



PINNACLE WEST
CAPITAL CORPORATION

Earnings Release Kit Second Quarter 2010

This kit contains the following documents:

- Earnings release with comparative income statement
- Earnings variance explanations
- Quarterly statistics summary
- Comparative financial statements for PNW and APS

Copies of individual items are available on our website at www.pinnaclewest.com.

For further analysis, quarterly statistics and other information for 2008-2009 are also available on our website.

FOR IMMEDIATE RELEASE

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Page 1 of 4

PINNACLE WEST REPORTS SECOND-QUARTER RESULTS

- *Focus on cost management helps offset effects of unusually mild weather*
- *Sale of non-core assets provides boost to net income*

PHOENIX – Pinnacle West Capital Corp. (NYSE: PNW) today reported consolidated net income attributable to common shareholders of \$114.8 million, or \$1.07 per diluted share of common stock, for the quarter ended June 30, 2010. This result compares with net income attributable to common shareholders of \$68.3 million, or \$0.68 per diluted share, for the same quarter in 2009.

Excluding results of discontinued operations related to the Company's real estate segment and its district cooling business, Pinnacle West's consolidated on-going earnings in the 2010 second quarter were \$89.8 million, or \$0.83 per share, compared with on-going earnings of \$76.4 million or \$0.75 per share, in the same period a year ago. A reconciliation of reported earnings to on-going earnings is provided at the end of this release.

"In spite of mild weather in the quarter, our emphases on controlling costs and focusing on a back-to-basics strategy helped us achieve strong operating and financial results," said Pinnacle West Chairman, President and Chief Executive Officer Don Brandt.

The second-quarter on-going results comparison was positively impacted by the following factors:

- *Higher revenues resulting from retail electricity rate increases* improved earnings by \$0.26 per share. Of this amount, \$0.21 was related to base rates and \$0.02 was related to line extension revenues, both implemented in January as a result of the Company's regulatory settlement. The balance was attributable to a retail transmission rate increase implemented in the 2009 third quarter.
- *Lower operations and maintenance expenses* improved earnings by \$0.04 per share. The variance excludes costs associated with renewable energy and demand-side management programs, which are offset by comparable amounts of operating revenues.

- *Higher retail electricity sales, excluding the effects of weather*, improved earnings by \$0.02 per share. Weather-normalized sales increased 0.6 percent in the current-year second quarter compared with the corresponding 2009 period, the first quarterly increase since the 2008 third quarter.

These positive factors were offset in part by the following items:

- *Unusually mild weather*, especially in April and May (with the latter being the mildest May in more than 10 years), decreased the Company's earnings by \$0.15 per share during the quarter. There were 381 residential cooling-degree days (a proxy for the effects of weather) in the 2010 second quarter – 17 percent less than the year-ago second quarter, which was near normal.
- *Lower mark-to-market valuations of fuel contracts* as a result of changes in commodity prices reduced earnings by \$0.03 per share.
- *The net effect of other miscellaneous items*, including the effects of common shares issued in April 2010, decreased earnings \$0.06 per share.

Consolidated on-going earnings exclude results from discontinued operations. Income from discontinued operations was \$25.0 million, or \$0.24 per share, for the second quarter of 2010, which compared favorably with a loss from discontinued operations of \$8.0 million, or \$0.07 per share, for the same quarter a year earlier. The changes were primarily attributable to disposal of non-core assets:

- *The gain on the sale of subsidiary APS Energy Services' district cooling business* and related operating results contributed \$0.24 per share.
- *Lower net losses at the Company's real estate segment* improved quarter-over-quarter earnings by \$0.07 per share.

Arizona Public Service Co. (APS), the Company's principal subsidiary, reported 2010 second quarter net income attributable to common shareholder of \$90.2 million, versus earnings of \$78.5 million for the comparable 2009 quarter.

2010 and 2011 Earnings Outlook

The Company continues to expect its 2010 consolidated on-going earnings to be in the range of \$2.95 to \$3.10 per diluted share. Key factors and assumptions underlying the outlook remain unchanged, except for the following:

- Actual weather for the first half of the year and normal weather patterns for the remainder of the year;
- Total electricity gross margin (operating revenues, net of fuel and purchased power expenses, excluding Renewable Energy Surcharge and similar rate adjusters) of about \$2.00 billion to \$2.05 billion, which was previously expected to be \$2.04 billion to \$2.09 billion; and

- Operating expenses (operations and maintenance, excluding costs for Renewable Energy Standard and similar regulatory programs; depreciation and amortization; and taxes other than income taxes) of about \$1.26 billion to \$1.29 billion, which were previously expected to be \$1.30 billion to \$1.33 billion.

The Company also continues to estimate its 2011 consolidated on-going earnings will be within the 2010 guidance range with some opportunity for modestly exceeding that range.

Conference Call and Web Cast

Pinnacle West invites interested parties to listen to the live web cast of management's conference call to discuss the Company's 2010 second-quarter results, as well as recent developments at 12:00 noon (ET) today, August 3. The web cast can be accessed at www.pinnaclewest.com/presentations and will be available for replay on the web site for 30 days. To access the live conference call by telephone, dial (877) 356-3961 and enter Conference ID 82449914. A replay of the call also will be available until 11:55 p.m. (ET), Tuesday, August 10, 2010, by calling (800) 642-1687 in the U.S. and Canada or (706) 645-9291 internationally and entering the same Conference ID number as above.

General Information

Pinnacle West is a Phoenix-based company with consolidated assets of about \$12.2 billion. Through its subsidiaries, the Company generates, sells and delivers electricity and sells energy-related products and services to retail and wholesale customers in the western United States.

Dollar amounts in this news release are after income taxes. Earnings per share amounts are based on average diluted common shares outstanding. For more information on Pinnacle West's operating statistics and earnings, please visit www.pinnaclewest.com/investors.

PINNACLE WEST CAPITAL CORPORATION NON-GAAP FINANCIAL MEASURE RECONCILIATION

NET INCOME ATTRIBUTABLE TO COMMON SHAREHOLDERS (GAAP MEASURE) TO ON-GOING EARNINGS (NON-GAAP FINANCIAL MEASURE)

	Three Months Ended June 30, 2010		Three Months Ended June 30, 2009	
	Dollars in Millions	Diluted EPS	Dollars in Millions	Diluted EPS
Net Income Attributable to Common Shareholders	\$ 114.8	\$ 1.07	\$ 68.3	\$ 0.68
Adjustments:				
Real estate segment	1.3	0.01	8.8	0.08
District cooling business	(26.3)	(0.25)	(0.7)	(0.01)
On-going Earnings	<u>\$ 89.8</u>	<u>\$ 0.83</u>	<u>\$ 76.4</u>	<u>\$ 0.75</u>

NON-GAAP FINANCIAL INFORMATION

In this press release, we refer to “on-going earnings.” On-going earnings is a “non-GAAP financial measure,” as defined in accordance with SEC rules. We believe on-going earnings provide investors with a useful indicator of our results that is comparable among periods because it excludes the effects of unusual items that may occur on an irregular basis. Investors should note that these non-GAAP financial measures involve judgments by management, including whether an item is classified as an unusual item. We use on-going earnings, or similar concepts, to measure our performance internally in reports for management.

