

**NON-GAAP FINANCIAL MEASURE RECONCILIATION
2010 NET INCOME (LOSS) (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) attributable to common shareholders	\$ (6)	\$ 115	\$ 234	\$ 7	\$ 350
Adjustments:					
Discontinued real estate operations	13	1	(8)	-	6
Discontinued APS Energy Services	-	(27)	(2)	(2)	(31)
On-going earnings	<u>\$ 7</u>	<u>\$ 89</u>	<u>\$ 224</u>	<u>\$ 5</u>	<u>\$ 325</u>

Diluted EPS					
Net income (loss) attributable to common shareholders	\$ (0.06)	\$ 1.07	\$ 2.14	\$ 0.07	\$ 3.27
Adjustments:					
Discontinued real estate operations	0.13	0.01	(0.07)	(0.01)	0.05
Discontinued APS Energy Services	-	(0.26)	(0.01)	(0.01)	(0.29)
On-going earnings	<u>\$ 0.07</u>	<u>\$ 0.82</u>	<u>\$ 2.06</u>	<u>\$ 0.05</u>	<u>\$ 3.03</u>

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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	\$ (157)	\$ 68	\$ 187	\$ (30)	\$ 68
Adjustments:					
Discontinued real estate operations	132	9	12	14	167
Discontinued APS Energy Services	1	-	1	(1)	1
On-going earnings (loss)	<u>\$ (24)</u>	<u>\$ 77</u>	<u>\$ 200</u>	<u>\$ (17)</u>	<u>\$ 236</u>

Diluted EPS

Net income (loss) attributable to common shareholders	\$ (1.55)	\$ 0.68	\$ 1.84	\$ (0.30)	\$ 0.67
Adjustments:					
Discontinued real estate operations	1.30	0.08	0.12	0.14	1.65
Discontinued APS Energy Services	0.01	-	0.01	(0.01)	0.01
On-going earnings (loss)	<u>\$ (0.24)</u>	<u>\$ 0.76</u>	<u>\$ 1.97</u>	<u>\$ (0.17)</u>	<u>\$ 2.33</u>