

**NON-GAAP FINANCIAL MEASURE RECONCILIATION
2009 NET INCOME (LOSS) (GAAP MEASURE) TO
ON-GOING EARNINGS (LOSS) (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) attributable to common shareholders	\$ (156)	\$ 68	\$ 187	\$ (30)	\$ 68
Adjustments:					
Real estate segment	131	9	12	14	167
On-going earnings (loss)	<u>\$ (25)</u>	<u>\$ 77</u>	<u>\$ 199</u>	<u>\$ (16)</u>	<u>\$ 235</u>

Diluted EPS

Net income (loss) attributable to common shareholders	\$ (1.55)	\$ 0.68	\$ 1.84	\$ (0.30)	\$ 0.67
Adjustments:					
Real estate segment	1.30	0.09	0.12	0.14	1.66
On-going earnings (loss)	<u>\$ (0.25)</u>	<u>\$ 0.77</u>	<u>\$ 1.96</u>	<u>\$ (0.16)</u>	<u>\$ 2.33</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)	<u>\$ (15)</u>	<u>\$ 79</u>	<u>\$ 197</u>	<u>\$ (9)</u>	<u>\$ 251</u>

There were no reconciling items between net income (loss) and on-going earnings (loss)

**NON-GAAP FINANCIAL MEASURE RECONCILIATION
2008 NET INCOME (LOSS) (GAAP MEASURE) TO
ON-GOING EARNINGS (LOSS) (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	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) attributable to common shareholders	\$ (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) attributable to common shareholders	\$ (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>