FORWARD-LOOKING STATEMENTS

This press release contains forward-looking statements regarding our 2010 and 2011 earnings outlook, and neither Pinnacle West nor APS assumes any obligation to update these statements, even if our internal estimates change, except as required by applicable law. These forward-looking statements are often identified by words such as “estimate,” “predict,” “may,” “believe,” “plan,” “expect,” “require,” “intend,” “assume” and similar words. Because actual results may differ materially from expectations, we caution you not to place undue reliance on these statements. A number of factors could cause future results to differ materially from historical results, or from outcomes currently expected or sought by Pinnacle West or APS. These factors include, but are not limited to:

- regulatory and judicial decisions, developments and proceedings;
- our ability to achieve timely and adequate rate recovery of our costs;
- our ability to reduce capital expenditures and other costs while maintaining reliability and customer service levels;
- variations in demand for electricity, including those due to weather, the general economy, customer and sales growth (or decline), and the effects of energy conservation measures;
- power plant performance and outages;
- volatile fuel and purchased power costs;
- fuel and water supply availability;
- new legislation or regulation relating to greenhouse gas emissions, renewable energy mandates and energy efficiency standards;
- our ability to meet renewable energy requirements and recover related costs, including returns on debt and equity capital;
- risks inherent in the operation of nuclear facilities, including spent fuel disposal uncertainty;
- competition in retail and wholesale power markets;
- the duration and severity of the economic decline in Arizona and current credit, financial and real estate market conditions;
- the cost of debt and equity capital and the ability to access capital markets when required;
- restrictions on dividends or other burdensome provisions in our credit agreements and Arizona Corporation Commission orders;
- our ability, or the ability of our subsidiaries, to meet debt service obligations;
- changes to our credit ratings;
- the investment performance of the assets of our nuclear decommissioning trust, pension, and other postretirement benefit plans and the resulting impact on future funding requirements;
- the liquidity of wholesale power markets and the use of derivative contracts in our business;
- potential shortfalls in insurance coverage;
- new accounting requirements or new interpretations of existing requirements;
- transmission and distribution system conditions and operating costs;
- the ability to meet the anticipated future need for additional baseload generation and associated transmission facilities in our region;
- the ability of our counterparties and power plant participants to meet contractual or other obligations;
- technological developments in the electric industry; and
- economic and other conditions affecting SunCor Development Company’s ability to dispose of its remaining assets and satisfy its debt obligations.

These and other factors are discussed in Risk Factors described in Item 1A of the Pinnacle West/APS Annual Report on Form 10-K for the fiscal year ended December 31, 2009, which readers should review carefully before placing any reliance on our financial statements, disclosures or our earnings outlook.

PINNACLE WEST CAPITAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

(dollars and shares in thousands, except per share amounts)

	THREE MONTHS ENDED		Increase (Decrease)		
	JUNE 30,		Amount	Percent	
	2010	2009			
Operating Revenues					
Regulated electricity segment	\$ 799,416	\$ 812,510	\$ (13,094)		1.6% W
Other revenues	21,178	6,078	15,100		248.4% B
Total	<u>820,594</u>	<u>818,588</u>	<u>2,006</u>		0.2% B
Operating Expenses					
Regulated electricity segment fuel and purchased power	251,800	291,699	(39,899)		13.7% B
Operations and maintenance	215,104	215,545	(441)		0.2% B
Depreciation and amortization	103,017	100,980	2,037		2.0% W
Taxes other than income taxes	31,684	32,766	(1,082)		3.3% B
Other expenses	15,716	5,704	10,012		175.5% W
Total	<u>617,321</u>	<u>646,694</u>	<u>(29,373)</u>		4.5% B
Operating Income	<u>203,273</u>	<u>171,894</u>	<u>31,379</u>		18.3% B
Other					
Allowance for equity funds used during construction	5,504	4,730	774		16.4% B
Other income	933	6,252	(5,319)		85.1% W
Other expense	(5,660)	(4,187)	(1,473)		35.2% W
Total	<u>777</u>	<u>6,795</u>	<u>(6,018)</u>		88.6% W
Interest Expense					
Interest charges	60,741	59,884	857		1.4% W
Allowance for borrowed funds used during construction	(3,104)	(3,225)	121		3.8% W
Total	<u>57,637</u>	<u>56,659</u>	<u>978</u>		1.7% W
Income From Continuing Operations Before Income Taxes	146,413	122,030	24,383		20.0% B
Income Taxes	51,829	41,000	10,829		26.4% W
Income From Continuing Operations	94,584	81,030	13,554		16.7% B
Income (Loss) From Discontinued Operations					
Net of Income Taxes	24,982	(8,184)	33,166		405.3% B
Net Income	119,566	72,846	46,720		64.1% B
Less: Net income attributable to noncontrolling interests	4,769	4,499	270		6.0% W
Net Income Attributable To Common Shareholders	<u>\$ 114,797</u>	<u>\$ 68,347</u>	<u>\$ 46,450</u>		68.0% B
Weighted-Average Common Shares Outstanding - Basic	107,355	101,109	6,246		6.2%
Weighted-Average Common Shares Outstanding - Diluted	107,764	101,193	6,571		6.5%
Earnings Per Weighted-Average Common Share Outstanding					
Income from continuing operations attributable to common shareholders - basic	\$ 0.84	\$ 0.76	\$ 0.08		10.5% B
Net income attributable to common shareholders - basic	\$ 1.07	\$ 0.68	\$ 0.39		57.4% B
Income from continuing operations attributable to common shareholders - diluted	\$ 0.83	\$ 0.75	\$ 0.08		10.7% B
Net income attributable to common shareholders - diluted	\$ 1.07	\$ 0.68	\$ 0.39		57.4% B
Amounts Attributable To Common Shareholders					
Income from continuing operations, net of tax	\$ 89,806	\$ 76,379	\$ 13,427		17.6% B
Discontinued operations, net of tax	24,991	(8,032)	33,023		411.1% B
Net income attributable to common shareholders	<u>\$ 114,797</u>	<u>\$ 68,347</u>	<u>\$ 46,450</u>		68.0% B

B -- Better

W -- Worse

PINNACLE WEST CAPITAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(unaudited)
(in thousands, except per share amounts)

	SIX MONTHS ENDED		Increase (Decrease)	
	JUNE 30,		Amount	Percent
	2010	2009		
Operating Revenues				
Regulated electricity segment	\$ 1,410,841	\$ 1,415,088	\$ (4,247)	0.3% W
Other revenues	30,108	10,878	19,230	176.8% B
Total	<u>1,440,949</u>	<u>1,425,966</u>	<u>14,983</u>	1.1% B
Operating Expenses				
Regulated electricity segment fuel and purchased power	467,340	539,087	(71,747)	13.3% B
Operations and maintenance	422,946	412,371	10,575	2.6% W
Depreciation and amortization	203,670	201,058	2,612	1.3% W
Taxes other than income taxes	63,408	66,773	(3,365)	5.0% B
Other expenses	22,644	10,829	11,815	109.1% W
Total	<u>1,180,008</u>	<u>1,230,118</u>	<u>(50,110)</u>	4.1% B
Operating Income	<u>260,941</u>	<u>195,848</u>	<u>65,093</u>	33.2% B
Other				
Allowance for equity funds used during construction	10,893	9,722	1,171	12.0% B
Other income	1,819	3,292	(1,473)	44.7% W
Other expense	(7,134)	(10,529)	3,395	32.2% B
Total	<u>5,578</u>	<u>2,485</u>	<u>3,093</u>	124.5% B
Interest Expense				
Interest charges	121,446	117,148	4,298	3.7% W
Allowance for borrowed funds used during construction	(6,151)	(6,969)	818	11.7% W
Total	<u>115,295</u>	<u>110,179</u>	<u>5,116</u>	4.6% W
Income From Continuing Operations Before Income Taxes	151,224	88,154	63,070	71.5% B
Income Taxes	<u>44,657</u>	<u>27,816</u>	<u>16,841</u>	60.5% W
Income From Continuing Operations	106,567	60,338	46,229	76.6% B
Income (Loss) From Discontinued Operations				
Net of Income Taxes	<u>12,102</u>	<u>(153,562)</u>	<u>165,664</u>	107.9% B
Net Income (Loss)	118,669	(93,224)	211,893	227.3% B
Less: Net income (loss) attributable to noncontrolling interests	9,886	(5,061)	14,947	295.3% W
Net Income (Loss) Attributable To Common Shareholders	<u>\$ 108,783</u>	<u>\$ (88,163)</u>	<u>\$ 196,946</u>	223.4% B
Weighted-Average Common Shares Outstanding - Basic	104,431	101,048	3,383	3.3%
Weighted-Average Common Shares Outstanding - Diluted	104,857	101,048	3,809	3.8%
Earnings Per Weighted-Average Common Share Outstanding				
Income from continuing operations attributable to common shareholders - basic	\$ 0.93	\$ 0.51	\$ 0.42	82.4% B
Net income (loss) attributable to common shareholders - basic	\$ 1.04	\$ (0.87)	\$ 1.91	219.5% B
Income from continuing operations attributable to common shareholders - diluted	\$ 0.92	\$ 0.51	\$ 0.41	80.4% B
Net income (loss) attributable to common shareholders - diluted	\$ 1.04	\$ (0.87)	\$ 1.91	219.5% B
Amounts Attributable To Common Shareholders				
Income from continuing operations, net of tax	\$ 96,661	\$ 51,037	\$ 45,624	89.4% B
Discontinued operations, net of tax	12,122	(139,200)	151,322	108.7% B
Net Income (Loss) attributable to common shareholders	<u>\$ 108,783</u>	<u>\$ (88,163)</u>	<u>\$ 196,946</u>	223.4% B

