

2008
STATISTICAL REPORT
for FINANCIAL
ANALYSIS

PINNACLE WEST CAPITAL CORPORATION

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FOR FINANCIAL ANALYSIS
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PINNACLE WEST CAPITAL CORPORATION
CONSOLIDATING INCOME STATEMENT
(DOLLARS IN THOUSANDS)

YEAR ENDED DECEMBER 31, 2008	Pinnacle West Parent Company	Pinnacle West Marketing & Trading	APS	SunCor	El Dorado	APS Energy Services	Eliminations and Adjustments	Consolidated Total
OPERATING REVENUES								
Regulated electricity segment	\$ -	\$ -	\$ 3,131,432	\$ -	\$ -	\$ -	\$ (4,049) (a)	\$ 3,127,383
Real estate segment	-	-	-	131,067	-	-	-	131,067
Marketing and trading	(1,809)	66,642	2,064	-	-	-	-	66,897
Other revenues	1,861	-	-	-	-	39,476	392 (c)	41,729
Total	52	66,642	3,133,496	131,067	-	39,476	(3,657)	3,367,076
OPERATING EXPENSES								
Regulated electricity segment fuel and purchased power	-	-	1,287,771	-	-	-	(3,655) (a)	1,284,116
Real estate segment operations	37	-	-	149,114	-	-	(26) (b)	149,125
Real estate impairment charge	-	-	-	53,250	-	-	-	53,250
Marketing and trading fuel and purchased power	(19,970)	63,430	2,112	-	-	-	-	45,572
Operations and maintenance	5,109	1,095	787,270	-	-	10,625	3,753 (a)	807,852
Depreciation and amortization	210	-	383,098	4,930	70	2,019	31 (b)	390,358
Taxes other than income taxes	-	-	124,046	-	-	486	804 (c)	125,336
Other expenses	3,660	-	-	-	-	24,142	6,369 (c)	34,171
Total	(10,954)	64,525	2,584,297	207,294	70	37,272	7,276	2,889,780
OPERATING INCOME	11,006	2,117	549,199	(76,227)	(70)	2,204	(10,933)	477,296
OTHER								
Allowance for equity funds used during construction	-	-	18,636	-	-	-	-	18,636
Other income	231,796	3	6,231	2,499	(300)	1,238	(229,389) (b)	12,078
Other expense	(3,655)	(53)	(30,569)	-	(8,565)	(60)	11,326 (c)	(31,576)
Total	228,141	(50)	(5,702)	2,499	(8,865)	1,178	(218,063)	(862)
INTEREST EXPENSE								
Interest charges	17,557	209	188,205	10,528	988	908	(2,105) (b)	216,290
Capitalized interest	(7)	-	(14,313)	(4,197)	-	(303)	-	(18,820)
Total	17,550	209	173,892	6,331	988	605	(2,105)	197,470
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	221,597	1,858	369,605	(80,059)	(9,923)	2,777	(226,891)	278,964
INCOME TAXES	(12,374)	702	107,261	(31,192)	-	1,010	-	65,407
INCOME (LOSS) FROM CONTINUING OPERATIONS	233,971	1,156	262,344	(48,867)	(9,923)	1,767	(226,891)	213,557
Income (loss) from discontinued operations - net of income tax expense (benefit)	8,154	-	-	22,690	-	(2,276)	-	28,568
NET INCOME (LOSS)	\$ 242,125	\$ 1,156	\$ 262,344	\$ (26,177)	\$ (9,923)	\$ (509)	\$ (226,891)	\$ 242,125

EXPLANATIONS OF ELIMINATIONS AND ADJUSTMENTS

- (a) Elimination of intercompany sales of electricity.
(b) Elimination of intercompany interest expense and income.
(c) Miscellaneous reclassifications.

PINNACLE WEST CAPITAL CORPORATION
CONSOLIDATING BALANCE SHEET
(DOLLARS IN THOUSANDS)

DECEMBER 31, 2008	Pinnacle West Parent Company	Pinnacle West Marketing & Trading	APS	SunCor	El Dorado	APS Energy Services	Eliminations and Adjustments	Consolidated Total
ASSETS								
CURRENT ASSETS								
Cash and cash equivalents	\$ 6,262	\$ 3	\$ 71,544	\$ 27,435	\$ 2	\$ -	\$ (1)	\$ 105,245
Customer and other receivables	65,576	7,089	262,177	7,370	170	14,436	(64,136)	292,682
Accrued utility revenues	-	-	100,089	-	-	-	-	100,089
Allowance for doubtful accounts	-	(85)	(3,155)	-	-	(143)	-	(3,383)
Materials and supplies (at average cost)	-	-	173,252	-	-	-	-	173,252
Fossil fuel (at average cost)	-	-	29,752	-	-	-	-	29,752
Deferred income taxes	35	-	79,694	-	-	-	-	79,729
Home inventory	-	-	-	50,688	-	-	-	50,688
Assets from risk management and trading activities	-	400	32,181	-	-	-	-	32,581
Other current assets	332	-	19,866	1,627	-	22	-	21,847
Total current assets	<u>72,205</u>	<u>7,407</u>	<u>765,400</u>	<u>87,120</u>	<u>172</u>	<u>14,315</u>	<u>(64,137)</u>	<u>882,482</u>
INVESTMENTS AND OTHER ASSETS								
Real estate investments - net	585	-	-	414,711	-	-	-	415,296
Assets from long-term risk management and trading activities	-	-	33,675	-	-	-	-	33,675
Nuclear decommissioning trust	-	-	343,052	-	-	-	-	343,052
Other assets	3,678,580	-	60,604	12,508	27,720	233	(3,661,710)	117,935
Total investments and other assets	<u>3,679,165</u>	<u>-</u>	<u>437,331</u>	<u>427,219</u>	<u>27,720</u>	<u>233</u>	<u>(3,661,710)</u>	<u>909,958</u>
PROPERTY, PLANT AND EQUIPMENT								
Plant in service and held for future use	3,779	-	12,198,010	-	333	62,683	-	12,264,805
Less accumulated depreciation and amortization	3,335	-	4,129,958	-	67	8,186	-	4,141,546
Net	444	-	8,068,052	-	266	54,497	-	8,123,259
Construction work in progress	221	-	571,977	-	-	156	-	572,354
Intangible assets, net of accumulated amortization	155	-	131,243	-	57	267	-	131,722
Nuclear fuel, net of accumulated amortization	-	-	89,323	-	-	-	-	89,323
Total property, plant and equipment	<u>820</u>	<u>-</u>	<u>8,860,595</u>	<u>-</u>	<u>323</u>	<u>54,920</u>	<u>-</u>	<u>8,916,658</u>
DEFERRED DEBITS								
Deferred fuel and purchased power regulatory asset	-	-	7,984	-	-	-	-	7,984
Other regulatory assets	-	-	787,506	-	-	-	-	787,506
Deferred income taxes	-	-	-	23,469	-	-	(23,469)	-
Other deferred debits	1,754	-	104,761	8,778	(2)	214	-	115,505
Total deferred debits	<u>1,754</u>	<u>-</u>	<u>900,251</u>	<u>32,247</u>	<u>(2)</u>	<u>214</u>	<u>(23,469)</u>	<u>910,995</u>
TOTAL ASSETS	\$ 3,753,944	\$ 7,407	\$ 10,963,577	\$ 546,586	\$ 28,213	\$ 69,682	\$ (3,749,316)	\$ 11,620,093

EXPLANATIONS OF ELIMINATIONS AND ADJUSTMENTS

(a) Elimination of intercompany receivables and payables.

(b) Miscellaneous reclassifications.

(c) Elimination of Parent Company investments in subsidiaries.

PINNACLE WEST CAPITAL CORPORATION
CONSOLIDATING BALANCE SHEET
(DOLLARS IN THOUSANDS)

DECEMBER 31, 2008	Pinnacle West Parent Company	Pinnacle West Marketing & Trading	APS	SunCor	El Dorado	APS Energy Services	Eliminations and Adjustments	Consolidated Total
LIABILITIES AND COMMON STOCK EQUITY								
CURRENT LIABILITIES								
Accounts payable	\$ 6,310	\$ 2,817	\$ 233,529	\$ 12,116	\$ 67	\$ 6,190	\$ -	\$ 261,029
Accrued taxes	(96,188)	(8,203)	219,129	910	1,519	(7,369)	-	109,798
Accrued interest	321	-	39,860	560	-	-	-	40,741
Short-term borrowings	144,000	-	521,684	4,785	33,650	5,793	(39,443) (a)	670,469
Current maturities of long-term debt	-	-	874	176,772	-	-	-	177,646
Customer deposits	-	-	77,452	1,293	-	-	-	78,745
Liabilities from risk management and trading activities	-	-	69,585	-	-	-	-	69,585
Other current liabilities	7,706	30	105,655	8,435	153	630	(24,694) (a)	97,915
Total current liabilities	<u>62,149</u>	<u>(5,356)</u>	<u>1,267,768</u>	<u>204,871</u>	<u>35,389</u>	<u>5,244</u>	<u>(64,137)</u>	<u>1,505,928</u>
LONG-TERM DEBT LESS CURRENT MATURITIES	<u>175,000</u>	<u>-</u>	<u>2,850,242</u>	<u>6,361</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,031,603</u>
DEFERRED CREDITS AND OTHER								
Deferred income taxes	18,027	-	1,401,412	-	-	7,347	(23,468) (b)	1,403,318
Regulatory liabilities	-	-	587,586	-	-	-	-	587,586
Liability for asset retirements	-	-	275,970	-	-	-	-	275,970
Liabilities for pension and other postretirement benefits	27,300	-	635,327	12,277	-	884	-	675,788
Liabilities from risk management and trading activities	-	-	126,532	-	-	-	-	126,532
Other	25,489	-	479,590	60,198	-	2,113	(1) (b)	567,389
Total deferred credits and other	<u>70,816</u>	<u>-</u>	<u>3,506,417</u>	<u>72,475</u>	<u>-</u>	<u>10,344</u>	<u>(23,469)</u>	<u>3,636,583</u>
COMMON STOCK EQUITY								
Common stock, no par value	2,151,323	22,511	2,295,951	80,053	14,046	52,056	(2,464,617) (c)	2,151,323
Treasury stock at cost	(2,854)	-	-	-	-	-	-	(2,854)
Total common stock	<u>2,148,469</u>	<u>22,511</u>	<u>2,295,951</u>	<u>80,053</u>	<u>14,046</u>	<u>52,056</u>	<u>(2,464,617)</u>	<u>2,148,469</u>
Accumulated other comprehensive income (loss):								
Pension and other postretirement benefits	(47,547)	-	(26,960)	-	-	-	26,960 (c)	(47,547)
Derivative instruments	(99,151)	-	(98,742)	-	-	-	98,742 (c)	(99,151)
Total accumulated other comprehensive (loss) income	<u>(146,698)</u>	<u>-</u>	<u>(125,702)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,702</u>	<u>(146,698)</u>
Retained earnings	1,444,208	(9,748)	1,168,901	182,826	(21,222)	2,038	(1,322,795) (c)	1,444,208
Total common stock equity	<u>3,445,979</u>	<u>12,763</u>	<u>3,339,150</u>	<u>262,879</u>	<u>(7,176)</u>	<u>54,094</u>	<u>(3,661,710)</u>	<u>3,445,979</u>
TOTAL LIABILITIES AND COMMON STOCK EQUITY	<u>\$ 3,753,944</u>	<u>\$ 7,407</u>	<u>\$ 10,963,577</u>	<u>\$ 546,586</u>	<u>\$ 28,213</u>	<u>\$ 69,682</u>	<u>\$ (3,749,316)</u>	<u>\$ 11,620,093</u>

EXPLANATIONS OF ELIMINATIONS AND ADJUSTMENTS

- (a) Elimination of intercompany receivables and payables.
(b) Miscellaneous reclassifications.
(c) Elimination of Parent Company equity interest in subsidiaries.

