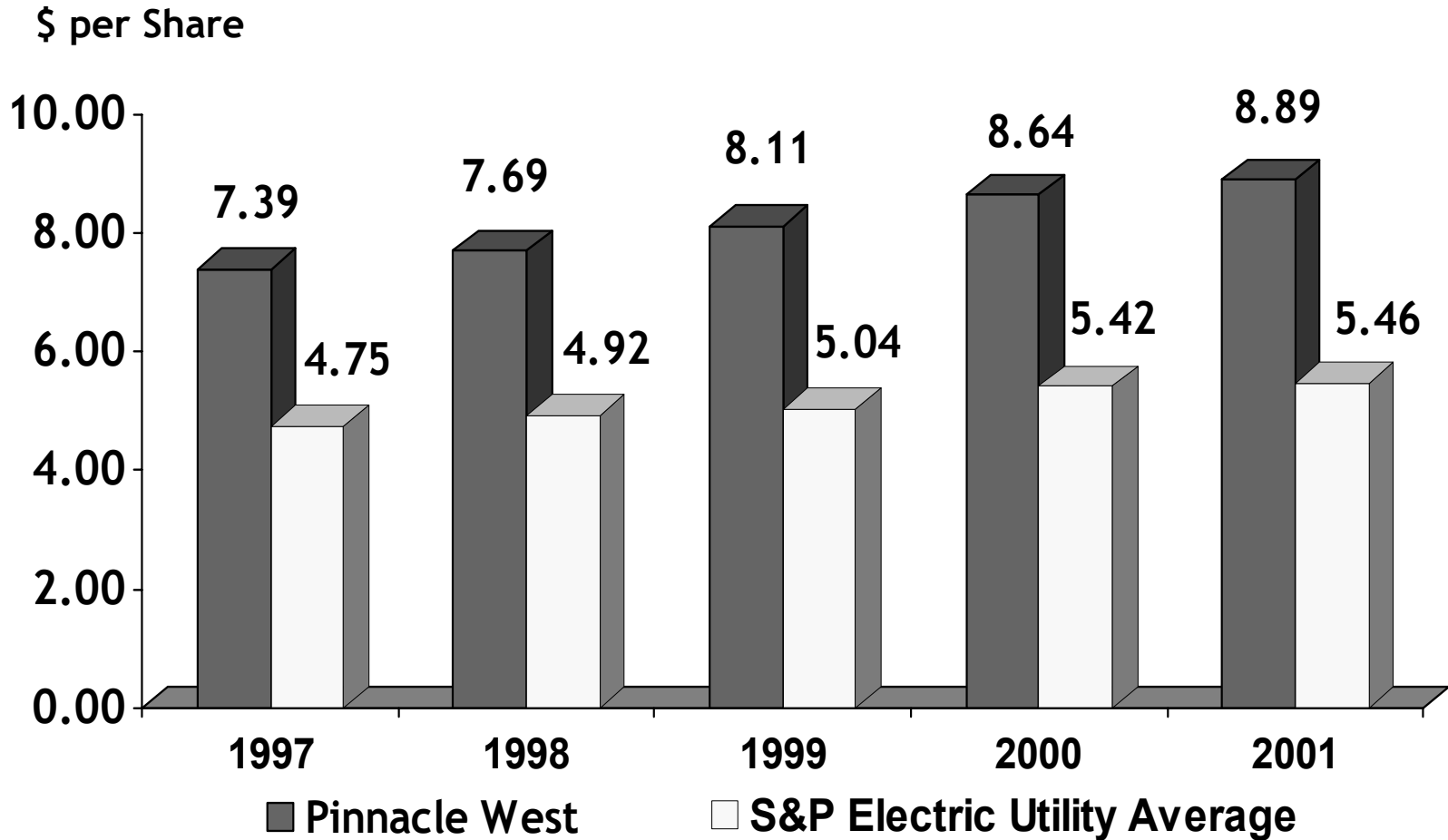


Consolidated Debt Ratio*



* Includes Palo Verde sale/leaseback

Pinnacle West versus Industry Cash Flow Per Share



Pinnacle West Financial Focus

- **Manage business strategies for superior shareholder value creation**
- **Continue superior combined earnings and dividend growth**
- **Maintain balance sheet strength**



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