B -- Better
W -- Worse

Pinnacle West Capital Corporation
Earnings Variance Explanations
For Three-Month and Six-Month Periods Ended June 30, 2010 and 2009

The following earnings variance explanations were excerpted from the Pinnacle West Capital Corporation (“Pinnacle West”)/Arizona Public Service Company (“APS”) Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2010 (the “June 2010 Form 10-Q”). We suggest that this discussion be read in connection with the Pinnacle West/APS Annual Report on Form 10-K for the fiscal year ended December 31, 2009 and the June 2010 Form 10-Q. Additional operating and financial statistics and a glossary of terms are available on our website (www.pinnaclewest.com).

PINNACLE WEST CONSOLIDATED -- RESULTS OF OPERATIONS

Our results of operations, provided below, are based upon our two reportable business segments:

- our regulated electricity segment, which consists of traditional regulated retail and wholesale electricity businesses (primarily retail and wholesale sales supplied to traditional cost-based rate regulation (“Native Load”) customers) and related activities and includes electricity generation, transmission and distribution; and
- our real estate segment, which consists of SunCor’s real estate development and investment activities. As of June 30, 2010, all of SunCor’s operations have been reclassified to discontinued operations (see Notes 5 and 14). The real estate segment activities are presented separately in the period-over-period discussions that follow.

Operating Results – Three-month period ended June 30, 2010 compared with three-month period ended June 30, 2009

Our consolidated net income attributable to common shareholders for the three months ended June 30, 2010 was \$115 million, compared with net income of \$68 million for the comparable prior-year period. The improved results reflect an increase of approximately \$10 million in regulated electricity segment net income primarily due to increased revenues related to APS’ retail rate increases and other factors, partially offset by milder weather in 2010.

In addition, our consolidated results for 2010 include a gain of \$25 million after income taxes related to the sale of APSES’ district cooling business.

The following table presents net income attributable to common shareholders by business segment compared with the prior-year period:

	Three Months Ended June 30,		Increase (Decrease) in Net Income Attributable to Common Shareholders
	2010	2009	
(dollars in millions)			
Regulated Electricity Segment:			
Operating revenues less fuel and purchased power expenses	\$ 548	\$ 521	\$ 27
Operations and maintenance	(213)	(213)	--
Depreciation and amortization	(103)	(101)	(2)
Taxes other than income taxes	(32)	(33)	1
Other income (expenses), net	(3)	3	(6)
Interest charges, net of capitalized financing costs	(53)	(52)	(1)
Income taxes	(51)	(42)	(9)
Noncontrolling interests (Note 7)	(5)	(5)	--
Regulated electricity segment net income	<u>88</u>	<u>78</u>	<u>10</u>
All Other (a)	<u>2</u>	<u>(2)</u>	<u>4</u>
Income from Continuing Operations Attributable to Common Shareholders	<u>90</u>	<u>76</u>	<u>14</u>
Real Estate Segment:			
Real estate impairment charges (Note 16)	(2)	(6)	4
Other real estate operations	--	(9)	9
Income taxes	1	6	(5)
Real estate segment net loss	<u>(1)</u>	<u>(9)</u>	<u>8</u>
All other (a)	<u>26</u>	<u>1</u>	<u>25</u>
Income (Loss) from Discontinued Operations Attributable to Common Shareholders	<u>25</u>	<u>(8)</u>	<u>33</u>
Net Income Attributable to Common Shareholders	<u>\$ 115</u>	<u>\$ 68</u>	<u>\$ 47</u>

- (a) Includes activities related to APSES and El Dorado. None of the activities of either of these companies constitutes a reportable segment. Income from discontinued operations for the period ended June 30, 2010 includes a gain of \$25 million after income taxes related to the sale of APSES' district cooling business.

Regulated electricity segment

This section includes a discussion of major variances in income and expense amounts for the regulated electricity segment.

Operating revenues less fuel and purchased power expenses

Regulated electricity segment operating revenues less fuel and purchased power expenses were \$27 million higher for the three months ended June 30, 2010 compared with the prior-year period. The following table describes the major components of this change:

	Increase (Decrease)		
	Operating revenues	Purchased power and fuel expenses	Net change
	(dollars in millions)		
Retail regulatory settlement effective January 1, 2010:			
Retail base rate increases, net of deferrals	\$ 68	\$ 31	\$ 37
Line extension revenues (Note 3)	4		4
Transmission rate increases	5		5
Higher demand-side management and renewable energy surcharges (substantially offset in operations and maintenance expense)	8		8
Lower retail revenues related to recovery of PSA deferrals, substantially offset by lower amortization of fuel and purchased power expense	(67)	(68)	1
Effects of weather on retail sales, primarily due to milder weather in 2010	(39)	(12)	(27)
Miscellaneous items, net	8	9	(1)
Total	<u>\$ (13)</u>	<u>\$ (40)</u>	<u>\$ 27</u>

Operations and maintenance Operations and maintenance expense variances for the three months ended June 30, 2010 compared with the prior-year period include:

- An increase of \$7 million related to demand-side management and renewable energy programs, which are primarily offset in operating revenues; and
- A decrease of \$7 million due to miscellaneous adjustments related primarily to employee benefits.

Other income (expenses), net Other income (expenses), net, decreased earnings by \$7 million for the three months ended June 30, 2010 compared with the prior-year period primarily due to net investment losses related to certain nonqualified employee benefit plans. Other income (expenses), net, is comprised of the regulated electricity segment portions of the line items other income and other expense from the Condensed Consolidated Statements of Income.

Income taxes Income taxes were \$9 million higher for the three months ended June 30, 2010 compared with the prior-year period primarily because of higher pretax income in the current-year period.

Real estate segment

As of June 30, 2010, all of SunCor's operations have been reclassified to discontinued operations. The real estate segment net loss attributable to common shareholders was \$8 million lower for the three months ended June 30, 2010 compared with the prior-year period primarily because of:

- A decrease in real estate impairment charges of \$4 million;
- A decrease in the loss from other real estate operations of \$9 million; and
- A decrease in income tax benefits of \$5 million primarily because of a lower net loss for the 2010 period.