PINNACLE WEST CAPITAL CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

YEAR ENDED DECEMBER 31,	2008	2007	2006	2005	2004	2003
OPERATING REVENUES						
Regulated electricity segment	\$ 3,127,383	\$ 2,918,163	\$ 2,635,036	\$ 2,237,145	\$ 2,035,247	\$ 1,978,075
Real estate segment	131,067	212,586	399,798	338,031	350,315	361,604
Marketing and trading	66,897	138,247	136,748	179,895	227,040	193,485
Other revenues	41,729	48,018	36,172	61,221	42,816	27,929
Total	<u>3,367,076</u>	<u>3,317,014</u>	<u>3,207,754</u>	<u>2,816,292</u>	<u>2,655,418</u>	<u>2,561,093</u>
OPERATING EXPENSES						
Regulated electricity segment fuel and purchased power	1,284,116	1,140,923	960,649	595,141	567,433	517,320
Real estate segment operations	149,125	192,972	324,861	278,366	284,194	305,974
Real estate impairment charge	53,250	-	-	-	-	-
Marketing and trading fuel and purchased power	45,572	100,462	105,415	122,606	161,073	183,167
Operations and maintenance	807,852	728,340	684,020	628,436	582,538	533,118
Depreciation and amortization	390,358	372,102	358,605	347,189	390,801	434,497
Taxes other than income taxes	125,336	128,210	128,395	132,040	120,722	110,270
Other expenses	34,171	38,925	28,415	51,987	34,108	23,254
Regulatory disallowance	-	-	-	138,562	-	-
Total	<u>2,889,780</u>	<u>2,701,934</u>	<u>2,590,360</u>	<u>2,294,327</u>	<u>2,140,869</u>	<u>2,107,600</u>
OPERATING INCOME	<u>477,296</u>	<u>615,080</u>	<u>617,394</u>	<u>521,965</u>	<u>514,549</u>	<u>453,493</u>
OTHER						
Allowance for equity funds used during construction	18,636	21,195	14,312	11,191	4,885	14,240
Other income	12,078	24,694	44,028	23,437	50,569	35,563
Other expense	(31,576)	(25,857)	(27,777)	(26,703)	(21,278)	(20,574)
Total	<u>(862)</u>	<u>20,032</u>	<u>30,563</u>	<u>7,925</u>	<u>34,176</u>	<u>29,229</u>
INTEREST EXPENSE						
Interest charges	216,290	208,521	196,826	185,087	183,527	193,973
Capitalized interest	(18,820)	(23,063)	(20,989)	(12,018)	(11,460)	(19,078)
Total	<u>197,470</u>	<u>185,458</u>	<u>175,837</u>	<u>173,069</u>	<u>172,067</u>	<u>174,895</u>
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	<u>278,964</u>	<u>449,654</u>	<u>472,120</u>	<u>356,821</u>	<u>376,658</u>	<u>307,827</u>
INCOME TAXES	<u>65,407</u>	<u>150,910</u>	<u>155,855</u>	<u>129,533</u>	<u>133,771</u>	<u>94,443</u>
INCOME FROM CONTINUING OPERATIONS	<u>213,557</u>	<u>298,744</u>	<u>316,265</u>	<u>227,288</u>	<u>242,887</u>	<u>213,384</u>
Income (loss) from discontinued operations - net of income tax expense (benefit) (a)	<u>28,568</u>	<u>8,399</u>	<u>10,990</u>	<u>(51,021)</u>	<u>308</u>	<u>27,195</u>
NET INCOME	<u>\$ 242,125</u>	<u>\$ 307,143</u>	<u>\$ 327,255</u>	<u>\$ 176,267</u>	<u>\$ 243,195</u>	<u>\$ 240,579</u>
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING - BASIC	<u>100,691</u>	<u>100,256</u>	<u>99,417</u>	<u>96,484</u>	<u>91,397</u>	<u>91,265</u>
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING - DILUTED	<u>100,965</u>	<u>100,835</u>	<u>100,010</u>	<u>96,590</u>	<u>91,532</u>	<u>91,405</u>
EARNINGS PER WEIGHTED-AVERAGE COMMON SHARE OUTSTANDING						
Income from continuing operations - basic	\$ 2.12	\$ 2.98	\$ 3.18	\$ 2.36	\$ 2.66	\$ 2.34
Net income - basic	\$ 2.40	\$ 3.06	\$ 3.29	\$ 1.83	\$ 2.66	\$ 2.64
Income from continuing operations - diluted	\$ 2.12	\$ 2.96	\$ 3.16	\$ 2.35	\$ 2.65	\$ 2.33
Income (loss) from discontinued operations - net of income taxes						
SunCor	0.22	0.09	0.10	0.17	0.04	0.11
Silverhawk	0.08	-	-	(0.69)	(0.12)	-
Other	(0.02)	-	0.01	(0.01)	0.09	0.19
Total	<u>0.28</u>	<u>0.09</u>	<u>0.11</u>	<u>(0.53)</u>	<u>0.01</u>	<u>0.30</u>
Net income - diluted	<u>\$ 2.40</u>	<u>\$ 3.05</u>	<u>\$ 3.27</u>	<u>\$ 1.82</u>	<u>\$ 2.66</u>	<u>\$ 2.63</u>
DIVIDENDS DECLARED PER SHARE	<u>\$ 2.100</u>	<u>\$ 2.100</u>	<u>\$ 2.025</u>	<u>\$ 1.925</u>	<u>\$ 1.825</u>	<u>\$ 1.725</u>

(a) Income tax expense (benefit): 2008, \$18,489; 2007, \$5,582; 2006, \$7,133; 2005, (\$32,438); 2004, \$566; and 2003, \$17,646.

PINNACLE WEST CAPITAL CORPORATION
CONSOLIDATED BALANCE SHEETS
(DOLLARS IN THOUSANDS)

DECEMBER 31,	2008	2007	2006	2005	2004	2003
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	\$ 105,245	\$ 56,321	\$ 87,210	\$ 154,003	\$ 163,366	\$ 131,062
Investment in debt securities	-	-	32,700	-	181,175	91,850
Customer and other receivables	292,682	349,134	390,698	426,531	384,936	371,794
Accrued utility revenues	100,089	106,873	110,930	76,150	76,154	71,501
Allowance for doubtful accounts	(3,383)	(4,782)	(5,597)	(4,979)	(4,896)	(9,223)
Materials and supplies (at average cost)	173,252	149,759	125,802	109,736	101,333	96,099
Fossil fuel (at average cost)	29,752	27,792	21,973	23,658	20,512	28,367
Deferred income taxes	79,729	31,510	982	-	-	-
Home inventory	50,688	98,729	41,846	53,409	32,010	34,174
Assets from risk management and trading activities	32,581	57,605	112,547	294,347	136,208	70,138
Assets related to discontinued operations	-	-	-	-	-	23,065
Other current assets	21,847	33,988	17,090	218,845	14,804	37,687
Total current assets	<u>882,482</u>	<u>906,929</u>	<u>936,181</u>	<u>1,351,700</u>	<u>1,105,602</u>	<u>946,514</u>
INVESTMENTS AND OTHER ASSETS						
Real estate investments - net	415,296	532,600	526,008	390,702	382,398	358,441
Assets from long-term risk management and trading activities	33,675	48,928	67,649	403,363	234,578	160,992
Nuclear decommissioning trust	343,052	379,347	343,771	293,943	267,700	240,645
Other assets	117,935	117,941	111,388	111,931	107,212	88,473
Total investments and other assets	<u>909,958</u>	<u>1,078,816</u>	<u>1,048,816</u>	<u>1,199,939</u>	<u>991,888</u>	<u>848,551</u>
PROPERTY, PLANT AND EQUIPMENT						
Plant in service and held for future use	12,264,805	11,640,739	11,154,919	10,727,695	10,486,648	9,904,874
Less accumulated depreciation and amortization	4,141,546	4,004,944	3,797,475	3,622,884	3,365,954	3,145,609
Net	<u>8,123,259</u>	<u>7,635,795</u>	<u>7,357,444</u>	<u>7,104,811</u>	<u>7,120,694</u>	<u>6,759,265</u>
Construction work in progress	572,354	625,577	368,284	327,172	258,119	554,876
Intangible assets, net of accumulated amortization	131,722	105,746	96,100	90,916	105,486	108,534
Nuclear fuel, net of accumulated amortization	89,323	69,271	60,100	54,184	51,188	52,011
Total property, plant and equipment	<u>8,916,658</u>	<u>8,436,389</u>	<u>7,881,928</u>	<u>7,577,083</u>	<u>7,535,487</u>	<u>7,474,686</u>
DEFERRED DEBITS						
Deferred fuel and purchased power regulatory asset	7,984	110,928	160,268	172,756	-	-
Other regulatory assets	787,506	514,353	686,016	151,123	135,051	132,349
Other deferred debits	115,505	114,794	104,691	135,884	107,428	110,708
Total deferred debits	<u>910,995</u>	<u>740,075</u>	<u>950,975</u>	<u>459,763</u>	<u>242,479</u>	<u>243,057</u>
TOTAL ASSETS	\$ 11,620,093	\$ 11,162,209	\$ 10,817,900	\$ 10,588,485	\$ 9,875,456	\$ 9,512,808

PINNACLE WEST CAPITAL CORPORATION
CONSOLIDATED BALANCE SHEETS
(DOLLARS IN THOUSANDS)

<i>DECEMBER 31,</i>	2008	2007	2006	2005	2004	2003
LIABILITIES AND COMMON STOCK EQUITY						
CURRENT LIABILITIES						
Accounts payable	\$ 261,029	\$ 323,346	\$ 346,047	\$ 377,107	\$ 373,526	\$ 283,021
Accrued taxes	109,798	269,628	263,935	289,235	245,611	69,769
Accrued interest	40,741	39,836	48,746	31,774	38,795	51,825
Short-term borrowings	670,469	340,661	35,750	15,673	71,030	86,081
Current maturities of long-term debt	177,646	163,773	1,596	384,947	617,165	704,914
Customer deposits	78,745	80,010	70,168	60,509	55,558	49,783
Deferred income taxes	-	-	-	94,710	9,057	631
Liabilities from risk management and trading activities	69,585	24,510	77,064	273,673	102,120	76,221
Liabilities related to discontinued operations	-	-	-	-	-	16,427
Other current liabilities	97,915	102,685	80,032	81,235	77,598	64,340
Total current liabilities	1,505,928	1,344,449	923,338	1,608,863	1,590,460	1,403,012
LONG-TERM DEBT LESS CURRENT MATURITIES	3,031,603	3,127,125	3,232,633	2,608,455	2,584,985	2,616,585
DEFERRED CREDITS AND OTHER						
Deferred income taxes	1,403,318	1,243,743	1,225,798	1,225,253	1,227,553	1,338,527
Regulatory liabilities	587,586	642,564	635,431	592,494	506,646	468,694
Liability for asset retirements	275,970	281,903	268,389	269,011	251,612	234,440
Liabilities for pension and other postretirement benefits	675,788	504,603	588,852	264,476	234,445	188,041
Liabilities from risk management and trading activities	126,532	4,701	68,349	185,463	170,407	106,052
Other	567,389	481,510	428,994	409,506	359,152	327,678
Total deferred credits and other	3,636,583	3,159,024	3,215,813	2,946,203	2,749,815	2,663,432
COMMON STOCK EQUITY						
Common stock, no par value	2,151,323	2,135,787	2,114,550	2,067,377	1,769,047	1,744,354
Treasury stock at cost	(2,854)	(2,054)	(449)	(1,245)	(428)	(3,273)
Total common stock	2,148,469	2,133,733	2,114,101	2,066,132	1,768,619	1,741,081
Accumulated other comprehensive income (loss):						
Pension and other postretirement benefits	(47,547)	(39,336)	(19,263)	(97,277)	(81,788)	(66,564)
Derivative instruments	(99,151)	23,473	31,531	262,397	59,243	27,563
Total accumulated other comprehensive (loss) income	(146,698)	(15,863)	12,268	165,120	(22,545)	(39,001)
Retained earnings	1,444,208	1,413,741	1,319,747	1,193,712	1,204,122	1,127,699
Total common stock equity	3,445,979	3,531,611	3,446,116	3,424,964	2,950,196	2,829,779
TOTAL LIABILITIES AND COMMON STOCK EQUITY	\$ 11,620,093	\$ 11,162,209	\$ 10,817,900	\$ 10,588,485	\$ 9,875,456	\$ 9,512,808

PINNACLE WEST CAPITAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(DOLLARS IN THOUSANDS)

