

**PINNACLE WEST CAPITAL CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(unaudited)

(in thousands, except per share amounts)

	THREE MONTHS ENDED		Increase (Decrease)		
	DECEMBER 31,		Amount	Percent	
	2006	2005			
<b>Operating Revenues</b>					
Regulated electricity segment	\$ 569,213	\$ 488,035	\$ 81,178	16.6%	B
Real estate segment	81,470	105,081	(23,611)	22.5%	W
Marketing and trading	71,390	84,098	(12,708)	15.1%	W
Other revenues	7,999	14,458	(6,459)	44.7%	W
Total	<u>730,072</u>	<u>691,672</u>	<u>38,400</u>	5.6%	B
<b>Operating Expenses</b>					
Regulated electricity segment fuel and purchased power	225,160	152,609	72,551	47.5%	W
Real estate segment operations	76,266	87,811	(11,545)	13.1%	B
Marketing and trading fuel and purchased power	62,840	77,744	(14,904)	19.2%	B
Operations and maintenance	180,122	168,706	11,416	6.8%	W
Depreciation and amortization	91,336	85,622	5,714	6.7%	W
Taxes other than income taxes	28,425	28,512	(87)	0.3%	B
Other expenses	5,853	12,536	(6,683)	53.3%	B
Regulatory disallowance	-	(4,655)	4,655	100.0%	W
Total	<u>670,002</u>	<u>608,885</u>	<u>61,117</u>	10.0%	W
<b>Operating Income</b>	<u>60,070</u>	<u>82,787</u>	<u>(22,717)</u>	27.4%	W
<b>Other</b>					
Allowance for equity funds used during construction	3,700	2,784	916	32.9%	B
Other income	9,568	5,505	4,063	73.8%	B
Other expense	(14,847)	(13,895)	(952)	6.9%	W
Total	<u>(1,579)</u>	<u>(5,606)</u>	<u>4,027</u>	71.8%	B
<b>Interest Expense</b>					
Interest charges	52,841	42,267	10,574	25.0%	W
Capitalized interest	(6,394)	(1,884)	(4,510)	239.4%	B
Total	<u>46,447</u>	<u>40,383</u>	<u>6,064</u>	15.0%	W
<b>Income From Continuing Operations Before Income Taxes</b>	12,044	36,798	(24,754)	67.3%	W
<b>Income Taxes</b>	<u>1,518</u>	<u>13,029</u>	<u>(11,511)</u>	88.3%	B
<b>Income From Continuing Operations</b>	10,526	23,769	(13,243)	55.7%	W
<b>Income (Loss) From Discontinued Operations</b>					
Net of Income Taxes	<u>7,953</u>	<u>(2,422)</u>	<u>10,375</u>	428.4%	B
<b>Net Income</b>	<u>\$ 18,479</u>	<u>\$ 21,347</u>	<u>\$ (2,868)</u>	13.4%	W
<b>Weighted-Average Common Shares Outstanding - Basic</b>	99,832	98,982	850	0.9%	
<b>Weighted-Average Common Shares Outstanding - Diluted</b>	100,474	99,050	1,424	1.4%	
<b>Earnings Per Weighted-Average Common Share Outstanding</b>					
Income from continuing operations - basic	\$ 0.11	\$ 0.24	\$ (0.13)	54.2%	W
Net income - basic	\$ 0.19	\$ 0.22	\$ (0.03)	13.6%	W
Income from continuing operations - diluted	\$ 0.10	\$ 0.24	\$ (0.14)	58.3%	W
Net income - diluted	\$ 0.18	\$ 0.22	\$ (0.04)	18.2%	W

B -- Better

W -- Worse

**PINNACLE WEST CAPITAL CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(unaudited)

(in thousands, except per share amounts)

	TWELVE MONTHS ENDED		Increase (Decrease)		
	DECEMBER 31,		Amount	Percent	
	2006	2005			
<b>Operating Revenues</b>					
Regulated electricity segment	\$ 2,635,036	\$ 2,237,145	\$ 397,891	17.8%	B
Real estate segment	399,798	338,031	61,767	18.3%	B
Marketing and trading	330,742	351,558	(20,816)	5.9%	W
Other revenues	36,172	61,221	(25,049)	40.9%	W
Total	<u>3,401,748</u>	<u>2,987,955</u>	<u>413,793</u>	13.8%	B
<b>Operating Expenses</b>					
Regulated electricity segment fuel and purchased power	960,649	595,141	365,508	61.4%	W
Real estate segment operations	324,861	278,366	46,495	16.7%	W
Marketing and trading fuel and purchased power	290,637	293,091	(2,454)	0.8%	B
Operations and maintenance	691,277	635,827	55,450	8.7%	W
Depreciation and amortization	358,644	347,652	10,992	3.2%	W
Taxes other than income taxes	128,395	132,040	(3,645)	2.8%	B
Other expenses	28,415	51,987	(23,572)	45.3%	B
Regulatory disallowance	-	138,562	(138,562)	100.0%	B
Total	<u>2,782,878</u>	<u>2,472,666</u>	<u>310,212</u>	12.5%	W
<b>Operating Income</b>	<u>618,870</u>	<u>515,289</u>	<u>103,581</u>	20.1%	B
<b>Other</b>					
Allowance for equity funds used during construction	14,312	11,191	3,121	27.9%	B
Other income	44,016	23,360	20,656	88.4%	B
Other expense	(27,800)	(26,716)	(1,084)	4.1%	W
Total	<u>30,528</u>	<u>7,835</u>	<u>22,693</u>	289.6%	B
<b>Interest Expense</b>					
Interest charges	196,826	185,087	11,739	6.3%	W
Capitalized interest	(20,989)	(12,018)	(8,971)	74.6%	B
Total	<u>175,837</u>	<u>173,069</u>	<u>2,768</u>	1.6%	W
<b>Income From Continuing Operations Before Income Taxes</b>	473,561	350,055	123,506	35.3%	B
<b>Income Taxes</b>	<u>156,418</u>	<u>126,892</u>	<u>29,526</u>	23.3%	W
<b>Income From Continuing Operations</b>	317,143	223,163	93,980	42.1%	B
<b>Income (Loss) From Discontinued Operations</b>					
Net of Income Taxes	<u>10,112</u>	<u>(46,896)</u>	<u>57,008</u>	121.6%	B
<b>Net Income</b>	<u>\$ 327,255</u>	<u>\$ 176,267</u>	<u>\$ 150,988</u>	85.7%	B
<b>Weighted-Average Common Shares Outstanding - Basic</b>	99,417	96,484	2,933	3.0%	
<b>Weighted-Average Common Shares Outstanding - Diluted</b>	100,010	96,590	3,420	3.5%	
<b>Earnings Per Weighted-Average Common Share Outstanding</b>					
Income from continuing operations - basic	\$ 3.19	\$ 2.31	\$ 0.88	38.1%	B
Net income - basic	\$ 3.29	\$ 1.83	\$ 1.46	79.8%	B
Income from continuing operations - diluted	\$ 3.17	\$ 2.31	\$ 0.86	37.2%	B
Net income - diluted	\$ 3.27	\$ 1.82	\$ 1.45	79.7%	B

B -- Better

W -- Worse