All Other

All other earnings from discontinued operations were \$25 million higher for the three months ended June 30, 2010 compared to the prior-year period primarily because of a gain of \$25 million after income taxes related to the sale of APSES' district cooling business in 2010.

Operating Results – Six-month period ended June 30, 2010 compared with six-month period ended June 30, 2009

Our consolidated net income attributable to common shareholders for the six months ended June 30, 2010 was \$109 million, compared with a net loss of \$88 million for the comparable prior-year period. The improved results were primarily due to lower real estate impairment charges recorded in 2010 compared with the prior-year period by SunCor, the Company's real estate subsidiary.

In addition, regulated electricity segment net income increased approximately \$37 million from the prior-year period primarily due to increased revenues related to APS' retail rate increases and other factors, partially offset by milder weather in 2010. Our consolidated results for 2010 also include a gain of \$25 million after income taxes related to the sale of APSES' district cooling business.

The following table presents net income (loss) attributable to common shareholders by business segment compared with the prior-year period:

	Six Months Ended June 30,		Increase (Decrease) in Net Income Attributable to Common Shareholders
	2010	2009	
(dollars in millions)			
Regulated Electricity Segment:			
Operating revenues less fuel and purchased power expenses	\$ 944	\$ 876	\$ 68
Operations and maintenance	(420)	(408)	(12)
Depreciation and amortization	(204)	(201)	(3)
Taxes other than income taxes	(63)	(67)	4
Other income (expenses), net	(5)	(1)	(4)
Interest charges, net of capitalized financing costs	(104)	(100)	(4)
Income taxes	(43)	(32)	(11)
Noncontrolling interests (Note 7)	(10)	(9)	(1)
Regulated electricity segment net income	<u>95</u>	<u>58</u>	<u>37</u>
All Other (a)	<u>2</u>	<u>(7)</u>	<u>9</u>
Income from Continuing Operations Attributable to Common Shareholders	<u>97</u>	<u>51</u>	<u>46</u>
Real Estate Segment:			
Real estate impairment charges (Note 16)	(17)	(208)	191
Other real estate operations	(7)	(23)	16
Income taxes	9	91	(82)
Real estate segment net loss	<u>(15)</u>	<u>(140)</u>	<u>125</u>
All other (a)	<u>27</u>	<u>1</u>	<u>26</u>
Income from Discontinued Operations Attributable to Common Shareholders	<u>12</u>	<u>(139)</u>	<u>151</u>
Net Income (Loss) Attributable to Common Shareholders	<u>\$ 109</u>	<u>\$ (88)</u>	<u>\$ 197</u>

- (a) Includes activities related to APSES and El Dorado. None of the activities of either of these companies constitutes a reportable segment. Income from discontinued operations for the period ended June 30, 2010 includes a gain of \$25 million after income taxes related to the sale of APSES' district cooling business.

Regulated electricity segment

This section includes a discussion of major variances in income and expense amounts for the regulated electricity segment.

Operating revenues less fuel and purchased power expenses

Regulated electricity segment operating revenues less fuel and purchased power expenses were \$68 million higher for the six months ended June 30, 2010 compared with the prior-year period. The following table describes the major components of this change:

	Increase (Decrease)		
	Operating revenues	Purchased power and fuel expenses	Net change
	(dollars in millions)		
Retail regulatory settlement effective January 1, 2010:			
Retail base rate increases, net of deferrals	\$ 119	\$ 57	\$ 62
Line extension revenues (Note 3)	8		8
Transmission rate increases	9		9
Higher demand-side management and renewable energy surcharges (substantially offset in operations and maintenance expense)	15		15
Lower retail revenues related to recovery of PSA deferrals, substantially offset by lower amortization of fuel and purchased power expense	(122)	(125)	3
Effects of weather on retail sales, primarily due to milder weather in the second quarter 2010	(33)	(10)	(23)
Miscellaneous items, net	--	6	(6)
Total	<u>\$ (4)</u>	<u>\$ (72)</u>	<u>\$ 68</u>

Operations and maintenance Operations and maintenance expenses increased \$12 million for the six months ended June 30, 2010 compared with the prior-year period primarily because of:

- An increase of \$13 million related to demand-side management and renewable energy programs, which are primarily offset in operating revenues;
- An increase of \$7 million related to customer service and other costs; and
- A decrease of \$8 million in generation costs, including timing of fossil-plant planned maintenance.

Income taxes Income taxes were \$11 million higher for the six months ended June 30, 2010 compared with the prior-year period primarily because of higher pretax income in

the current-year period, partially offset by \$9 million related to a reduction in the Company's 2010 effective income tax rate. See Note 6.

All Other

All other earnings from continuing operations were \$9 million higher for the six months ended June 30, 2010 compared to the prior-year period primarily because of improved margins from APSES' products and services business and investment losses at El Dorado in 2009.

Real estate segment

During the first quarter of 2009, SunCor's Board of Directors authorized a series of strategic transactions to dispose of SunCor's assets. This decision resulted in impairment charges of approximately \$208 million pretax in the first six months of 2009. As of June 30, 2010, all of SunCor's operations have been reclassified to discontinued operations (see Note 2). The real estate segment net loss attributable to common shareholders was \$125 million lower for the six months ended June 30, 2010 compared with the prior-year period primarily because of:

- A decrease in real estate impairment charges of \$191 million;
- A decrease in the loss from other real estate operations of \$16 million; and
- A decrease in income tax benefits of \$82 million primarily because of a lower net loss for the 2010 period.

All Other

All other earnings from discontinued operations were \$26 million higher for the six months ended June 30, 2010 compared to the prior-year period primarily because of a gain of \$25 million after income taxes related to the sale of APSES' district cooling business in 2010.

Pinnacle West Capital Corporation
Quarterly Consolidated Statistical Summary
Periods Ended June 30, 2010 and 2009

List of Contents

This file contains financial and operating statistics for the three-month and six-month periods ended June 30, 2010 and 2009.

The same statistics by quarter for 2008 and 2009 are available in the complete format PDF and Excel files, which are posted to this website.

Please see the Glossary of Terms on this website for definitions of terms used in this summary.

Pinnacle West Capital Corporation

Quarterly Consolidated Statistical Summary
Periods Ended June 30, 2010 and 2009

Line	3 Months Ended June			6 Months Ended June			
	2010	2009	Incr (Decr)	2010	2009	Incr (Decr)	
EARNINGS CONTRIBUTION BY SUBSIDIARY (\$ Millions)							
1	\$ 95	\$ 83	\$ 12	\$ 111	\$ 72	\$ 39	
2	1	(1)	2	1	(2)	3	
3	-	-	-	-	-	-	
4	-	-	-	-	(6)	6	
5	(1)	(1)	-	(5)	(4)	(1)	
6	95	81	14	107	60	47	
Income (Loss) From Discontinued Operations - Net of Tax							
7	(2)	(19)	17	(23)	(247)	224	
8	27	11	16	35	94	(59)	
9	25	(8)	33	12	(153)	165	
10	120	73	47	119	(93)	212	
11	Less: Net Income (Loss) Attributable to Noncontrolling Interests	5	5	-	10	(5)	15
12	Net Income Attributable to Common Shareholders	\$ 115	\$ 68	\$ 47	\$ 109	\$ (88)	\$ 197
EARNINGS PER SHARE BY SUBSIDIARY - DILUTED							
13	\$ 0.88	\$ 0.82	\$ 0.06	\$ 1.06	\$ 0.72	\$ 0.34	
14	0.01	(0.01)	0.02	0.01	(0.02)	0.03	
15	-	-	-	-	-	-	
16	-	-	-	-	(0.06)	0.06	
17	(0.02)	(0.01)	(0.01)	(0.06)	(0.04)	(0.02)	
18	0.87	0.80	0.07	1.01	0.60	0.41	
Income (Loss) From Discontinued Operations - Net of Tax							
19	(0.02)	(0.18)	0.16	(0.22)	(2.45)	2.23	
20	0.26	0.11	0.15	0.34	0.93	(0.59)	
21	0.24	(0.07)	0.31	0.12	(1.52)	1.64	
22	1.11	0.73	0.38	1.13	(0.92)	2.05	
23	Less: Net Income (Loss) Attributable to Noncontrolling Interests	0.04	0.05	(0.01)	0.09	(0.05)	0.14
24	Net Income Attributable to Common Shareholders	\$ 1.07	\$ 0.68	\$ 0.39	\$ 1.04	\$ (0.87)	\$ 1.91
25	BOOK VALUE PER SHARE	\$ 32.07	\$ 31.70	\$ 0.37	\$ 32.07	\$ 31.70	\$ 0.37
COMMON SHARES OUTSTANDING (Thousands)							
26	Average - Diluted	107,764	101,193	6,571	104,857	101,048	3,809
27	End of Period	108,511	101,171	7,340	108,511	101,071	7,440