YEAR ENDED DECEMBER 31,	2008	2007	2006	2005	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES						
Net income	\$ 242,125	\$ 307,143	\$ 327,255	\$ 176,267	\$ 243,195	\$ 240,579
Adjustments to reconcile net income to net cash provided by operating activities:						
Silverhawk impairment loss	-	-	-	91,025	-	-
Regulatory disallowance	-	-	-	138,562	-	-
Equity earnings in Phoenix Suns partnership	-	-	-	-	(34,594)	-
Depreciation and amortization including nuclear fuel	423,969	403,896	386,760	381,604	432,161	466,900
Deferred fuel and purchased power	(80,183)	(196,136)	(252,849)	(172,756)	-	-
Deferred fuel and purchased power amortization	183,126	231,106	265,337	-	-	-
Deferred fuel and purchased power regulatory disallowance	-	14,370	-	-	-	-
Allowance for equity funds used during construction	(18,636)	(21,195)	(14,312)	(11,191)	(4,885)	(14,240)
Real estate impairment charge	53,250	-	-	-	-	-
Deferred income taxes	158,024	(58,027)	27,738	(23,806)	(113,850)	85,462
Change in mark-to-market valuations	9,074	17,579	28,464	(11,670)	(18,915)	17,410
Changes in current assets and liabilities:						
Customer and other receivables	80,834	62,850	9,189	(38,763)	(11,056)	2,346
Materials, supplies and fossil fuel	(25,453)	(29,776)	(9,094)	(16,836)	2,621	(4,629)
Other current assets	8,734	(10,040)	(890)	(1,395)	23,216	(10,719)
Accounts payable	(69,439)	(42,004)	(46,055)	(6,392)	85,344	(34,303)
Home inventory	48,041	(56,883)	11,563	(21,400)	2,164	4,073
Other current liabilities	(18,279)	43,421	(566)	45,191	187,946	2,387
Expenditures for real estate investments	(21,168)	(121,316)	(126,229)	(88,055)	(62,812)	(51,837)
Other changes in real estate assets	18,211	82,521	34,990	16,218	80,035	130,597
Change in margin and collateral accounts - assets	17,450	(37,371)	(249,792)	251,925	12,705	48,091
Change in margin and collateral accounts - liabilities	(132,416)	19,284	(46,444)	(17,012)	8,840	(4,689)
Change in unrecognized tax benefits	(94,551)	25,178	-	-	-	-
Change in other long-term assets	6,104	(23,826)	17,541	(35,793)	(36,666)	11,779
Change in other long-term liabilities	24,751	47,162	30,896	74,573	55,443	12,816
Net cash flow provided by operating activities	<u>813,568</u>	<u>657,936</u>	<u>393,502</u>	<u>730,296</u>	<u>850,892</u>	<u>902,023</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Capital expenditures	(935,577)	(960,390)	(788,982)	(660,882)	(691,882)	(739,815)
Contributions in aid of construction	60,292	41,809	51,203	27,350	153,040	26,559
Capitalized interest	(18,820)	(23,063)	(20,990)	(12,018)	(16,311)	(29,444)
Purchase of Sundance Plant	-	-	-	(185,046)	-	-
Proceeds from sale of Silverhawk	-	-	207,620	-	90,967	-
Proceeds from the sale of the Phoenix Suns partnership	-	-	-	-	23,101	-
Proceeds from sale of investment securities	-	69,225	1,406,704	3,143,481	951,630	785,810
Purchases of investment securities	-	(36,525)	(1,439,404)	(2,962,278)	(1,040,955)	(877,660)
Proceeds from nuclear decommissioning trust sales	317,619	259,026	254,651	186,215	123,795	168,874
Investment in nuclear decommissioning trust	(338,361)	(279,768)	(275,393)	(204,633)	(135,239)	(180,319)
Proceeds from sale of commercial real estate investments	94,171	58,139	39,621	82,719	-	46,781
Other	5,517	(1,807)	(3,763)	-	2,795	(15,462)
Net cash flow used for investing activities	<u>(815,159)</u>	<u>(873,354)</u>	<u>(568,733)</u>	<u>(585,092)</u>	<u>(539,059)</u>	<u>(814,676)</u>
CASH FLOWS FROM FINANCING ACTIVITIES						
Issuance of long-term debt	96,934	230,571	757,636	1,088,815	478,328	656,850
Repayment and reacquisition of long-term debt	(181,491)	(162,060)	(527,864)	(1,288,034)	(604,015)	(368,162)
Short-term borrowings - net	331,741	304,911	9,911	(46,413)	(15,051)	(173,303)
Dividends paid on common stock	(204,247)	(210,473)	(201,220)	(186,677)	(166,772)	(157,417)
Common stock equity issuance	3,687	24,089	39,548	298,168	18,291	-
Other	3,891	(2,509)	30,427	(20,426)	9,690	8,181
Net cash flow provided by (used for) financing activities	<u>50,515</u>	<u>184,529</u>	<u>108,438</u>	<u>(154,567)</u>	<u>(279,529)</u>	<u>(33,851)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	48,924	(30,889)	(66,793)	(9,363)	32,304	53,496
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	56,321	87,210	154,003	163,366	131,062	77,566
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 105,245	\$ 56,321	\$ 87,210	\$ 154,003	\$ 163,366	\$ 131,062

PINNACLE WEST CAPITAL CORPORATION
SELECTED CONSOLIDATED FINANCIAL DATA
(DOLLARS PER SHARE)

	2008	2007	2006	2005	2004	2003
BOOK VALUE PER SHARE AT YEAR-END						
APS	\$ 33.10	\$ 33.35	\$ 32.09	\$ 30.14	\$ 24.32	\$ 24.12
SunCor	2.60	2.88	2.71	2.27	2.39	2.84
El Dorado	(0.07)	0.03	0.09	0.13	0.10	(0.34)
APS Energy Services	0.54	0.59	0.53	0.53	0.48	0.66
Pinnacle West Energy	-	-	-	2.16	8.38	10.65
Parent Company (a)	(2.01)	(1.70)	(0.94)	(0.65)	(3.53)	(6.96)
Total	\$ 34.16	\$ 35.15	\$ 34.48	\$ 34.58	\$ 32.14	\$ 30.97
COMMON SHARES OUTSTANDING AT YEAR-END						
	100,888,609	100,485,965	99,958,647	99,057,075	91,802,861	91,379,947
EARNINGS PER SHARE - DILUTED						
APS	\$ 2.60	\$ 2.82	\$ 2.70	\$ 1.77	\$ 2.18	\$ 1.98
SunCor	(0.48)	0.13	0.50	0.40	0.45	0.50
El Dorado	(0.10)	(0.06)	(0.03)	(0.02)	0.36	(0.01)
APS Energy Services	0.02	(0.02)	(0.04)	(0.02)	(0.01)	0.04
Pinnacle West Energy	-	-	-	(0.89)	(0.63)	(0.08)
Parent Company (a)	0.08	0.09	0.03	1.11	0.30	(0.10)
Income from continuing operations	2.12	2.96	3.16	2.35	2.65	2.33
Income (loss) from discontinued operations - net (b)						
SunCor	0.22	0.09	0.10	0.17	0.04	0.11
Silverhawk	0.08	-	-	(0.69)	(0.12)	-
Other	(0.02)	-	0.01	(0.01)	0.09	0.19
Total	0.28	0.09	0.11	(0.53)	0.01	0.30
Cumulative effect of change in accounting - net (b)	-	-	-	-	-	-
Total net income	\$ 2.40	\$ 3.05	\$ 3.27	\$ 1.82	\$ 2.66	\$ 2.63
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING - DILUTED						
	100,964,920	100,834,871	100,010,108	96,589,949	91,532,473	91,405,134
STOCK PRICE HISTORY						
High	\$ 42.92	\$ 51.67	\$ 51.00	\$ 46.68	\$ 45.84	\$ 40.48
Low	26.27	36.79	38.31	39.81	36.30	28.34
Close	32.13	42.41	50.69	41.35	44.41	40.02

(a) Parent Company includes Pinnacle West Marketing & Trading, which began operations in early 2007. These operations were previously conducted by a division of the Parent Company through the end of 2006. By the end of 2008, substantially all the contracts expired or were transferred to APS.

(b) Net of income tax expense (benefit) for respective period.

PINNACLE WEST CAPITAL CORPORATION
NON-UTILITY LONG-TERM DEBT SCHEDULE
(DOLLARS IN THOUSANDS)

DECEMBER 31,	2008	2007	2006	2005	2004	2003
PARENT COMPANY						
NOTES PAYABLE						
4.50% senior notes due 2004	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 215,000
6.40% senior notes due 2006	-	-	-	298,518	302,589	300,000
5.91% senior notes due 2011	175,000	175,000	175,000	-	-	-
Floating-rate senior notes due 2005	-	-	-	-	165,000	165,000
Unamortized discount and premium	-	-	-	(29)	(143)	(270)
OTHER LONG-TERM DEBT						
Capitalized lease obligations	-	-	115	284	389	1,243
Total long-term debt	<u>175,000</u>	<u>175,000</u>	<u>175,115</u>	<u>298,773</u>	<u>467,835</u>	<u>680,973</u>
LESS CURRENT MATURITIES						
Notes payable	-	-	-	(298,518)	(165,000)	(215,000)
Capitalized lease obligations	-	-	(115)	(154)	(133)	(845)
Total current maturities	<u>-</u>	<u>-</u>	<u>(115)</u>	<u>(298,672)</u>	<u>(165,133)</u>	<u>(215,845)</u>
PARENT COMPANY LONG-TERM DEBT LESS CURRENT MATURITIES	<u>175,000</u>	<u>175,000</u>	<u>175,000</u>	<u>101</u>	<u>302,702</u>	<u>465,128</u>
SUNCOR						
NOTES PAYABLE						
Variable-rate facility due 2006 - 2009	125,153	94,441	118,000	123,000	-	-
Variable-rate notes due 2003 - 2013	57,651	143,230	62,316	6,040	15,467	17,125
OTHER LONG-TERM DEBT						
Capitalized lease obligations	329	368	328	266	507	728
Total long-term debt	<u>183,133</u>	<u>238,039</u>	<u>180,644</u>	<u>129,306</u>	<u>15,974</u>	<u>17,853</u>
LESS CURRENT MATURITIES						
Notes payable	(176,624)	(162,645)	(393)	(512)	(603)	(1,920)
Capitalized lease obligations	(148)	(150)	(120)	(143)	(182)	(82)
Total current maturities	<u>(176,772)</u>	<u>(162,795)</u>	<u>(513)</u>	<u>(655)</u>	<u>(785)</u>	<u>(2,002)</u>
SUNCOR LONG-TERM DEBT LESS CURRENT MATURITIES	<u>6,361</u>	<u>75,244</u>	<u>180,131</u>	<u>128,651</u>	<u>15,189</u>	<u>15,851</u>
TOTAL NON-UTILITY LONG-TERM DEBT LESS CURRENT MATURITIES	<u>\$ 181,361</u>	<u>\$ 250,244</u>	<u>\$ 355,131</u>	<u>\$ 128,752</u>	<u>\$ 317,891</u>	<u>\$ 480,979</u>

PINNACLE WEST CAPITAL CORPORATION
CONSOLIDATED ELECTRIC OPERATING REVENUE ANALYSIS

YEAR ENDED DECEMBER 31,

	2008		2007		2006		2005		2004		2003													
ELECTRIC OPERATING REVENUES																								
(dollars in thousands)																								
REGULATED ELECTRICITY SEGMENT																								
Retail sales																								
Residential	\$	1,454,458	45.5	%	\$	1,418,315	46.4	%	\$	1,270,521	45.8	%	\$	1,079,223	44.7	%	\$	983,525	43.5	%	\$	956,553	44.0	%
Commercial		1,233,115	38.6			1,160,165	38.0			1,051,660	38.0			881,432	36.5			830,419	36.7			808,901	37.3	
Industrial		189,728	5.9			174,995	5.7			170,021	6.1			144,554	6.0			133,682	5.9			130,603	6.0	
Irrigation		2,264	0.1			2,288	0.1			2,172	0.1			1,745	0.1			1,900	0.1			1,898	0.1	
Other		18,984	0.6			17,192	0.6			15,806	0.6			13,203	0.5			12,438	0.6			11,818	0.5	
Total retail		<u>2,898,549</u>	<u>90.7</u>			<u>2,772,955</u>	<u>90.8</u>			<u>2,510,180</u>	<u>90.6</u>			<u>2,120,157</u>	<u>87.8</u>			<u>1,961,964</u>	<u>86.8</u>			<u>1,909,773</u>	<u>87.9</u>	
Wholesale revenue on delivered electricity																								
Traditional contracts		70,325	2.2			34,424	1.1			21,782	0.8			22,708	0.9			16,545	0.7			15,301	0.7	
Off-system sales (a)		87,815	2.8			49,469	1.6			46,140	1.7			39,643	1.6			-	-			-	-	
Transmission for others		34,192	1.1			28,737	0.9			25,690	0.9			26,109	1.1			31,847	1.4			28,098	1.3	
Other miscellaneous services		36,503	1.1			32,578	1.1			31,244	1.1			28,528	1.2			24,891	1.1			24,903	1.2	
Total regulated electricity		<u>3,127,384</u>	<u>97.9</u>			<u>2,918,163</u>	<u>95.5</u>			<u>2,635,036</u>	<u>95.1</u>			<u>2,237,145</u>	<u>92.6</u>			<u>2,035,247</u>	<u>90.0</u>			<u>1,978,075</u>	<u>91.1</u>	
MARKETING AND TRADING																								
Electricity and other commodity sales		66,897	2.1			138,246	4.5			136,747	4.9			179,895	7.4			227,040	10.0			193,485	8.9	
Total electric operating revenues	\$	<u>3,194,281</u>	<u>100.0</u>	%	\$	<u>3,056,409</u>	<u>100.0</u>	%	\$	<u>2,771,783</u>	<u>100.0</u>	%	\$	<u>2,417,040</u>	<u>100.0</u>	%	\$	<u>2,262,287</u>	<u>100.0</u>	%	\$	<u>2,171,560</u>	<u>100.0</u>	%
INCREASE (DECREASE) VS. PRIOR YEAR																								
Retail revenues		4.5	%			10.5	%			18.4	%			8.1	%			2.7	%			4.1	%	
Regulated electricity revenues		7.2	%			10.7	%			17.8	%			9.9	%			2.9	%			4.6	%	
Marketing and trading revenues		(51.6)	%			1.1	%			(24.0)	%			(20.8)	%			17.3	%			22.3	%	
Total electric operating revenues		4.5	%			10.3	%			14.7	%			6.8	%			4.2	%			6.0	%	
AVERAGE RETAIL REVENUE PER kWh																								
Residential		10.88	¢			10.30	¢			9.78	¢			8.83	¢			8.53	¢			8.58	¢	
Commercial		9.58	¢			9.03	¢			8.52	¢			7.52	¢			7.36	¢			7.38	¢	
Industrial		7.91	¢			7.30	¢			6.87	¢			6.05	¢			5.57	¢			5.62	¢	
Irrigation		9.55	¢			8.78	¢			8.70	¢			7.53	¢			7.35	¢			7.13	¢	
Total retail		10.06	¢			9.51	¢			8.97	¢			8.01	¢			7.74	¢			7.78	¢	

(a) Consistent with a 2005 ACC regulatory decision, off-system sales began being recorded in the regulated electricity segment in April 2005. Previously, they were recorded in marketing and trading.

