

**NON-GAAP FINANCIAL MEASURE RECONCILIATION  
2008 NET INCOME (GAAP MEASURE) TO  
ON-GOING EARNINGS (NON-GAAP FINANCIAL MEASURE)**

**PINNACLE WEST CAPITAL CORPORATION**

Dollars in Millions	<u>1st Quarter</u>	<u>2nd Quarter</u>	<u>3rd Quarter</u>	<u>4th Quarter</u>	<u>Total</u>
Net income (loss)	\$ (4)	\$ 134	\$ 152	\$ (39)	\$ 242
Adjustments:					
Real estate segment including 4th quarter impairment charge	1	(15)	6	34	26
Income tax credits related to prior years	-	(30)	-	-	(30)
Severance costs related to workforce reductions	-	-	3	5	8
Income from discontinued operations for resolution of tax issues related to 2005 Silverhawk plant sale	-	-	-	(8)	(8)
On-going earnings (loss)	<u>\$ (3)</u>	<u>\$ 89</u>	<u>\$ 161</u>	<u>\$ (8)</u>	<u>\$ 238</u>

**Diluted EPS**

Net income (loss)	\$ (0.04)	\$ 1.33	\$ 1.50	\$ (0.39)	\$ 2.40
Adjustments:					
Real estate segment	0.01	(0.15)	0.06	0.34	0.26
Income tax credits related to prior years	-	(0.30)	-	-	(0.30)
Severance costs related to workforce reductions	-	-	0.03	0.05	0.08
Income from discontinued operations for resolution of tax issues related to 2005 Silverhawk plant sale	-	-	-	(0.08)	(0.08)
On-going earnings (loss)	<u>\$ (0.03)</u>	<u>\$ 0.88</u>	<u>\$ 1.59</u>	<u>\$ (0.08)</u>	<u>\$ 2.36</u>

**ARIZONA PUBLIC SERVICE COMPANY**

Dollars in Millions	<u>1st Quarter</u>	<u>2nd Quarter</u>	<u>3rd Quarter</u>	<u>4th Quarter</u>	<u>Total</u>
Net income (loss)	\$ (6)	\$ 125	\$ 160	\$ (17)	\$ 262
Adjustments:					
Income tax credits related to prior years	-	(29)	-	-	(29)
Severance costs related to workforce reductions	-	-	3	5	8
On-going earnings (loss)	<u>\$ (6)</u>	<u>\$ 96</u>	<u>\$ 163</u>	<u>\$ (12)</u>	<u>\$ 241</u>

**NON-GAAP FINANCIAL MEASURE RECONCILIATION  
2007 NET INCOME (GAAP MEASURE) TO  
ON-GOING EARNINGS (NON-GAAP FINANCIAL MEASURE)**

**PINNACLE WEST CAPITAL CORPORATION**

<b>Dollars in Millions</b>	<b>1st Quarter</b>	<b>2nd Quarter</b>	<b>3rd Quarter</b>	<b>4th Quarter</b>	<b>Total</b>
Net income (loss)	\$ 16	\$ 79	\$ 209	\$ 3	\$ 307
Adjustments:					
Real estate segment	(9)	-	(6)	(8)	(23)
Income tax credits related to prior years	(1)	(2)	(10)	-	(13)
Severance costs related to workforce reductions	-	-	-	3	3
Loss from discontinued APSES project	-	-	-	3	3
Regulatory disallowance	-	8	-	-	8
On-going earnings (loss)	<u>\$ 6</u>	<u>\$ 85</u>	<u>\$ 193</u>	<u>\$ 1</u>	<u>\$ 285</u>

**Diluted EPS**

Net income (loss)	\$ 0.16	\$ 0.78	\$ 2.07	\$ 0.03	\$ 3.05
Adjustments:					
Real estate segment	(0.09)	-	(0.06)	(0.08)	(0.23)
Income tax credits related to prior years	(0.01)	(0.02)	(0.10)	-	(0.13)
Severance costs related to workforce reductions	-	-	-	0.03	0.03
Loss from discontinued APSES project	-	-	-	0.03	0.03
Regulatory disallowance	-	0.08	-	-	0.08
On-going earnings (loss)	<u>\$ 0.06</u>	<u>\$ 0.84</u>	<u>\$ 1.91</u>	<u>\$ 0.01</u>	<u>\$ 2.83</u>

**ARIZONA PUBLIC SERVICE COMPANY**

<b>Dollars in Millions</b>	<b>1st Quarter</b>	<b>2nd Quarter</b>	<b>3rd Quarter</b>	<b>4th Quarter</b>	<b>Total</b>
Net income (loss)	\$ 4	\$ 75	\$ 204	\$ -	\$ 284
Adjustments:					
Income tax credits related to prior years	(1)	-	(10)	-	(12)
Severance costs related to workforce reductions	-	-	-	3	3
Regulatory disallowance	-	8	-	-	8
On-going earnings (loss)	<u>\$ 3</u>	<u>\$ 83</u>	<u>\$ 194</u>	<u>\$ 3</u>	<u>\$ 283</u>

**NON-GAAP FINANCIAL MEASURE RECONCILIATION  
2006 NET INCOME (GAAP MEASURE) TO  
ON-GOING EARNINGS (NON-GAAP FINANCIAL MEASURE)**

**PINNACLE WEST CAPITAL CORPORATION**

<b>Dollars in Millions</b>	<u>1st Quarter</u>	<u>2nd Quarter</u>	<u>3rd Quarter</u>	<u>4th Quarter</u>	<u>Total</u>
Net income (loss)	\$ 12	\$ 112	\$ 184	\$ 18	\$ 327
Adjustments:					
Real estate segment	(22)	(9)	(17)	(12)	(60)
Income tax credits related to prior years	-	(10)	-	(4)	(14)
On-going earnings (loss)	<u>\$ (10)</u>	<u>\$ 93</u>	<u>\$ 167</u>	<u>\$ 2</u>	<u>\$ 253</u>

**Diluted EPS**

Net income (loss)	\$ 0.13	\$ 1.13	\$ 1.84	\$ 0.18	\$ 3.27
Adjustments:					
Real estate segment	(0.22)	(0.09)	(0.17)	(0.12)	(0.60)
Income tax credits related to prior years	-	(0.10)	-	(0.04)	(0.14)
On-going earnings (loss)	<u>\$ (0.09)</u>	<u>\$ 0.94</u>	<u>\$ 1.67</u>	<u>\$ 0.02</u>	<u>\$ 2.53</u>

**ARIZONA PUBLIC SERVICE COMPANY**

<b>Dollars in Millions</b>	<u>1st Quarter</u>	<u>2nd Quarter</u>	<u>3rd Quarter</u>	<u>4th Quarter</u>	<u>Total</u>
Net income (loss)	\$ (6)	\$ 94	\$ 169	\$ 13	\$ 270
Adjustments:					
Income tax credits related to prior years	-	(7)	-	(4)	(11)
On-going earnings (loss)	<u>\$ (6)</u>	<u>\$ 87</u>	<u>\$ 169</u>	<u>\$ 9</u>	<u>\$ 259</u>