Pinnacle West Capital Corporation

Quarterly Consolidated Statistical Summary
Periods Ended June 30, 2010 and 2009

Line	3 Months Ended June			6 Months Ended June		
	2010	2009	Incr (Decr)	2010	2009	Incr (Decr)
ELECTRIC OPERATING REVENUES (Dollars in Millions)						
REGULATED ELECTRICITY SEGMENT						
Retail						
28	\$ 360	\$ 377	\$ (17)	\$ 627	\$ 633	\$ (6)
29	382	389	(7)	672	687	(15)
30	742	766	(24)	1,299	1,320	(21)
Wholesale revenue on delivered electricity						
31	16	17	(1)	34	28	6
32	19	12	7	36	34	2
33	9	8	1	17	15	2
34	13	9	4	26	18	8
35	799	812	(13)	1,411	1,415	(4)
MARKETING AND TRADING						
36	2	-	2	1	-	1
37	\$ 801	\$ 812	\$ (11)	\$ 1,412	\$ 1,415	\$ (3)
ELECTRIC SALES (GWH)						
REGULATED ELECTRICITY SEGMENT						
Retail sales						
38	2,957	3,180	(223)	5,532	5,679	(147)
39	3,719	3,842	(123)	6,886	7,102	(216)
40	6,676	7,022	(346)	12,418	12,781	(363)
Wholesale electricity delivered						
41	206	232	(26)	361	397	(36)
42	674	720	(46)	1,283	1,417	(134)
43	98	225	(127)	299	377	(78)
44	7,654	8,199	(545)	14,361	14,972	(611)
MARKETING AND TRADING						
45	-	-	-	-	-	-
46	7,654	8,199	(545)	14,361	14,972	(611)
POWER SUPPLY ADJUSTOR ("PSA") - REGULATED ELECTRICITY SEGMENT (Dollars in Millions)						
47	\$ (105)	\$ (49)	\$ (56)	\$ (87)	\$ 8	\$ (95)
48	(21)	15	(36)	(65)	(13)	(52)
49	-	-	-	-	-	-
50	29	(37)	66	56	(66)	122
51	\$ (97)	\$ (71)	\$ (26)	\$ (97)	\$ (71)	\$ (26)

Pinnacle West Capital Corporation

Quarterly Consolidated Statistical Summary
Periods Ended June 30, 2010 and 2009

Line	3 Months Ended June			6 Months Ended June			
	2010	2009	Incr (Decr)	2010	2009	Incr (Decr)	
AVERAGE ELECTRIC CUSTOMERS							
Retail customers							
52	Residential	989,122	981,749	7,373	992,088	985,212	6,876
53	Business	125,533	125,245	288	125,465	125,178	287
54	Total	1,114,655	1,106,994	7,661	1,117,553	1,110,390	7,163
55	Wholesale customers	51	44	7	51	47	4
56	Total customers	1,114,706	1,107,038	7,668	1,117,604	1,110,437	7,167
57	Customer growth (% over prior year)	0.7%	0.7%	0.0%	0.6%	0.7%	(0.1)%
RETAIL SALES (GWH) - WEATHER NORMALIZED							
58	Residential	3,196	3,150	46	5,751	5,736	15
59	Business	3,813	3,818	(5)	7,009	7,078	(69)
60	Total	7,009	6,968	41	12,760	12,814	(54)
RETAIL USAGE (KWh/Average Customer)							
61	Residential	2,989	3,239	(250)	5,576	5,764	(188)
62	Business	29,628	30,678	(1,050)	54,886	56,738	(1,852)
RETAIL USAGE - WEATHER NORMALIZED (KWh/Average Customer)							
63	Residential	3,231	3,209	22	5,796	5,822	(26)
64	Business	30,374	30,513	(139)	55,865	56,550	(685)
ELECTRICITY DEMAND (MW)							
65	Native load peak demand	6,463	6,443	20	6,463	6,443	20
WEATHER INDICATORS							
Actual							
66	Cooling degree-days	381	461	(80)	381	461	(80)
67	Heating degree-days	19	24	(5)	520	407	113
68	Average humidity	19%	20%	(1)%	32%	28%	4%
10-Year Averages							
69	Cooling degree-days	511	501	10	511	501	10
70	Heating degree-days	20	20	-	522	522	-
71	Average humidity	20%	20%	-	28%	31%	(3)%

Pinnacle West Capital Corporation

Quarterly Consolidated Statistical Summary
Periods Ended June 30, 2010 and 2009

Line	3 Months Ended June			6 Months Ended June			
	2010	2009	Incr (Decr)	2010	2009	Incr (Decr)	
ENERGY SOURCES (GWH)							
Generation production							
72	Nuclear	2,011	2,014	(3)	4,376	4,507	(131)
73	Coal	3,116	2,857	259	6,123	5,808	315
74	Gas, oil and other	1,196	1,283	(87)	2,012	2,308	(296)
75	Total generation production	6,323	6,154	169	12,511	12,623	(112)
Purchased power							
76	Firm load	1,356	1,890	(534)	1,828	2,398	(570)
77	Marketing and trading	423	726	(303)	844	986	(142)
78	Total purchased power	1,779	2,616	(837)	2,672	3,384	(712)
79	Total energy sources	8,102	8,770	(668)	15,183	16,007	(824)
POWER PLANT PERFORMANCE							
Capacity Factors							
80	Nuclear	80%	81%	(1)%	88%	91%	(3)%
81	Coal	81%	75%	6%	81%	77%	4%
82	Gas, oil and other	20%	21%	(1)%	15%	19%	(4)%
83	System average	48%	45%	3%	47%	46%	1%
ECONOMIC INDICATORS							
Building Permits - Metro Phoenix (a)							
84	Single-family	935	1,007	(72)	2,861	1,844	1,017
85	Multi-family	135	317	(182)	404	856	(452)
86	Total	1,070	1,324	(254)	3,265	2,700	565
Arizona Job Growth (b)							
87	Payroll job growth (% over prior year)	(0.8)%	(7.9)%	7.1%	(2.4)%	(7.2)%	4.8%
88	Unemployment rate (%, seasonally adjusted)	9.6%	9.2%	0.4%	9.5%	8.8%	0.7%

Sources:

- (a) Arizona Real Estate Center, Arizona State University W.P. Carey College of Business
(b) Arizona Department of Economic Security

PINNACLE WEST CAPITAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(unaudited)