PINNACLE WEST CAPITAL CORPORATION
CONSOLIDATED ELECTRIC SALES ANALYSIS

YEAR ENDED DECEMBER 31,

	2008		2007		2006		2005		2004		2003	
ELECTRIC SALES (MWh)												
REGULATED ELECTRICITY SEGMENT												
Retail sales												
Residential	13,368,015	37.8 %	13,771,481	32.8 %	12,993,961	26.8 %	12,223,576	22.1 %	11,527,402	19.5 %	11,147,195	20.3 %
Commercial	12,870,469	36.4	12,850,891	30.6	12,348,200	25.5	11,726,801	21.2	11,289,523	19.1	10,961,417	19.9
Industrial	2,398,338	6.8	2,396,079	5.7	2,475,311	5.1	2,388,095	4.3	2,397,916	4.1	2,322,074	4.2
Irrigation	23,717	0.1	26,053	0.1	24,960	0.1	23,179	0.1	25,865	0.1	26,626	0.1
Other	133,049	0.3	126,817	0.3	127,965	0.3	115,900	0.2	112,617	0.2	104,993	0.2
Total retail	<u>28,793,588</u>	<u>81.4</u>	<u>29,171,321</u>	<u>69.5</u>	<u>27,970,397</u>	<u>57.8</u>	<u>26,477,551</u>	<u>47.9</u>	<u>25,353,323</u>	<u>43.0</u>	<u>24,562,305</u>	<u>44.7</u>
Wholesale electricity delivered												
Traditional contracts	1,074,702	3.0	923,099	2.2	882,796	1.8	850,069	1.5	709,128	1.2	499,949	0.9
Off-system sales (a)	2,008,468	5.7	1,480,826	3.5	1,612,972	3.3	1,335,851	2.4	-	-	-	-
Retail load hedge management	1,073,672	3.0	1,025,630	2.4	1,590,191	3.3	3,009,879	5.5	2,732,296	4.6	1,093,846	2.0
Total regulated electricity	<u>32,950,430</u>	<u>93.1</u>	<u>32,600,876</u>	<u>77.6</u>	<u>32,056,356</u>	<u>66.2</u>	<u>31,673,350</u>	<u>57.3</u>	<u>28,794,747</u>	<u>48.8</u>	<u>26,156,100</u>	<u>47.6</u>
MARKETING AND TRADING												
Wholesale sales of electricity	2,434,077	6.9	9,397,578	22.4	16,354,450	33.8	23,571,541	42.7	30,177,639	51.2	28,802,754	52.4
Total electric sales	<u>35,384,507</u>	<u>100.0 %</u>	<u>41,998,454</u>	<u>100.0 %</u>	<u>48,410,806</u>	<u>100.0 %</u>	<u>55,244,891</u>	<u>100.0 %</u>	<u>58,972,386</u>	<u>100.0 %</u>	<u>54,958,854</u>	<u>100.0 %</u>
INCREASE (DECREASE) VS. PRIOR YEAR												
Retail sales	(1.3) %		4.3 %		5.6 %		4.4 %		3.2 %		5.1 %	
Regulated electricity sales	1.1 %		1.7 %		1.2 %		10.0 %		10.1 %		(1.2) %	
Marketing and trading sales	(74.1) %		(42.5) %		(30.6) %		(21.9) %		4.8 %		26.0 %	
Total electric sales	(15.7) %		(13.2) %		(12.4) %		(6.3) %		7.3 %		11.4 %	

(a) Consistent with a 2005 ACC regulatory decision, off-system sales began being recorded in the regulated electricity segment in April 2005. Previously, they were recorded in marketing and trading.

PINNACLE WEST CAPITAL CORPORATION
CONSOLIDATED MARKETING AND TRADING GROSS MARGIN SUMMARY
(DOLLARS IN THOUSANDS)

YEAR ENDED DECEMBER 31,	2008	2007	2006	2005	2004	2003
REALIZED AND MARK-TO-MARKET COMPONENTS						
Current-period effects						
Electricity and other commodity sales, realized	\$ 17,201	\$ 43,199	\$ 45,079	\$ 53,685	\$ 49,531	\$ 29,047
Mark-to-market reversals on realized sales	4,125	(7,128)	(14,095)	(16,303)	(5,203)	(10,739)
Change in mark-to-market value of forward sales	-	1,714	350	19,907	21,401	(7,300)
Total gross margin before income taxes	<u>\$ 21,326</u>	<u>\$ 37,785</u>	<u>\$ 31,334</u>	<u>\$ 57,289</u>	<u>\$ 65,729</u>	<u>\$ 11,008</u>
BY COMMODITY SOLD OR TRADED						
Electricity	\$ 21,326	\$ 34,238	\$ 33,483	\$ 51,418	\$ 61,005	\$ 15,151
Other commodities	-	3,547	(2,149)	5,871	4,724	(4,143)
Total gross margin before income taxes	<u>\$ 21,326</u>	<u>\$ 37,785</u>	<u>\$ 31,334</u>	<u>\$ 57,289</u>	<u>\$ 65,729</u>	<u>\$ 11,008</u>
BY PINNACLE WEST ENTITY (a)						
APS	\$ (48)	\$ 6,869	\$ 13,469	\$ (6,486)	\$ (5,435)	\$ 8,361
Pinnacle West	21,374	30,916	17,865	58,830	25,115	(5,653)
Pinnacle West Energy	-	-	-	4,945	46,049	8,300
Total gross margin before income taxes	<u>\$ 21,326</u>	<u>\$ 37,785</u>	<u>\$ 31,334</u>	<u>\$ 57,289</u>	<u>\$ 65,729</u>	<u>\$ 11,008</u>
ACCUMULATED MARK-TO-MARKET GAINS AT YEAR-END	<u>\$ 4,282</u>	<u>\$ 9,292</u>	<u>\$ 30,179</u>	<u>\$ 44,884</u>	<u>\$ 39,279</u>	<u>\$ 23,083</u>

(a) The majority of marketing and trading activities were moved to APS from the Parent Company in early 2003. The Parent Company retained certain long-term contracts, which were transferred to Pinnacle West Marketing & Trading in early 2007. By the end of 2008, substantially all the contracts expired or were transferred to APS.

PINNACLE WEST CAPITAL CORPORATION
CONSOLIDATED SOURCE AND DISPOSITION OF ELECTRIC ENERGY AND FUEL MIX

YEAR ENDED DECEMBER 31,	2008	2007	2006	2005	2004	2003
CONSOLIDATED SOURCE OF ENERGY (MWh)						
Steam generation						
Nuclear	8,511,905	7,793,676	6,987,559	7,508,820	8,183,262	8,314,712
Coal	13,165,722	13,342,241	13,175,265	13,060,080	12,665,720	11,366,560
Gas	106,212	266,108	183,003	182,670	299,181	265,180
Oil	-	-	-	-	3,415	12,475
Combustion turbines						
Gas	276,897	188,280	151,057	119,707	102,937	99,032
Oil	1,583	1,273	1,806	719	3,052	2,115
Combined cycle						
Gas	5,961,379	6,235,779	7,038,421	8,110,708	4,882,938	5,677,345
Hydro and solar	10,404	11,227	10,137	20,601	36,549	34,920
Total generation	<u>28,034,102</u>	<u>27,838,584</u>	<u>27,547,248</u>	<u>29,003,305</u>	<u>26,177,054</u>	<u>25,772,339</u>
Purchased power (a)						
Firm load	5,028,292	5,388,328	4,290,839	3,473,733	4,325,147	3,111,269
Marketing and trading	4,558,893	11,296,256	18,867,585	25,712,900	30,192,226	27,750,329
Total	<u>9,587,185</u>	<u>16,684,584</u>	<u>23,158,424</u>	<u>29,186,633</u>	<u>34,517,373</u>	<u>30,861,598</u>
Total source of energy	<u>37,621,287</u>	<u>44,523,168</u>	<u>50,705,672</u>	<u>58,189,938</u>	<u>60,694,427</u>	<u>56,633,937</u>
CONSOLIDATED DISPOSITION OF ENERGY (MWh)						
Sales to ultimate customers	28,793,588	29,171,321	27,970,397	26,477,551	25,353,323	24,562,305
Sales for resale (a)	6,590,919	12,827,133	20,440,409	28,767,340	33,619,063	30,396,549
Losses and company use	2,236,780	2,524,714	2,294,866	2,945,047	1,722,041	1,675,083
Total disposition of energy	<u>37,621,287</u>	<u>44,523,168</u>	<u>50,705,672</u>	<u>58,189,938</u>	<u>60,694,427</u>	<u>56,633,937</u>
CONSOLIDATED ENERGY FUEL MIX (%)						
Nuclear	22.6 %	17.5 %	13.8 %	12.9 %	13.5 %	14.7 %
Coal	35.0	30.0	26.0	22.4	20.8	20.1
Gas	16.9	15.0	14.5	14.5	8.7	10.7
Other (b)	-	-	-	-	0.1	0.1
Purchased power and interchange - net	25.5	37.5	45.7	50.2	56.9	54.4
Total	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>

(a) Purchased power and sales for resale include interchange purchases and sales, respectively.

(b) "Other" includes oil, hydro and solar generation.

PINNACLE WEST CAPITAL CORPORATION
CONSOLIDATED POWER PLANT OPERATING PERFORMANCE

YEAR ENDED DECEMBER 31,	2008	2007	2006	2005	2004	2003
NUCLEAR (NET CAPACITY FACTORS)						
Palo Verde Unit 1	86.4 %	77.0 %	42.3 %	66.2 %	84.6 %	97.2 %
Palo Verde Unit 2	74.7 %	95.2 %	85.2 %	81.9 %	90.9 %	77.6 %
Palo Verde Unit 3	92.3 %	63.9 %	85.5 %	83.9 %	75.1 %	87.5 %
Palo Verde site average	84.4 %	79.0 %	70.7 %	77.4 %	83.7 %	87.4 %
COAL (NET CAPACITY FACTORS)						
Four Corners	85.7 %	85.9 %	87.2 %	89.5 %	86.5 %	84.5 %
Cholla	86.9 %	90.1 %	86.5 %	85.4 %	82.2 %	65.1 %
Navajo	85.5 %	86.1 %	87.1 %	84.2 %	82.7 %	74.8 %
Total coal average	86.1 %	87.5 %	86.9 %	87.1 %	84.2 %	75.8 %
GAS/OIL (NET CAPACITY FACTORS)						
Redhawk	48.0 %	48.8 %	57.0 %	46.4 %	28.9 %	45.9 %
West Phoenix	20.9 %	23.6 %	23.8 %	27.2 %	18.6 %	30.9 %
Other (a)	3.2 %	3.9 %	2.8 %	17.1 %	8.5 %	4.8 %
Total gas/oil average	21.7 %	23.3 %	25.4 %	28.1 %	18.5 %	27.1 %
GAS/OIL (EQUIVALENT AVAILABILITY FACTORS)						
Redhawk	96.0 %	90.5 %	94.4 %	94.7 %	92.0 %	85.0 %
West Phoenix	86.3 %	83.9 %	89.6 %	88.9 %	90.9 %	90.2 %
Other (a)	92.0 %	93.5 %	95.9 %	92.4 %	90.2 %	88.7 %
Total gas/oil average	91.5 %	89.7 %	93.6 %	92.1 %	91.1 %	87.8 %

(a) Includes Ocotillo, Saguaro, Sundance, Yucca, Douglas and Silverhawk.

**ARIZONA PUBLIC SERVICE COMPANY
SELECTED FINANCIAL DATA**

	2008	2007	2006	2005	2004	2003
OPERATING STATISTICS						
Electric operating revenues (thousands)	\$ 3,133,497	\$ 2,936,277	\$ 2,658,513	\$ 2,270,793	\$ 2,197,121	\$ 2,104,931
Sales (MWh)	32,951,168	33,759,461	39,991,804	46,824,014	57,214,618	44,799,324
Employees (year-end) (a)	6,954	6,885	6,655	6,484	6,203	6,155
Average annual use per residential customer (kWh)	13,669	14,257	13,876	13,635	13,418	13,457
FINANCIAL STATISTICS						
Cash interest coverage (b)	5.64 x	4.52 x	4.81 x	4.09 x	3.65 x	4.71 x
Non-cash income as percent of earnings (c)	11.8 %	- %	25.7 %	41.9 %	19.4 %	26.0 %
Net cash flow as percent of capital expenditures (b)	80.0 %	66.2 %	81.0 %	36.9 %	45.2 %	91.7 %
CAPITALIZATION RATIOS (year-end)						
Long-term debt excluding current maturities	42.5 %	44.6 %	47.3 %	44.7 %	45.8 %	44.2 %
Current maturities of long-term debt	-	-	-	1.5	9.1	10.1
Short-term debt	7.8	3.4	-	-	-	-
Total debt	50.3	48.0	47.3	46.2	54.9	54.3
Common stock equity	49.7	52.0	52.7	53.8	45.1	45.7
Total capitalization	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Debt adjusted for Palo Verde Unit 2 sale and leaseback	52.1 %	50.3 %	49.9 %	49.3 %	58.0 %	57.7 %

(a) Includes APS, Parent Company and marketing and trading employees who support the regulated electricity retail business.

(b) Includes recovery of fuel costs through various PSA adjustors and surcharges, as well as base rates.

(c) Non-cash income includes capitalized interest, AFUDC equity, deferred fuel costs and other significant items resulting from regulatory orders.