(dollars and shares in thousands, except per share amounts)

	Three Months Ended June 30,	
	2010	2009
OPERATING REVENUES		
Regulated electricity segment	\$ 799,416	\$ 812,510
Other revenues	21,178	6,078
Total	820,594	818,588
OPERATING EXPENSES		
Regulated electricity segment fuel and purchased power	251,800	291,699
Operations and maintenance	215,104	215,545
Depreciation and amortization	103,017	100,980
Taxes other than income taxes	31,684	32,766
Other expenses	15,716	5,704
Total	617,321	646,694
OPERATING INCOME	203,273	171,894
OTHER INCOME (DEDUCTIONS)		
Allowance for equity funds used during construction	5,504	4,730
Other income (Note 11)	933	6,252
Other expense (Note 11)	(5,660)	(4,187)
Total	777	6,795
INTEREST EXPENSE		
Interest charges	60,741	59,884
Allowance for borrowed funds used during construction	(3,104)	(3,225)
Total	57,637	56,659
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	146,413	122,030
INCOME TAXES	51,829	41,000
INCOME FROM CONTINUING OPERATIONS	94,584	81,030
INCOME (LOSS) FROM DISCONTINUED OPERATIONS		
Net of income tax expense (benefit) of \$16,281 and \$(5,213) (Note 14)	24,982	(8,184)
NET INCOME	119,566	72,846
Less: Net income attributable to noncontrolling interests (Notes 7 and 16)	4,769	4,499
NET INCOME ATTRIBUTABLE TO COMMON SHAREHOLDERS	\$ 114,797	\$ 68,347
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING – BASIC	107,355	101,109
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING – DILUTED	107,764	101,193
EARNINGS PER WEIGHTED-AVERAGE COMMON SHARE OUTSTANDING		
Income from continuing operations attributable to common shareholders – basic	\$ 0.84	\$ 0.76
Net income attributable to common shareholders – basic	1.07	0.68
Income from continuing operations attributable to common shareholders – diluted	0.83	0.75
Net income attributable to common shareholders – diluted	1.07	0.68
DIVIDENDS DECLARED PER SHARE	\$ 1.05	\$ 0.525
AMOUNTS ATTRIBUTABLE TO COMMON SHAREHOLDERS:		
Income from continuing operations, net of tax	\$ 89,806	\$ 76,379
Discontinued operations, net of tax	24,991	(8,032)
Net income attributable to common shareholders	\$ 114,797	\$ 68,347

See Notes to Pinnacle West's Condensed Consolidated Financial Statements.

PINNACLE WEST CAPITAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(unaudited)

(dollars and shares in thousands, except per share amounts)

	Six Months Ended June 30,	
	2010	2009
OPERATING REVENUES		
Regulated electricity segment	\$ 1,410,841	\$ 1,415,088
Other revenues	30,108	10,878
Total	<u>1,440,949</u>	<u>1,425,966</u>
OPERATING EXPENSES		
Regulated electricity segment fuel and purchased power	467,340	539,087
Operations and maintenance	422,946	412,371
Depreciation and amortization	203,670	201,058
Taxes other than income taxes	63,408	66,773
Other expenses	22,644	10,829
Total	<u>1,180,008</u>	<u>1,230,118</u>
OPERATING INCOME	<u>260,941</u>	<u>195,848</u>
OTHER INCOME (DEDUCTIONS)		
Allowance for equity funds used during construction	10,893	9,722
Other income (Note 11)	1,819	3,292
Other expense (Note 11)	(7,134)	(10,529)
Total	<u>5,578</u>	<u>2,485</u>
INTEREST EXPENSE		
Interest charges	121,446	117,148
Allowance for borrowed funds used during construction	(6,151)	(6,969)
Total	<u>115,295</u>	<u>110,179</u>
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	<u>151,224</u>	<u>88,154</u>
INCOME TAXES	44,657	27,816
INCOME FROM CONTINUING OPERATIONS	<u>106,567</u>	<u>60,338</u>
INCOME (LOSS) FROM DISCONTINUED OPERATIONS		
Net of income tax expense (benefit) of \$7,891 and \$(90,094) (Note 14)	12,102	(153,562)
NET INCOME (LOSS)	<u>118,669</u>	<u>(93,224)</u>
Less: Net income (loss) attributable to noncontrolling interests (Notes 7 and 16)	9,886	(5,061)
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON SHAREHOLDERS	<u>\$ 108,783</u>	<u>\$ (88,163)</u>
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING – BASIC	104,431	101,048
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING – DILUTED	104,857	101,048
EARNINGS PER WEIGHTED-AVERAGE COMMON SHARE OUTSTANDING		
Income from continuing operations attributable to common shareholders – basic	\$ 0.93	\$ 0.51
Net income (loss) attributable to common shareholders – basic	1.04	(0.87)
Income from continuing operations attributable to common shareholders – diluted	0.92	0.51
Net income (loss) attributable to common shareholders – diluted	1.04	(0.87)
DIVIDENDS DECLARED PER SHARE	\$ 1.575	\$ 1.05
AMOUNTS ATTRIBUTABLE TO COMMON SHAREHOLDERS:		
Income from continuing operations, net of tax	\$ 96,661	\$ 51,037
Discontinued operations, net of tax	12,122	(139,200)
Net income (loss) attributable to common shareholders	<u>\$ 108,783</u>	<u>\$ (88,163)</u>

See Notes to Pinnacle West's Condensed Consolidated Financial Statements.

PINNACLE WEST CAPITAL CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)
(dollars in thousands)

	June 30, 2010	December 31, 2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 50,502	\$ 145,378
Customer and other receivables	283,991	301,915
Accrued unbilled revenues	162,441	110,971
Allowance for doubtful accounts	(6,380)	(6,153)
Materials and supplies (at average cost)	172,091	176,020
Fossil fuel (at average cost)	29,597	39,245
Deferred income taxes	187,216	53,990
Income tax receivable	--	26,005
Assets from risk management activities (Note 8)	60,111	50,619
Assets held for sale (Notes 14 and 16)	102,674	--
Other current assets	44,543	30,747
Total current assets	1,086,786	928,737
INVESTMENTS AND OTHER ASSETS		
Real estate investments – net (Note 16)	--	119,989
Assets from risk management activities (Note 8)	44,205	28,855
Nuclear decommissioning trust (Note 15)	424,260	414,576
Other assets	109,788	110,091
Total investments and other assets	578,253	673,511
PROPERTY, PLANT AND EQUIPMENT		
Plant in service and held for future use	12,932,366	12,848,138
Accumulated depreciation and amortization	(4,400,416)	(4,340,645)
Net	8,531,950	8,507,493
Construction work in progress	496,457	467,700
Palo Verde sale leaseback, net of accumulated depreciation (Note 7)	142,335	146,722
Intangible assets, net of accumulated amortization	168,233	164,380
Nuclear fuel, net of accumulated amortization	136,151	118,243
Total property, plant and equipment	9,475,126	9,404,538
DEFERRED DEBITS		
Regulatory assets	850,001	813,161
Income tax receivable (Note 6)	65,103	65,103
Other	102,931	101,274
Total deferred debits	1,018,035	979,538
TOTAL ASSETS	\$ 12,158,200	\$ 11,986,324

See Notes to Pinnacle West's Condensed Consolidated Financial Statements.