**ARIZONA PUBLIC SERVICE COMPANY
HISTORICAL GROWTH RATES**

	2008	2007	2006	2005	2004	2003	Compound Annual Growth Rates	
							5 Years 2003-2008	10 Years 1998-2008
Electric operating revenues								
Total	6.7 %	10.4 %	17.1 %	3.4 %	4.4 %	8.7 %	8.3 %	5.0 %
Retail	4.5 %	10.5 %	18.3 %	8.0 %	2.4 %	3.9 %	8.6 %	5.8 %
Peak load								
Actual	(1.4) %	(1.3) %	9.8 %	9.2 %	0.8 %	8.7 %	3.3 %	3.8 %
Weather-normalized	2.7 %	3.3 %	3.0 %	7.0 %	7.8 %	3.1 %	4.7 %	4.6 %
Electric sales								
Total	(2.4) %	(15.6) %	(14.6) %	(18.2) %	27.7 %	54.2 %	(6.0) %	0.7 %
Retail	(1.3) %	4.3 %	5.6 %	4.4 %	3.2 %	5.1 %	3.2 %	3.5 %
Customers (average)	1.4 %	3.3 %	4.4 %	4.3 %	3.7 %	3.3 %	3.4 %	3.5 %
Employees (year-end)	1.0 %	3.5 %	2.6 %	4.5 %	0.8 %	0.7 %	2.5 %	1.7 %

ARIZONA PUBLIC SERVICE COMPANY
STATEMENTS OF INCOME
(DOLLARS IN THOUSANDS)

YEAR ENDED DECEMBER 31,	2008	2007	2006	2005	2004	2003
OPERATING REVENUES LESS FUEL AND PURCHASED POWER						
Electric operating revenues	\$ 3,133,496	\$ 2,936,277	\$ 2,658,513	\$ 2,270,793	\$ 2,197,121	\$ 2,104,931
Fuel and purchased power	1,289,883	1,151,392	969,767	688,982	763,254	703,431
Total operating revenues less fuel and purchased power	<u>1,843,613</u>	<u>1,784,885</u>	<u>1,688,746</u>	<u>1,581,811</u>	<u>1,433,867</u>	<u>1,401,500</u>
OTHER OPERATING EXPENSES						
Operations and maintenance	787,270	710,077	665,631	591,941	540,277	513,604
Depreciation and amortization	383,098	365,430	353,057	325,174	336,648	389,240
Income taxes	113,799	155,735	144,127	157,273	113,696	91,646
Other taxes	124,046	127,648	127,989	125,810	114,265	108,852
Total	<u>1,408,213</u>	<u>1,358,890</u>	<u>1,290,804</u>	<u>1,200,198</u>	<u>1,104,886</u>	<u>1,103,342</u>
OPERATING INCOME	<u>435,400</u>	<u>425,995</u>	<u>397,942</u>	<u>381,613</u>	<u>328,981</u>	<u>298,158</u>
OTHER INCOME (DEDUCTIONS)						
Regulatory disallowance	-	-	-	(138,562)	-	-
Income taxes	6,538	4,578	5,200	59,263	(6,334)	4,792
Allowance for equity funds used during construction	18,636	21,195	14,312	11,191	4,885	14,240
Other income	6,231	16,727	31,902	22,141	30,593	20,277
Other expense	(30,569)	(21,630)	(23,830)	(23,204)	(13,816)	(12,962)
Total	<u>836</u>	<u>20,870</u>	<u>27,584</u>	<u>(69,171)</u>	<u>15,328</u>	<u>26,347</u>
INCOME BEFORE INTEREST DEDUCTIONS	<u>436,236</u>	<u>446,865</u>	<u>425,526</u>	<u>312,442</u>	<u>344,309</u>	<u>324,505</u>
INTEREST DEDUCTIONS						
Interest on long-term debt	170,071	161,030	149,240	138,476	140,556	142,706
Interest on short-term borrowings	13,432	9,564	9,529	7,026	6,427	4,904
Debt discount, premium and expense	4,702	4,639	4,363	4,085	4,854	3,337
Allowance for borrowed funds used during construction	(14,313)	(12,308)	(7,336)	(7,624)	(7,155)	(7,379)
Total	<u>173,892</u>	<u>162,925</u>	<u>155,796</u>	<u>141,963</u>	<u>144,682</u>	<u>143,568</u>
NET INCOME	<u>\$ 262,344</u>	<u>\$ 283,940</u>	<u>\$ 269,730</u>	<u>\$ 170,479</u>	<u>\$ 199,627</u>	<u>\$ 180,937</u>

ARIZONA PUBLIC SERVICE COMPANY
BALANCE SHEETS
(DOLLARS IN THOUSANDS)

DECEMBER 31,	2008	2007	2006	2005	2004	2003
ASSETS						
UTILITY PLANT						
Electric plant in service and held for future use	\$ 12,198,010	\$ 11,582,862	\$ 11,094,868	\$ 10,682,999	\$ 9,120,407	\$ 8,826,033
Less accumulated depreciation and amortization	4,129,958	3,994,777	3,789,534	3,616,886	3,266,181	3,089,645
Net	8,068,052	7,588,085	7,305,334	7,066,113	5,854,226	5,736,388
Construction work in progress	571,977	622,693	365,704	314,584	249,243	187,478
Intangible assets, net of accumulated amortization	131,243	105,225	95,601	90,327	103,701	94,181
Nuclear fuel, net of accumulated amortization	89,323	69,271	60,100	54,184	51,188	52,011
Total utility plant	8,860,595	8,385,274	7,826,739	7,525,208	6,258,358	6,070,058
INVESTMENTS AND OTHER ASSETS						
Notes receivable from Pinnacle West Energy	-	-	-	-	498,489	497,865
Nuclear decommissioning trust	343,052	379,347	343,771	293,943	267,700	240,645
Assets from risk management and trading activities	33,675	41,603	5,335	109,680	14,713	16,647
Other assets	60,604	69,570	67,763	64,128	61,364	64,119
Total investments and other assets	437,331	490,520	416,869	467,751	842,266	819,276
CURRENT ASSETS						
Cash and cash equivalents	71,544	52,151	81,870	49,933	49,575	42,152
Investment in debt securities	-	-	32,700	-	181,175	69,850
Customer and other receivables	262,177	295,371	299,506	345,471	277,618	258,424
Accrued utility revenues	100,089	106,873	110,930	76,150	76,154	71,501
Allowance for doubtful accounts	(3,155)	(4,265)	(4,223)	(3,568)	(3,444)	(3,743)
Materials and supplies (at average cost)	173,252	149,759	125,802	109,736	83,893	80,682
Fossil fuel (at average cost)	29,752	27,792	21,973	23,658	20,506	28,360
Assets from risk management and trading activities	32,181	34,087	67,798	94,117	46,852	16,987
Deferred income taxes	79,694	38,707	19,220	-	-	-
Other	19,866	16,545	11,508	14,339	10,187	6,969
Total current assets	765,400	717,020	767,084	709,836	742,516	571,182
DEFERRED DEBITS						
Deferred fuel and purchased power regulatory asset	7,984	110,928	160,268	172,756	-	-
Other regulatory assets	787,506	514,353	686,016	151,123	135,051	132,349
Unamortized debt issue costs	22,026	24,373	26,393	25,279	21,832	19,797
Other	82,735	78,934	65,397	91,690	69,541	73,056
Total deferred debits	900,251	728,588	938,074	440,848	226,424	225,202
TOTAL ASSETS	\$ 10,963,577	\$ 10,321,402	\$ 9,948,766	\$ 9,143,643	\$ 8,069,564	\$ 7,685,718

ARIZONA PUBLIC SERVICE COMPANY
BALANCE SHEETS
(DOLLARS IN THOUSANDS)

DECEMBER 31,	2008	2007	2006	2005	2004	2003
LIABILITIES AND EQUITY						
CAPITALIZATION						
Common stock	\$ 178,162	\$ 178,162	\$ 178,162	\$ 178,162	\$ 178,162	\$ 178,162
Additional paid-in capital	2,117,789	2,105,466	2,065,918	1,853,098	1,246,804	1,246,804
Retained earnings	1,168,901	1,076,557	960,405	860,675	860,196	830,569
Accumulated other comprehensive income (loss):						
Pension and other postretirement benefits	(26,960)	(21,782)	-	(86,132)	(71,087)	(57,158)
Derivative instruments	(98,742)	13,038	2,988	179,422	18,327	5,253
Common stock equity	<u>3,339,150</u>	<u>3,351,441</u>	<u>3,207,473</u>	<u>2,985,225</u>	<u>2,232,402</u>	<u>2,203,630</u>
Long-term debt less current maturities	<u>2,850,242</u>	<u>2,876,881</u>	<u>2,877,502</u>	<u>2,479,703</u>	<u>2,267,094</u>	<u>2,135,606</u>
Total capitalization	<u>6,189,392</u>	<u>6,228,322</u>	<u>6,084,975</u>	<u>5,464,928</u>	<u>4,499,496</u>	<u>4,339,236</u>
CURRENT LIABILITIES						
Short-term borrowings	521,684	218,000	-	-	-	-
Current maturities of long-term debt	874	978	968	85,620	451,247	487,067
Accounts payable	233,529	239,923	223,417	215,384	215,076	131,383
Accrued taxes	219,129	374,444	381,444	360,737	292,521	90,474
Accrued interest	39,860	38,262	45,254	25,003	33,332	42,702
Customer deposits	77,452	71,376	61,900	55,474	51,804	45,481
Deferred income taxes	-	-	-	64,210	9,057	631
Liabilities from risk management and trading activities	69,585	19,921	19,445	162,098	15,984	34,725
Other	105,655	92,802	74,128	52,558	85,681	47,086
Total current liabilities	<u>1,267,768</u>	<u>1,055,706</u>	<u>806,556</u>	<u>1,021,084</u>	<u>1,154,702</u>	<u>879,549</u>
DEFERRED CREDITS AND OTHER						
Deferred income taxes	1,401,412	1,250,028	1,215,862	1,215,403	1,108,571	1,257,671
Regulatory liabilities	587,586	642,564	635,431	592,494	506,646	468,694
Liability for asset retirements	275,970	281,903	268,389	269,011	251,612	234,440
Liabilities for pension and other postretirement benefits	635,327	469,945	551,531	233,342	203,668	160,639
Customer advances for construction	132,023	94,801	71,211	60,287	59,185	52,783
Liabilities from risk management and trading activities	126,532	4,573	42,140	12,856	8,204	4,022
Other	347,567	293,560	272,671	274,238	277,480	288,684
Total deferred credits and other	<u>3,506,417</u>	<u>3,037,374</u>	<u>3,057,235</u>	<u>2,657,631</u>	<u>2,415,366</u>	<u>2,466,933</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 10,963,577</u>	<u>\$ 10,321,402</u>	<u>\$ 9,948,766</u>	<u>\$ 9,143,643</u>	<u>\$ 8,069,564</u>	<u>\$ 7,685,718</u>

ARIZONA PUBLIC SERVICE COMPANY
STATEMENTS OF CASH FLOWS
(DOLLARS IN THOUSANDS)

YEAR ENDED DECEMBER 31,	2008	2007	2006	2005	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES						
Net income	\$ 262,344	\$ 283,940	\$ 269,730	\$ 170,479	\$ 199,627	\$ 180,937
Adjustments to reconcile net income to net cash provided by operating activities:						
Regulatory disallowance	-	-	-	138,562	-	-
Depreciation and amortization including nuclear fuel	416,709	395,890	381,173	353,082	367,094	417,997
Deferred fuel and purchased power	(80,183)	(196,136)	(252,849)	(172,756)	-	-
Deferred fuel and purchased power amortization	183,126	231,106	265,337	-	-	-
Deferred fuel and purchased power regulatory disallowance	-	14,370	-	-	-	-
Allowance for equity funds used during construction	(18,636)	(21,195)	(14,312)	(11,191)	(4,885)	(14,240)
Deferred income taxes	145,157	(44,478)	(305)	9,659	(140,855)	(1,087)
Change in mark-to-market valuations	7,792	(6,758)	6,893	3,492	(15,807)	2,339
Changes in current assets and liabilities:						
Customer and other receivables	47,566	23,882	20,970	(56,152)	(24,146)	85,106
Materials, supplies and fossil fuel	(25,453)	(29,776)	(14,381)	(12,268)	4,643	(872)
Other current assets	128	(8,056)	3,666	(2,292)	(2,529)	976
Accounts payable	(5,915)	(2,797)	5,825	(12,372)	88,937	17,961
Other current liabilities	8,150	34,033	68,803	29,673	237,595	2,252
Changes in collateral and margin accounts - assets	17,850	11,252	(205,752)	173,019	(6,422)	32,396
Changes in collateral and margin accounts - liabilities	(132,416)	27,624	(166,088)	126,705	1,294	6,988
Changes in unrecognized tax benefits	(92,064)	27,773	-	-	-	-
Change in other long-term assets	14,340	(23,577)	2,828	(24,752)	(37,541)	(14,623)
Change in other long-term liabilities	36,765	48,718	22,175	9,002	51,133	60,994
Net cash flow provided by operating activities	<u>785,260</u>	<u>765,815</u>	<u>393,713</u>	<u>721,890</u>	<u>718,138</u>	<u>777,124</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Capital expenditures	(910,189)	(924,166)	(699,946)	(637,207)	(666,717)	(452,819)
Contributions in aid of construction	60,292	41,809	51,203	27,350	153,040	26,559
Transfer of PWEC Dedicated Assets to APS	-	-	-	(500,000)	-	-
Purchase of Sundance plant	-	-	-	(185,046)	-	-
Allowance for borrowed funds used during construction	(14,313)	(12,308)	(7,336)	(7,624)	(7,155)	(7,379)
Proceeds from sale of investment securities	-	69,225	1,259,203	1,657,798	760,285	785,810
Purchases of investment securities	-	(36,525)	(1,291,903)	(1,476,623)	(871,610)	(855,660)
Proceeds from nuclear decommissioning trust sales	317,619	259,026	254,651	186,215	123,795	168,874
Investment in nuclear decommissioning trust	(338,361)	(279,768)	(275,393)	(204,633)	(135,239)	(180,319)
Loan to Pinnacle West Energy	-	-	-	-	-	(497,865)
Repayment of loan by Pinnacle West Energy	-	-	-	500,000	-	-
Other	5,517	1,211	(4,470)	(5,372)	10,639	3,149
Net cash flow used for investing activities	<u>(879,435)</u>	<u>(881,496)</u>	<u>(713,991)</u>	<u>(645,142)</u>	<u>(632,962)</u>	<u>(1,009,650)</u>
CASH FLOWS FROM FINANCING ACTIVITIES						
Issuance of long-term debt	-	-	395,481	411,787	478,140	491,654
Short-term borrowings - net	303,684	218,000	-	-	-	-
Equity infusion	7,601	39,548	212,820	250,000	-	-
Dividends paid on common stock	(170,000)	(170,000)	(170,000)	(170,000)	(170,000)	(170,000)
Repayment and reacquisition of long-term debt	(27,717)	(1,586)	(86,086)	(568,177)	(385,893)	(89,525)
Net cash flow provided by (used for) financing activities	<u>113,568</u>	<u>85,962</u>	<u>352,215</u>	<u>(76,390)</u>	<u>(77,753)</u>	<u>232,129</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	19,393	(29,719)	31,937	358	7,423	(397)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	52,151	81,870	49,933	49,575	42,152	42,549
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 71,544	\$ 52,151	\$ 81,870	\$ 49,933	\$ 49,575	\$ 42,152

ARIZONA PUBLIC SERVICE COMPANY
LONG-TERM DEBT SCHEDULE
(DOLLARS IN THOUSANDS)

DECEMBER 31,	2008	2007	2006	2005	2004	2003
FIRST MORTGAGE BONDS						
6.625% series due March 1, 2004	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 80,000
5.5% series due Aug. 15, 2028	-	-	-	-	-	25,000
5.875% series due Aug. 15, 2028	-	-	-	-	-	154,000
Total first mortgage bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>259,000</u>
POLLUTION CONTROL BONDS						
Due May 1, 2029 with senior notes	90,000	90,000	90,000	90,000	90,000	90,000
Due May 1, 2024	49,400	49,400	49,400	49,400	49,400	49,400
Due Sept. 1, 2024	65,750	65,750	65,750	65,750	65,750	65,750
Due Sept. 1, 2024	31,500	31,500	31,500	31,500	31,500	31,500
Due May 1, 2029	163,975	163,975	163,975	163,975	106,980	106,980
Due May 1, 2029	-	-	-	-	57,000	57,000
Due Oct. 1, 2029	32,650	32,650	32,650	32,650	32,650	32,650
Due Dec. 1, 2031	-	6,710	6,710	6,710	6,710	6,710
Due Nov. 1, 2033	16,870	16,870	16,870	16,870	16,870	16,870
Due April 1, 2034	-	20,000	20,000	20,000	20,000	20,000
Due June 1, 2034	179,000	179,000	179,000	179,000	179,000	-
Total pollution control bonds	<u>629,145</u>	<u>655,855</u>	<u>655,855</u>	<u>655,855</u>	<u>655,860</u>	<u>476,860</u>
OTHER LONG-TERM DEBT						
5.875% unsecured notes due Feb. 15, 2004	-	-	-	-	-	125,000
6.25% unsecured notes due Jan. 15, 2005	-	-	-	-	100,000	100,000
7.625% unsecured notes due Aug. 1, 2005	-	-	-	-	300,000	300,000
6.75% senior notes due Nov. 15, 2006	-	-	-	83,695	83,695	83,695
6.375% unsecured notes due Oct. 15, 2011	400,000	400,000	400,000	400,000	400,000	400,000
6.50% unsecured notes due Mar. 1, 2012	375,000	375,000	375,000	375,000	375,000	375,000
5.80% unsecured notes due June 30, 2014	300,000	300,000	300,000	300,000	300,000	-
6.00% secured notes due Dec. 31, 2014	1,258	1,430	1,592	1,745	1,900	-
4.65% unsecured notes due May 15, 2015	300,000	300,000	300,000	300,000	300,000	300,000
5.625% unsecured notes due May 15, 2033	200,000	200,000	200,000	200,000	200,000	200,000
5.50% unsecured notes due Sept. 1, 2035	250,000	250,000	250,000	250,000	-	-
6.25% unsecured notes due Aug. 1, 2016	250,000	250,000	250,000	-	-	-
6.875% unsecured notes due Aug. 1, 2036	150,000	150,000	150,000	-	-	-
Capitalized lease obligation	3,621	4,457	5,880	8,179	9,854	11,749
Total other long-term debt	<u>2,229,879</u>	<u>2,230,887</u>	<u>2,232,472</u>	<u>1,918,619</u>	<u>2,070,449</u>	<u>1,895,444</u>
Unamortized discount and premium	(7,908)	(8,883)	(9,857)	(9,151)	(7,968)	(8,631)
Total long-term debt	<u>2,851,116</u>	<u>2,877,859</u>	<u>2,878,470</u>	<u>2,565,323</u>	<u>2,718,341</u>	<u>2,622,673</u>
LESS CURRENT MATURITIES						
First mortgage bonds	-	-	-	-	-	(280,340)
Senior notes	-	-	-	(83,695)	(400,000)	(205,000)
Secured notes	(183)	(172)	(162)	(152)	-	-
Pollution control bonds	-	-	-	-	(49,520)	-
Capitalized lease obligation	(691)	(806)	(806)	(1,773)	(1,727)	(1,727)
Total current maturities	<u>(674)</u>	<u>(978)</u>	<u>(968)</u>	<u>(85,620)</u>	<u>(451,247)</u>	<u>(487,067)</u>
LONG-TERM DEBT LESS CURRENT MATURITIES	<u>\$ 2,850,242</u>	<u>\$ 2,876,881</u>	<u>\$ 2,877,502</u>	<u>\$ 2,479,703</u>	<u>\$ 2,267,094</u>	<u>\$ 2,135,606</u>
WEIGHTED-AVERAGE INTEREST RATE ON LONG-TERM DEBT AT YEAR-END	5.51 %	5.49 %	5.49 %	4.83 %	5.13 %	5.58 %

**ARIZONA PUBLIC SERVICE COMPANY
ELECTRIC OPERATING REVENUE ANALYSIS**

YEAR ENDED DECEMBER 31,	2008		2007		2006		2005		2004		2003	
ELECTRIC OPERATING REVENUES (dollars in thousands)												
REGULATED ELECTRICITY SEGMENT												
Retail sales												
Residential	\$ 1,454,458	46.4 %	\$ 1,418,315	48.3 %	\$ 1,270,521	47.8 %	\$ 1,079,223	47.5 %	\$ 983,525	44.8 %	\$ 960,303	45.6 %
Commercial	1,233,115	39.4	1,160,165	39.5	1,051,660	39.5	881,432	38.8	830,419	37.8	811,642	38.5
Industrial	189,728	6.0	174,995	6.0	170,021	6.4	145,490	6.4	135,982	6.2	132,146	6.3
Irrigation	2,264	0.1	2,288	0.1	2,172	0.1	1,745	0.1	1,900	0.1	1,898	0.1
Other	18,984	0.6	17,192	0.6	15,806	0.6	13,203	0.6	12,438	0.6	11,818	0.6
Total retail	2,898,549	92.5	2,772,955	94.5	2,510,180	94.4	2,121,093	93.4	1,964,264	89.5	1,917,807	91.1
Wholesale revenue on delivered electricity												
Traditional contracts	70,325	2.2	34,424	1.2	21,782	0.8	22,708	1.0	16,545	0.8	15,301	0.7
Off-system sales (a)	87,815	2.8	49,469	1.7	46,140	1.7	39,643	1.8	-	-	-	-
Transmission for others	37,849	1.2	33,411	1.1	30,754	1.2	31,879	1.4	45,146	2.0	41,379	2.0
Other miscellaneous services	36,895	1.2	33,348	1.1	32,133	1.2	29,628	1.3	25,647	1.2	24,903	1.2
Total regulated electricity	3,131,433	99.9	2,923,607	99.6	2,640,989	99.3	2,244,951	98.9	2,051,602	93.5	1,999,390	95.0
MARKETING AND TRADING (a) (b)												
Electricity and other commodity sales	2,064	0.1	12,670	0.4	17,524	0.7	25,842	1.1	145,519	6.5	105,541	5.0
Total electric operating revenues	\$ 3,133,497	100.0 %	\$ 2,936,277	100.0 %	\$ 2,658,513	100.0 %	\$ 2,270,793	100.0 %	\$ 2,197,121	100.0 %	\$ 2,104,931	100.0 %
INCREASE (DECREASE) VS. PRIOR YEAR												
Retail revenues	4.5 %		10.5 %		18.3 %		8.0 %		2.4 %		3.9 %	
Regulated electricity revenues	7.1 %		10.7 %		17.6 %		9.4 %		2.6 %		5.1 %	
Marketing and trading revenues	(83.7) %		(27.7) %		(32.2) %		(82.2) %		37.9 %		209.9 %	
Total electric operating revenues	6.7 %		10.4 %		17.1 %		3.4 %		4.4 %		8.7 %	
AVERAGE RETAIL REVENUE PER kWh												
Residential	10.88 ¢		10.30 ¢		9.78 ¢		8.83 ¢		8.53 ¢		8.61 ¢	
Commercial	9.58 ¢		9.03 ¢		8.52 ¢		7.52 ¢		7.36 ¢		7.40 ¢	
Industrial	7.91 ¢		7.30 ¢		6.87 ¢		6.09 ¢		5.67 ¢		5.69 ¢	
Irrigation	9.55 ¢		8.78 ¢		8.70 ¢		7.53 ¢		7.35 ¢		7.13 ¢	
Total retail	10.06 ¢		9.51 ¢		8.97 ¢		8.01 ¢		7.75 ¢		7.81 ¢	
REVENUE PER AVERAGE CUSTOMER (dollars)												
Residential	\$ 1,487		\$ 1,468		\$ 1,357		\$ 1,204		\$ 1,145		\$ 1,159	
Commercial and industrial	\$ 11,610		\$ 11,229		\$ 10,710		\$ 9,350		\$ 9,136		\$ 9,274	

(a) Consistent with a 2005 ACC regulatory decision, off-system sales began being recorded in the regulated electricity segment in April 2005. Previously, they were recorded in marketing and trading.

(b) The majority of marketing and trading activities were moved to APS from the Parent Company in early 2003.

**ARIZONA PUBLIC SERVICE COMPANY
CUSTOMER DATA**

YEAR ENDED DECEMBER 31,	2008	2007	2006	2005	2004	2003
CUSTOMERS - AVERAGE						
Residential	977,944	966,013	936,464	896,472	859,069	828,366
Commercial	118,945	115,303	110,547	106,374	102,393	98,427
Industrial	3,607	3,597	3,526	3,458	3,390	3,340
Irrigation	326	332	345	336	339	341
Other	1,083	1,082	1,013	1,000	993	988
Total retail	1,101,905	1,086,327	1,051,895	1,007,640	966,184	931,462
Sales for resale	51	61	77	78	81	66
Total average customers	1,101,956	1,086,388	1,051,972	1,007,718	966,265	931,528
INCREASE OVER PRIOR YEAR	1.4% %	3.3 %	4.4 %	4.3 %	3.7 %	3.3 %
CUSTOMERS - END OF YEAR						
Residential	986,363	979,138	957,337	920,420	880,232	848,334
Commercial	120,126	117,292	112,918	108,216	104,503	100,285
Industrial	3,588	3,612	3,562	3,477	3,428	3,361
Irrigation	325	326	344	337	343	334
Other	1,092	1,069	1,030	973	996	937
Total retail	1,111,494	1,101,437	1,075,191	1,033,423	989,502	953,251
Sales for resale	50	54	78	77	78	66
Total end of year customers	1,111,544	1,101,491	1,075,269	1,033,500	989,580	953,317
INCREASE OVER PRIOR YEAR	0.9% %	2.4 %	4.0 %	4.4 %	3.8 %	3.5 %

**ARIZONA PUBLIC SERVICE COMPANY
LOADS AND RESOURCES AT PEAK**

YEAR ENDED DECEMBER 31,	2008	2007	2006	2005	2004	2003
PEAK LOAD (kW)						
Actual	7,025,900	7,127,500	7,220,100	6,573,200	6,017,500	5,968,900
Weather-normalized (a)	7,276,600	7,087,400	6,861,100	6,664,300	6,230,400	5,778,800
Increase (decrease) vs. prior year						
Actual	(1.4) %	(1.3) %	9.8 %	9.2 %	0.8 %	8.7 %
Weather-normalized	2.7 %	3.3 %	3.0 %	7.0 %	7.8 %	3.1 %
FIRM POWER SALES (kW)	437,000	1,240,000	1,205,000	855,000	1,125,000	1,200,000
RESOURCES AVAILABLE AT PEAK (kW)						
Generating capacity	5,831,000	5,839,000	5,706,000	3,820,000	3,570,600	3,736,500
Purchase power contracts (b)	2,626,000	3,484,000	3,522,000	4,653,000	4,187,000	4,198,000
Total resources	8,457,000	9,323,000	9,228,000	8,473,000	7,757,600	7,934,500
RESERVE MARGIN	20.6 %	10.1 %	7.0 %	19.3 %	6.9 %	12.1 %
ANNUAL LOAD FACTOR - NET	51.2 %	51.4 %	48.0 %	50.3 %	52.5 %	50.9 %

(a) Prior years have been revised to reflect average weather statistics for the ten-year period ended December 31, 2008.
(b) Including firm seasonal purchases and unit-contingent purchases.