PINNACLE WEST CAPITAL CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

(unaudited)
(dollars in thousands)

	June 30, 2010	December 31, 2009
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 261,203	\$ 240,637
Accrued taxes (Note 6)	153,552	104,011
Accrued interest	54,184	54,596
Common dividends payable	56,938	--
Short-term borrowings	4,616	153,715
Current maturities of long-term debt (Note 2)	458,756	303,476
Customer deposits	69,181	71,026
Liabilities from risk management activities (Note 8)	63,567	55,908
Other current liabilities	105,112	125,574
Total current liabilities	1,227,109	1,108,943
LONG-TERM DEBT LESS CURRENT MATURITIES		
Long-term debt less current maturities (Note 2)	3,213,145	3,370,524
Palo Verde sale leaseback lessor notes (Notes 2 and 7)	113,379	126,000
Total long-term debt less current maturities	3,326,524	3,496,524
DEFERRED CREDITS AND OTHER		
Deferred income taxes	1,696,990	1,496,095
Deferred fuel and purchased power regulatory liability (Note 3)	97,047	87,291
Other regulatory liabilities	651,146	679,072
Liability for asset retirements	317,980	301,783
Liabilities for pension and other postretirement benefits (Note 4)	728,934	811,338
Liabilities from risk management activities (Note 8)	86,580	62,443
Customer advances	133,112	136,595
Coal mine reclamation	92,557	92,060
Unrecognized tax benefits (Note 6)	76,760	142,099
Other	130,458	144,077
Total deferred credits and other	4,011,564	3,952,853
COMMITMENTS AND CONTINGENCIES (SEE NOTES)		
EQUITY (Note 9)		
Common stock, no par value	2,411,597	2,153,295
Treasury stock	(2,734)	(3,812)
Total common stock	2,408,863	2,149,483
Retained earnings	1,239,865	1,298,213
Accumulated other comprehensive loss:		
Pension and other postretirement benefits	(53,421)	(50,892)
Derivative instruments	(115,759)	(80,695)
Total accumulated other comprehensive loss	(169,180)	(131,587)
Total shareholders' equity	3,479,548	3,316,109
Noncontrolling interests (Note 7)	113,455	111,895
Total equity	3,593,003	3,428,004
TOTAL LIABILITIES AND EQUITY	\$ 12,158,200	\$ 11,986,324

See Notes to Pinnacle West's Condensed Consolidated Financial Statements.

PINNACLE WEST CAPITAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)
(dollars in thousands)

	Six Months Ended June 30,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 118,669	\$ (93,224)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Gain on sale of district cooling business	(41,973)	--
Depreciation and amortization including nuclear fuel	229,964	222,790
Deferred fuel and purchased power	65,249	13,144
Deferred fuel and purchased power amortization	(55,494)	66,163
Allowance for equity funds used during construction	(10,893)	(9,722)
Real estate impairment charges	16,731	222,055
Deferred income taxes	50,972	77,588
Change in mark-to-market valuations	2,396	(401)
Changes in current assets and liabilities:		
Customer and other receivables	(7,133)	37,447
Accrued unbilled revenues	(51,470)	(44,309)
Materials, supplies and fossil fuel	13,577	(21,628)
Other current assets	(13,796)	(1,432)
Accounts payable	45,313	(49,711)
Accrued taxes and income tax receivable-net	75,546	(169,754)
Other current liabilities	(22,719)	(15,795)
Expenditures for real estate investments	(458)	(1,560)
Gains and other changes in real estate assets	(2,931)	7,135
Change in margin and collateral accounts – assets	656	(2,457)
Change in margin and collateral accounts – liabilities	(90,694)	(91,856)
Change in unrecognized tax benefits	(62,630)	14,386
Change in other long-term assets	(5,542)	(8,023)
Change in other long-term liabilities	(51,926)	51,560
Net cash flow provided by operating activities	<u>201,414</u>	<u>202,396</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(378,579)	(393,682)
Contributions in aid of construction	15,163	33,371
Allowance for borrowed funds used during construction	(6,395)	(7,145)
Proceeds from sale of district cooling business	100,300	--
Proceeds from nuclear decommissioning trust sales	329,796	244,858
Investment in nuclear decommissioning trust	(342,004)	(255,754)
Trust fund for bond redemptions	--	(163,975)
Other	3,850	990
Net cash flow used for investing activities	<u>(277,869)</u>	<u>(541,337)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of long-term debt	--	840,630
Repayment of long-term debt	(15,221)	(202,372)
Short-term borrowings and payments – net	(149,099)	(279,971)
Dividends paid on common stock	(106,522)	(102,439)
Common stock equity issuance	254,612	1,707
Noncontrolling interests	(3,286)	(3,393)
Other	1,095	(2,871)
Net cash flow (used for) provided by financing activities	<u>(18,421)</u>	<u>251,291</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(94,876)	(87,650)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	145,378	105,245
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 50,502	\$ 17,595
Supplemental disclosure of cash flow information		
Cash paid during the period for:		
Income taxes, net of (refunds)	\$ (3,944)	\$ 17,602
Interest, net of amounts capitalized	\$ 115,722	\$ 97,524

See Notes to Pinnacle West's Condensed Consolidated Financial Statements.

ARIZONA PUBLIC SERVICE COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(unaudited)
(dollars in thousands)

	Three Months Ended	
	June 30,	
	2010	2009
ELECTRIC OPERATING REVENUES	\$ 799,467	\$ 812,587
OPERATING EXPENSES		
Fuel and purchased power	251,800	291,699
Operations and maintenance	211,310	211,214
Depreciation and amortization	102,970	100,923
Income taxes	55,688	45,862
Taxes other than income taxes	31,450	32,515
Total	<u>653,218</u>	<u>682,213</u>
OPERATING INCOME	<u>146,249</u>	<u>130,374</u>
OTHER INCOME (DEDUCTIONS)		
Income taxes	1,654	1,432
Allowance for equity funds used during construction	5,504	4,730
Other income (Note S-2)	1,827	4,958
Other expense (Note S-2)	(6,091)	(4,973)
Total	<u>2,894</u>	<u>6,147</u>
INTEREST EXPENSE		
Interest on long-term debt	53,220	53,994
Interest on short-term borrowings	2,879	1,293
Debt discount, premium and expense	1,118	1,256
Allowance for borrowed funds used during construction	(3,072)	(3,217)
Total	<u>54,145</u>	<u>53,326</u>
NET INCOME	94,998	83,195
Less: Net income attributable to noncontrolling interests (Note 7)	<u>4,778</u>	<u>4,651</u>
NET INCOME ATTRIBUTABLE TO COMMON SHAREHOLDER	<u>\$ 90,220</u>	<u>\$ 78,544</u>

See Notes to Pinnacle West's Condensed Consolidated Financial Statements and Supplemental Notes to Arizona Public Service Company's Condensed Consolidated Financial Statements.

ARIZONA PUBLIC SERVICE COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(unaudited)
(dollars in thousands)

	Six Months Ended June 30,	
	2010	2009
ELECTRIC OPERATING REVENUES	\$ 1,410,943	\$ 1,415,247
OPERATING EXPENSES		
Fuel and purchased power	467,340	539,087
Operations and maintenance	415,191	402,399
Depreciation and amortization	203,579	200,860
Income taxes	50,248	39,118
Taxes other than income taxes	62,901	66,295
Total	1,199,259	1,247,759
OPERATING INCOME	211,684	167,488
OTHER INCOME (DEDUCTIONS)		
Income taxes	2,497	2,614
Allowance for equity funds used during construction	10,893	9,722
Other income (Note S-2)	2,445	4,050
Other expense (Note S-2)	(8,552)	(8,008)
Total	7,283	8,378
INTEREST EXPENSE		
Interest on long-term debt	107,972	103,728
Interest on short-term borrowings	3,721	4,268
Debt discount, premium and expense	2,255	2,445
Allowance for borrowed funds used during construction	(6,091)	(6,941)
Total	107,857	103,500
NET INCOME	111,110	72,366
Less: Net income attributable to noncontrolling interests (Note 7)	9,906	9,301
NET INCOME ATTRIBUTABLE TO COMMON SHAREHOLDER	\$ 101,204	\$ 63,065

See Notes to Pinnacle West's Condensed Consolidated Financial Statements and Supplemental Notes to Arizona Public Service Company's Condensed Consolidated Financial Statements.