**ARIZONA PUBLIC SERVICE COMPANY
RATE REGULATION**

DETAILED INFORMATION ON REGULATORY MATTERS

Regulatory developments are discussed in detail in a number of sections of the 2008 Annual Report on Form 10-K for Pinnacle West and APS. See "Regulation and Competition" in Item 1; "Factors Affecting Our Financial Outlook" in Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7; and Note 3 of Notes to Consolidated Financial Statements, "Regulatory Matters," in Item 8.

STATE REGULATION

The Arizona Corporation Commission (ACC) regulates APS' retail electric rates and its issuance of securities. The ACC also must approve any transfer of APS' property used to provide retail electric service and must approve or receive prior notification of certain transactions between APS, Pinnacle West and their respective affiliates.

ACC Organization

The ACC consists of five elected commissioners with staggered terms. The terms are four years each, with a limit of two consecutive terms in office. Mid-term vacancies (due to resignation, etc.) are filled by appointment of the Governor to serve until the next general election.

Commissioner	Commissioner	Current Term
	Since	Expires
Kristin Mayes (Rep.) (Chairman)	October 2003	January 2011
Gary Pierce (Rep.)	January 2007	January 2011
Sandra Kennedy (Dem.)	January 2009	January 2013
Paul Newman (Dem.)	January 2009	January 2013
Bob Stump (Rep.)	January 2009	January 2013

Test Period

A historical test period has been used in rate cases; however, the ACC has discretion to consider matters subsequent to the end of the historical year.

Retail Rate Changes

The table below includes APS' retail rate changes since 2002:

Type	Effective Date (a)	Annual Increase (Decrease)	
		Millions	Percent
PSA Annual Adjustor	February 1, 2009	\$157	5.9
Interim Base Rate Surcharge	January 1, 2009	65	2.0
TCA Adjustor (b)	July 3, 2008	13	0.5
TCA Adjustor (b)	March 1, 2008	27	1.0
PSA Annual Adjustor (c)	February 1, 2008	119 (d)	4.0
Base Rate Increase	July 1, 2007	322	15.1
PSA Surcharge	July 1, 2007	34 (d)	1.2
PSA Annual Adjustor (c)	February 1, 2007	109 (d)	5.0
PSA Surcharge	May 2, 2006	15 (d)	0.7
PSA Interim Adjustor	May 1, 2006	138 (d)	8.3
PSA Annual Adjustor (c)	February 1, 2006	110 (d)	5.0
Base Rate Increase	April 1, 2005	76	4.2
Base Rate Decrease	July 1, 2003	(29)	(1.5)
Base Rate Decrease	July 1, 2002	(28)	(1.5)

(a) See "Power Supply Adjustor" and "PSA Interim Adjustor" regarding durations of PSA annual adjustors, surcharges and interim adjustor.

(b) TCA adjustor resets annually based on changes to FERC formula rates.

(c) PSA adjustor resets February 1 of each year.

(d) Adjustor or surcharge has expired.

Pending Retail Rate Case

On June 2, 2008, APS filed with the ACC updated financial statements, testimony and other data in the general rate case originally filed on March 24, 2008. APS is requesting a net retail rate increase of \$278.2 million effective no later than October 1, 2009, which represents a base rate increase of \$448.2 million less the reclassification of \$170 million of fuel and purchased power revenues from the existing PSA to base rates.

The \$278.2 million net rate increase consists of \$264.3 million in non-fuel base rates (including \$58.8 million for post test year rate base adjustments and a \$79.3 million attrition adjustment to address erosion in APS' earnings and return on equity through 2010); \$13.9 million for fuel and purchased power costs reflected in base rates (net of the reclassification of existing PSA revenues to base rates); and recovery of up to \$53 million of such increases through the proposed impact fees. The request is based on a test year ended December 31, 2007; a rate base of \$5.4 billion; a base fuel rate of \$0.0388 per kilowatt-hour ("kWh") based on estimated 2010 prices (compared to the current base fuel rate of \$0.0325 per kWh); and a weighted-average cost of capital of 8.86%, with a return on common equity of 11.5% and a capital structure of 46% long-term debt and 54% common equity.

Interim Base Rate Surcharge

On December 18, 2008, the ACC approved an emergency interim base rate surcharge for APS. This surcharge became effective for retail customer bills issued after December 31, 2008 and will continue in effect until a decision in the pending general rate case becomes effective. This surcharge is expected to increase annual pretax retail revenues approximately \$65.2 million, and is subject to refund with interest pending the final outcome of APS' general retail rate case.

2007 Retail Rate Decision

On June 19, 2007, the ACC approved a \$322 million general rate increase effective July 1, 2007, which consisted of a \$315 million fuel-related increase and a \$7 million non-fuel related increase. The key provisions included updating the base fuel rate to 2007 levels; modifying the Power Supply Adjustor (PSA) to accelerate recovery of changes in fuel and purchased power costs; accepting APS' proposed 45%/55% debt/equity capital structure; authorizing an allowed 10.75% return on common equity; and approving an environmental improvement surcharge.

Power Supply Adjustor

The PSA provides for adjustment of retail rates to reflect variations in fuel and purchased power costs. The PSA was approved initially by the ACC in April 2005. It was modified effective July 1, 2007 to include, among other things, a forward-looking estimate of fuel and purchased power costs to set annual adjustor rates. APS defers for recovery or refund 90% of the difference between actual retail fuel and purchased power costs (as defined) and the base fuel rate (currently \$0.0325 per kWh). PSA annual adjustors are approved for twelve-month periods beginning February 1 of each year. PSA surcharges have been approved for collection over twelve-month periods; however, future surcharges, if any, could be approved for different periods.

The 2007 retail rate decision included a provision allowing the PSA annual adjustor that took effect on February 1, 2007 to remain in effect as long as necessary after January 31, 2008 to collect an additional \$46 million of fuel and purchased power costs deferred as a result of the mid-2007 implementation of a new base fuel rate. This adjustor expired as of the last billing cycle in July 2008.

PSA Interim Adjustor

The 8.3% PSA interim adjustor was effective May 1, 2006 through June 30, 2007. It terminated when rates became effective under the 2007 general rate case decision. The purpose of the interim rate increase was to address APS' under-collection of higher fuel and purchased power costs.

PSA Surcharges

The ACC approved recovery of approximately \$34 million of certain 2005 deferrals over a twelve-month period that began July 1, 2007. At the same time, the ACC disallowed approximately \$14 million of such 2005 deferrals.

The ACC approved APS' request to recover \$15 million of certain 2005 PSA deferrals over a twelve-month period that began May 2, 2006.

FEDERAL REGULATION

APS is subject to regulation by the U.S. Federal Energy Regulatory Commission (FERC) in certain matters which include wholesale power sales and transmission services. The FERC is composed of five commissioners who are appointed by the President, approved by Congress and serve five-year terms.

The FERC continues to address issues related to standard market design for wholesale markets, regional transmission organizations to support non-discriminatory markets, and other issues related to restructuring wholesale power markets. APS is an active participant in these proceedings.

Formula Transmission Tariff and Retail Transmission Cost Adjustor

In July 2008, the FERC approved an Open Access Transmission Tariff for APS to move from fixed rates to a formula rate-setting methodology in order to more accurately reflect the costs that APS incurs in providing transmission services. The formula rate is updated each year effective June 1 on the basis of APS' actual cost of service, as disclosed in APS' FERC Form 1 report for the previous fiscal year, and projected capital expenditures. A large portion of the rate represents charges for transmission services to serve APS' retail customers (Retail Transmission Charges). In order to recover the Retail Transmission Charges, APS must file an application with the ACC under the Transmission Cost Adjustor (TCA) mechanism, by which changes in Retail Transmission Charges can be reflected in APS' retail rates.

In 2008, APS was authorized to implement increases in its annual transmission revenues based on calculations filed with the FERC using data for its 2006 and 2007 fiscal years. Increases in APS' annual transmission revenues of \$28 million became effective March 1, 2008 and \$15 million became effective June 1, 2008. The ACC allowed APS to reflect the related increased Retail Transmission Charges in its retail rates through the TCA resulting in increases of annual retail revenues of \$27 million effective March 1, 2008 and \$13 million effective July 3, 2008.

ARIZONA PUBLIC SERVICE COMPANY
GENERATION RESOURCES
(NET ACCREDITED CAPACITY)

<i>IN SERVICE AS OF DECEMBER 31, 2008</i>	<u>Location</u>	<u>Ownership or Interest (a)</u>	<u>Number of Units</u>	<u>APS Share (kW)</u>	
NUCLEAR-FUELED STEAM PLANT					
	Palo Verde	Wintersburg, Arizona	29.1%	<u>3</u>	<u>1,147,122</u>
COAL-FUELED STEAM PLANTS					
	Four Corners	Farmington, New Mexico	100%	3	560,000
	Four Corners	Farmington, New Mexico	15%	2	225,000
	Cholla	Joseph City, Arizona	100%	3	641,000
	Navajo	Page, Arizona	14%	<u>3</u>	<u>315,000</u>
				<u>11</u>	<u>1,741,000</u>
GAS- OR OIL-FUELED STEAM PLANTS					
	Ocotillo	Tempe, Arizona	100%	2	220,000
	Saguaro	Red Rock, Arizona	100%	<u>2</u>	<u>210,000</u>
				<u>4</u>	<u>430,000</u>
GAS- OR OIL-FUELED COMBUSTION TURBINES					
	Sundance	Casa Grande, Arizona	100%	10	420,000
	Yucca (b)	Yuma, Arizona	100%	6	243,000
	West Phoenix	Phoenix, Arizona	100%	2	110,000
	Ocotillo	Tempe, Arizona	100%	2	110,000
	Saguaro	Red Rock, Arizona	100%	3	189,000
	Douglas	Douglas, Arizona	100%	<u>1</u>	<u>16,000</u>
				<u>24</u>	<u>1,088,000</u>
GAS- OR OIL-FUELED COMBINED CYCLE PLANT					
	West Phoenix	Phoenix, Arizona	100%	5	878,000
	Redhawk	Arlington, Arizona	100%	<u>2</u>	<u>984,000</u>
				<u>7</u>	<u>1,862,000</u>
SOLAR GENERATION					
			100%	<u>13</u>	<u>5,816</u>
TOTAL					
				<u>62</u>	<u>6,273,938</u>

(a) Includes leased generating plants.

(b) Includes two new 48,000 kW units, which began operations June 2008.

ARIZONA PUBLIC SERVICE COMPANY
SOURCE AND DISPOSITION OF ELECTRIC ENERGY AND FUEL MIX

YEAR ENDED DECEMBER 31,	2008	2007	2006	2005	2004	2003
APS SOURCE OF ENERGY (MWh)						
Steam generation						
Nuclear	8,511,905	7,793,676	6,987,559	7,508,820	8,183,262	8,314,712
Coal	13,165,722	13,342,241	13,175,265	13,060,080	12,665,720	11,366,560
Gas	106,212	266,108	183,003	182,670	299,181	265,180
Oil	-	-	-	-	3,415	12,475
Combustion turbines						
Gas	276,897	188,280	151,057	114,598	90,706	72,533
Oil	1,583	1,273	1,806	719	3,052	2,115
Combined cycle						
Gas	5,961,379	6,235,779	6,967,368	3,051,405	620,437	687,677
Oil	-	-	-	-	-	-
Hydro and solar	10,404	11,227	10,137	20,601	36,549	34,920
Total generation	<u>28,034,102</u>	<u>27,838,584</u>	<u>27,476,195</u>	<u>23,938,893</u>	<u>21,902,322</u>	<u>20,756,172</u>
Purchased power (a)						
Firm load	5,028,292	5,388,328	4,290,839	6,181,170	6,513,677	6,717,242
Marketing and trading	2,125,554	3,057,263	10,519,636	19,648,998	30,520,660	19,000,993
Total purchased power	<u>7,153,846</u>	<u>8,445,591</u>	<u>14,810,475</u>	<u>25,830,168</u>	<u>37,034,337</u>	<u>25,718,235</u>
Total source of energy	<u>35,187,948</u>	<u>36,284,175</u>	<u>42,286,670</u>	<u>49,769,061</u>	<u>58,936,659</u>	<u>46,474,407</u>
APS DISPOSITION OF ENERGY (MWh)						
Sales to ultimate customers	28,793,588	29,171,321	27,970,397	26,477,551	25,353,323	24,562,305
Sales for resale (a)	6,590,919	4,588,140	12,021,407	20,346,463	31,861,295	20,237,019
Losses and company use	2,236,678	2,524,714	2,294,866	2,945,047	1,722,041	1,675,083
Total disposition of energy	<u>37,621,185</u>	<u>36,284,175</u>	<u>42,286,670</u>	<u>49,769,061</u>	<u>58,936,659</u>	<u>46,474,407</u>
APS ENERGY FUEL MIX (%)						
Nuclear	24.2 %	21.5 %	16.5 %	15.1 %	13.9 %	17.9 %
Coal	37.4	36.8	31.2	26.2	21.4	24.5
Gas	18.0	18.4	17.3	6.8	1.7	2.2
Other (b)	-	-	-	-	0.1	0.1
Purchased power and interchange - net	20.4	23.3	35.0	51.9	62.9	55.3
Total	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>

(a) Purchased power and sales for resale include interchange purchases and sales, respectively.
(b) "Other" includes oil, hydro and solar generation.

ARIZONA PUBLIC SERVICE COMPANY
POWER SUPPLY ADJUSTOR ("PSA") - REGULATED ELECTRICITY SEGMENT (dollars in thousands)

YEAR ENDED DECEMBER 31,	2008	2007	2006	2005	2004	2003
Deferred fuel and purchased power regulatory asset - beginning balance	\$ 110,928	\$ 160,268	\$ 172,756	\$ -	\$ -	\$ -
Deferred fuel and purchased power costs - current period	78,271	188,928	244,623	170,956	-	-
Regulatory disallowance	-	(14,370)	-	-	-	-
Interest on deferred fuel	1,911	7,208	8,226	1,800	-	-
Amounts recovered through revenues	<u>(183,126)</u>	<u>(231,106)</u>	<u>(265,337)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred fuel and purchased power regulatory asset - ending balance	<u>\$ 7,984</u>	<u>\$ 110,928</u>	<u>\$ 160,268</u>	<u>\$ 172,756</u>	<u>\$ -</u>	<u>\$ -</u>

SUNCOR DEVELOPMENT COMPANY
FINANCIAL HIGHLIGHTS
(DOLLARS IN THOUSANDS)

YEAR ENDED DECEMBER 31,	2008	2007	2006	2005	2004	2003
STATEMENTS OF INCOME						
REVENUES						
Home sales	\$ 58,745	\$ 108,290	\$ 247,193	\$ 222,841	\$ 215,866	\$ 172,114
Condo sales	38,658	2,724	30,893	-	-	-
Land sales	10,362	71,947	91,030	92,151	113,841	78,106
Sales of assets	2,572	8,139	8,115	2,147	574	89,205
Commercial property and management	20,730	21,486	22,567	20,892	20,034	22,179
Total revenues	<u>131,067</u>	<u>212,586</u>	<u>399,798</u>	<u>338,031</u>	<u>350,315</u>	<u>361,604</u>
OPERATING EXPENSES						
Real estate impairment charge	53,250	-	-	-	-	-
Cost of homes sold	51,118	90,906	189,049	175,114	174,751	138,860
Cost of condos sold	30,589	1,723	26,687	-	-	-
Cost of land sold	6,988	28,593	33,537	38,227	47,960	42,753
Cost of assets sold	2,334	6,301	6,813	1,980	527	64,261
Commercial property and management	18,427	18,714	18,766	17,795	16,375	18,301
General and administrative expenses	44,589	50,338	53,253	48,017	46,975	45,729
Total operating expenses	<u>207,295</u>	<u>196,575</u>	<u>328,105</u>	<u>281,133</u>	<u>286,588</u>	<u>309,904</u>
OPERATING INCOME	(76,228)	16,011	71,693	56,898	63,727	51,700
Equity in joint venture earnings	412	8,206	9,066	1,940	2,986	3,320
Other income (expense)	2,088	2,496	1,815	1,671	2,137	22,094
Interest expense, net of capitalized interest	(6,331)	(4,346)	(305)	(1,402)	(550)	(2,541)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(80,059)	22,367	82,269	59,107	68,300	74,573
INCOME TAXES	(31,192)	7,804	32,176	20,359	27,212	28,452
INCOME FROM CONTINUING OPERATIONS	(48,867)	14,563	50,093	38,748	41,088	46,121
Income from discontinued operations - net of income taxes	22,690	9,130	10,451	16,809	3,640	10,003
NET INCOME	\$ (26,177)	\$ 23,693	\$ 60,544	\$ 55,557	\$ 44,728	\$ 56,124
CONTRIBUTIONS TO PARENT	\$ -	\$ 10,000	\$ 10,000	\$ 50,000	\$ 85,000	\$ 108,000

SUNCOR DEVELOPMENT COMPANY
FINANCIAL HIGHLIGHTS
(DOLLARS IN THOUSANDS)

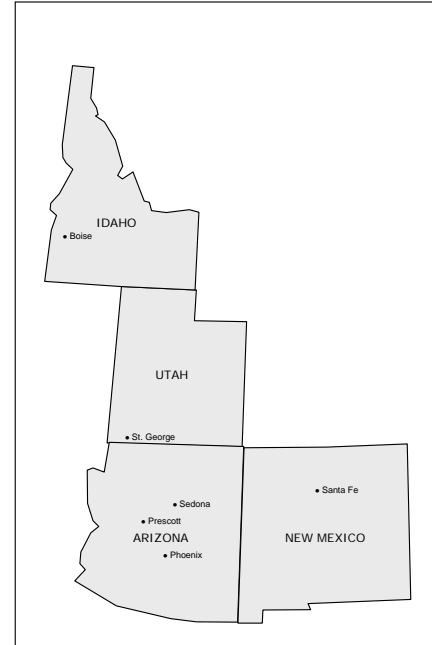
DECEMBER 31,	2008	2007	2006	2005	2004	2003
BALANCE SHEETS						
ASSETS						
Cash and cash equivalents	\$ 27,435	\$ 3,640	\$ 5,177	\$ 13,843	\$ 23,045	\$ 25,885
Accounts and notes receivable	7,370	5,967	5,068	6,577	7,189	16,987
Home inventory	50,688	98,729	41,846	53,409	32,010	34,174
Land and improvements	332,356	390,189	440,789	317,550	270,529	246,855
Property and equipment, net	93,569	143,482	86,180	74,080	110,678	107,595
Other assets	35,168	28,454	28,251	21,948	20,253	7,729
TOTAL ASSETS	\$ 546,586	\$ 670,461	\$ 607,311	\$ 487,407	\$ 463,704	\$ 439,225
LIABILITIES AND EQUITY						
Accounts payable and other liabilities	\$ 40,318	\$ 69,486	\$ 87,701	\$ 58,776	\$ 82,156	\$ 60,639
Short-term borrowings	4,785	7,661	7,850	15,673	71,030	86,081
Long-term debt	183,133	238,039	180,644	129,306	15,974	17,853
Deferred profit	8,081	11,649	10,483	14,931	31,661	-
Total liabilities	236,317	326,835	286,678	218,686	200,821	164,573
Minority interest	47,389	54,570	49,682	43,904	43,624	15,119
Stockholder's equity	262,880	289,056	270,951	224,817	219,259	259,533
TOTAL LIABILITIES AND EQUITY	\$ 546,586	\$ 670,461	\$ 607,311	\$ 487,407	\$ 463,704	\$ 439,225

SUNCOR DEVELOPMENT COMPANY
MAJOR PROPERTY DESCRIPTIONS

(YEARS ENDED DECEMBER 31, 2003 THROUGH 2008)

	<u>Location</u>	<u>Year Acquired</u>	<u>Year Completed or Sold</u>	<u>Original Acreage</u>	<u>12/31/2008 Acreage</u>
MASTER-PLANNED COMMUNITIES					
LEGACY PROPERTIES					
	Palm Valley	1986		11,300	2,450
POST-1990 PROPERTIES					
	Scottsdale Mountain	1991	2004	1,400	-
	SunRidge Canyon	1994	2002	950	-
	Sedona Golf Resort	1995	2004	300	-
	Rancho Viejo Phase 1 (a)	1996		2,500	1,500
	Hidden Hills	1997	2004	419	-
	Coral Canyon (a)	1998		2,500	750
	StoneRidge (a)	2001		1,840	1,100
	Avimor (a)	2003		12,500	12,500
	Prescott Lakes (a)	2004		175	175
COMMERCIAL PROPERTIES					
LEGACY PROPERTIES					
	Tempe MarketPlace/Autoplex	1987	2002	420	-
	Talavi	1987		140	7
	Alameda Crossing (Palm Valley)	1987	2007	21	-
	Palm Valley Office Park Phase 3	1987		4	4
	Centrepoint	1989	2007	80	-
POST-1990 PROPERTIES					
	Hayden Ferry Lakeside Office & Condos	2000		17	31
	Rio West Business Park	2004	2007	25	-
	Riverside Distribution Center	2004	2006	28	-

(a) Venture with landowner



EL DORADO INVESTMENT COMPANY
FINANCIAL HIGHLIGHTS
(DOLLARS IN THOUSANDS)

<i>YEAR ENDED DECEMBER 31,</i>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
NET INCOME (LOSS)	\$ (9,923)	\$ (6,375)	\$ (4,089)	\$ 4,394	\$ 40,126	\$ 7,289

<i>DECEMBER 31,</i>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
ASSETS						
Customer and other receivables	\$ 170	\$ 95	\$ -	\$ 8,410	\$ 47	\$ 1,115
Investments	27,720	29,637	34,451	29,708	23,309	2,695
Cash and other assets	323	392	(3)	-	139	23,195
TOTAL ASSETS	<u>\$ 28,213</u>	<u>\$ 30,124</u>	<u>\$ 34,448</u>	<u>\$ 38,118</u>	<u>\$ 23,495</u>	<u>\$ 27,005</u>
LIABILITIES AND EQUITY						
Short-term borrowings	\$ 33,650	\$ 24,866	\$ 21,497	\$ 22,426	\$ 19,457	\$ 39,418
Other liabilities	1,739	2,512	3,830	2,482	(4,778)	18,969
Stockholder's equity	(7,176)	2,746	9,121	13,210	8,816	(31,382)
TOTAL LIABILITIES AND EQUITY	<u>\$ 28,213</u>	<u>\$ 30,124</u>	<u>\$ 34,448</u>	<u>\$ 38,118</u>	<u>\$ 23,495</u>	<u>\$ 27,005</u>

INVESTMENT SUMMARY

As of December 31, 2008, El Dorado owned minority interests in several energy-related investments and Arizona community-based ventures. In 2004, El Dorado sold its interest in NAC, a company specializing in spent nuclear fuel technology, and its limited partnership interest in the Phoenix Suns.

SHAREHOLDER INFORMATION

STOCK LISTING

Ticker symbol: PNW on
New York Stock Exchange

CORPORATE HEADQUARTERS

400 North 5th Street
Phoenix, Arizona 85004
Mailing address:
P.O. Box 53999
Phoenix, AZ 85072-3999
Main telephone number:
(602) 250-1000

CORPORATE WEB SITE

pinnaclewest.com

TRANSFER AGENT AND REGISTRAR

BNY Mellon Shareowner Services
P.O. Box 358015
Pittsburgh, PA 15252-8015
(800) 457-2983
bnymellon.com/shareowner/isd

**SHAREHOLDER ADMINISTRATIVE
INFORMATION**

Company contact:
Jacqueline Patterson
(602) 250-5511
Jacqueline.patterson@pinnaclewest.com

ANNUAL MEETING OF SHAREHOLDERS

Wednesday, May 20, 2009 at 10:30 a.m (MST)
Herberger Theater
222 East Monroe Street
Phoenix, Arizona 85004

**INVESTORS ADVANTAGE PLAN AND
SHAREHOLDER ACCOUNT INFORMATION**

Pinnacle West offers a direct stock purchase plan. Any interested investor may purchase Pinnacle West common stock through the Investors Advantage Plan. Features of the Plan include a variety of options for reinvesting dividends, direct deposit of cash dividends, automatic monthly investment, certificate safekeeping and more. An Investor Advantage Plan prospectus and enrollment materials may be obtained by calling BNY Mellon Shareowner Services at (800) 457-2983, at the Bank's Web site - bnymellon.com/shareowner/ids or by writing to:
BNY Mellon Shareowner Services
P.O. Box 358015
Pittsburgh, PA 15252-8015

FORM 10-K

Pinnacle West's 2008 Annual Report on Form 10-K filed with the Securities and Exchange Commission is available on our Web site or by writing to the Office of the Secretary.

CORPORATE RESPONSIBILITY REPORT

The Pinnacle West Corporate Responsibility Report is available on our Web site.

INVESTOR RELATIONS CONTACTS

Rebecca L. Hickman, Director
(602) 250-5668
Lisa Malagon, Manager
(602) 250-5671

ASSOCIATION FOR INVESTORS

The Arizona Investment Council represents the interests of investors in Arizona utilities. If interested, send your name and address to:
Arizona Investment Council
2100 North Central Avenue #210
Phoenix, AZ 85004
(602) 257-9200
arizonaaic.org