ARIZONA PUBLIC SERVICE COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)
(dollars in thousands)

	<u>June 30,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
ASSETS		
PROPERTY, PLANT AND EQUIPMENT		
Plant in service and held for future use	\$ 12,927,660	\$ 12,781,256
Accumulated depreciation and amortization	(4,396,895)	(4,326,908)
Net	<u>8,530,765</u>	<u>8,454,348</u>
Construction work in progress	496,457	460,748
Palo Verde sale leaseback, net of accumulated depreciation (Note 7)	142,335	146,722
Intangible assets, net of accumulated amortization	168,078	164,183
Nuclear fuel, net of accumulated amortization	136,151	118,243
Total property, plant and equipment	<u>9,473,786</u>	<u>9,344,244</u>
INVESTMENTS AND OTHER ASSETS		
Nuclear decommissioning trust (Note 15)	424,260	414,576
Assets from risk management activities (Note 8)	44,205	28,855
Other assets	67,765	68,839
Total investments and other assets	<u>536,230</u>	<u>512,270</u>
CURRENT ASSETS		
Cash and cash equivalents	35,602	120,798
Customer and other receivables	263,201	280,226
Accrued unbilled revenues	162,441	110,971
Allowance for doubtful accounts	(6,223)	(6,063)
Materials and supplies (at average cost)	172,091	176,020
Fossil fuel (at average cost)	29,597	39,245
Assets from risk management activities (Note 8)	60,111	50,619
Deferred income taxes	74,134	53,990
Other current assets	41,966	25,724
Total current assets	<u>832,920</u>	<u>851,530</u>
DEFERRED DEBITS		
Regulatory assets	850,001	813,161
Income tax receivable (Note 6)	65,498	65,498
Unamortized debt issue costs	19,679	20,959
Other	79,263	73,909
Total deferred debits	<u>1,014,441</u>	<u>973,527</u>
TOTAL ASSETS	<u>\$ 11,857,377</u>	<u>\$ 11,681,571</u>

See Notes to Pinnacle West's Condensed Consolidated Financial Statements and Supplemental Notes to Arizona Public Service Company's Condensed Consolidated Financial Statements.

ARIZONA PUBLIC SERVICE COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)
(dollars in thousands)

	<u>June 30,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
LIABILITIES AND EQUITY		
CAPITALIZATION		
Common stock	\$ 178,162	\$ 178,162
Additional paid-in capital	2,379,696	2,126,863
Retained earnings	1,195,031	1,250,126
Accumulated other comprehensive loss:		
Pension and other postretirement benefits	(31,858)	(29,114)
Derivative instruments	(115,739)	(80,682)
Total shareholder equity	<u>3,605,292</u>	<u>3,445,355</u>
Noncontrolling interests (Note 7)	<u>88,944</u>	<u>82,324</u>
Total equity	3,694,236	3,527,679
Long-term debt less current maturities (Note 2)	3,213,109	3,180,406
Palo Verde sale leaseback lessor notes (Notes 2 and 7)	<u>113,379</u>	<u>126,000</u>
Total capitalization	<u>7,020,724</u>	<u>6,834,085</u>
CURRENT LIABILITIES		
Current maturities of long-term debt (Note 2)	194,082	222,959
Accounts payable	232,537	213,833
Accrued taxes (Note 6)	155,452	158,051
Common dividends payable	56,900	--
Accrued interest	53,215	54,099
Customer deposits	69,088	70,780
Liabilities from risk management activities (Note 8)	63,567	55,908
Other current liabilities	<u>100,241</u>	<u>124,995</u>
Total current liabilities	<u>925,082</u>	<u>900,625</u>
DEFERRED CREDITS AND OTHER		
Deferred income taxes	1,677,864	1,582,945
Deferred fuel and purchased power regulatory liability (Note 3)	97,047	87,291
Other regulatory liabilities	651,146	679,072
Liability for asset retirements	317,980	301,783
Liabilities for pension and other postretirement benefits (Note 4)	688,012	766,378
Customer advances	133,112	136,595
Liabilities from risk management activities (Note 8)	86,580	62,443
Coal mine reclamation	92,557	92,060
Unrecognized tax benefits (Note 6)	75,796	140,638
Other	<u>91,477</u>	<u>97,656</u>
Total deferred credits and other	<u>3,911,571</u>	<u>3,946,861</u>
COMMITMENTS AND CONTINGENCIES (SEE NOTES)		
TOTAL LIABILITIES AND EQUITY	<u>\$ 11,857,377</u>	<u>\$ 11,681,571</u>

See Notes to Pinnacle West's Condensed Consolidated Financial Statements and Supplemental Notes to Arizona Public Service Company's Condensed Consolidated Financial Statements.

ARIZONA PUBLIC SERVICE COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)
(dollars in thousands)

	Six Months Ended June 30,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 111,110	\$ 72,366
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization including nuclear fuel	228,513	219,815
Deferred fuel and purchased power	65,249	13,144
Deferred fuel and purchased power amortization	(55,494)	66,163
Allowance for equity funds used during construction	(10,893)	(9,722)
Deferred income taxes	58,225	75,096
Change in mark-to-market valuations	2,396	(401)
Changes in current assets and liabilities:		
Customer and other receivables	(4,062)	23,252
Accrued unbilled revenues	(51,470)	(44,309)
Materials, supplies and fossil fuel	13,577	(21,628)
Other current assets	(16,242)	(4,687)
Accounts payable	43,451	(44,577)
Accrued taxes	(2,599)	(60,839)
Other current liabilities	(27,330)	(16,412)
Change in margin and collateral accounts – assets	656	(2,856)
Change in margin and collateral accounts – liabilities	(90,694)	(91,856)
Change in unrecognized tax benefits	(62,198)	14,639
Change in other long-term assets	(7,203)	(21,693)
Change in other long-term liabilities	(40,738)	51,624
Net cash flow provided by operating activities	154,254	217,119
CASH FLOWS FROM INVESTING ACTIVITIES		
Trust fund for bond redemptions	--	(163,975)
Capital expenditures	(378,239)	(388,526)
Contributions in aid of construction	15,163	33,371
Allowance for borrowed funds used during construction	(6,091)	(6,941)
Proceeds from nuclear decommissioning trust sales	329,796	244,858
Investment in nuclear decommissioning trust	(342,004)	(255,754)
Other	1,074	990
Net cash flow used for investing activities	(380,301)	(535,977)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of long-term debt	--	837,193
Repayment of long-term debt	(9,296)	(186,105)
Short-term borrowings and payments-net	--	(312,464)
Equity infusion	252,833	--
Dividends paid on common stock	(99,400)	(85,000)
Noncontrolling interests	(3,286)	(3,393)
Net cash flow provided by financing activities	140,851	250,231
NET DECREASE IN CASH AND CASH EQUIVALENTS	(85,196)	(68,627)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	120,798	71,544
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 35,602	\$ 2,917
Supplemental disclosure of cash flow information		
Cash paid during the period for:		
Income taxes, net of (refunds)	\$ 65,498	\$ 13,704
Interest, net of amounts capitalized	\$ 106,485	\$ 86,943

See Notes to Pinnacle West's Condensed Consolidated Financial Statements and Supplemental Notes to Arizona Public Service Company's Condensed Consolidated Financial Statements.