

PINNACLE WEST CAPITAL CORPORATION

Driven by Growth ...

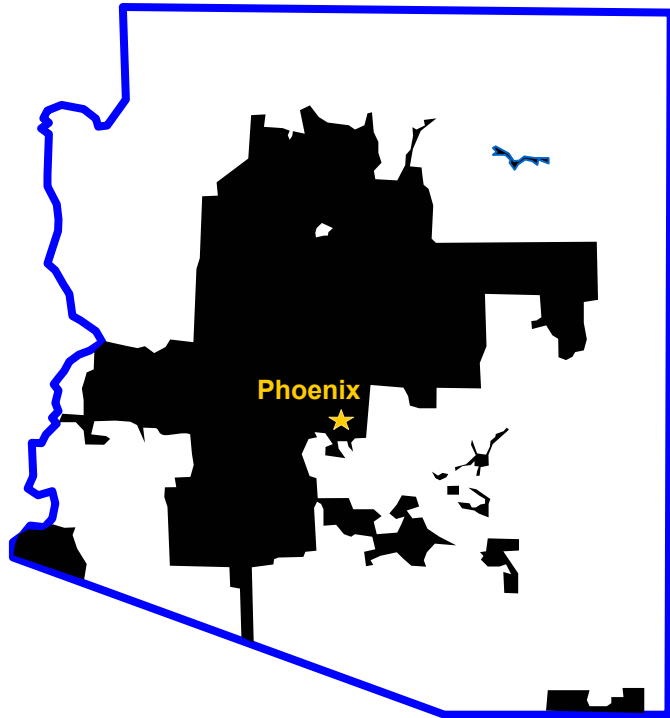
**Boston – New York
Analyst Meetings
August 30 – September 1, 2005**



Forward-Looking Statements

This presentation contains forward-looking statements based on current expectations, and neither Pinnacle West nor APS assumes any obligation to update these statements or make any further statements on any of these issues, except as required by applicable law. These forward-looking statements are often identified by words such as “estimate,” “predict,” “hope,” “may,” “believe,” “anticipate,” “plan,” “expect,” “require,” “intend,” “assume” and similar words. Because actual results may differ materially from expectations, we caution readers not to place undue reliance on these statements. A number of factors could cause future results to differ materially from historical results, or from results or outcomes currently expected or sought by Pinnacle West or APS. In addition to the “Risk Factors” described in Exhibits 99.1 and 99.2 to Pinnacle West’s and APS’ Report on Form 10-Q for the fiscal quarter ended June 30, 2005, these factors include, but are not limited to: state and federal regulatory and legislative decisions and actions, including by the ACC and the FERC; the ongoing restructuring of the electric industry, including the introduction of retail electric competition in Arizona and decisions impacting wholesale competition; the outcome of regulatory, legislative and judicial proceedings relating to the restructuring; market prices for electricity and natural gas; power plant performance and outages; transmission outages and constraints; weather variations affecting local and regional customer energy usage; customer growth and energy usage; regional economic and market conditions, including the results of litigation and other proceedings resulting from the California energy situation, volatile purchased power and fuel costs and the completion of generation and transmission construction in the region, which could affect customer growth and the cost of power supplies; the cost of debt and equity capital and access to capital markets; the uncertainty that current credit ratings will remain in effect for any given period of time; our ability to compete successfully outside traditional regulated markets (including the wholesale market); the performance of our marketing and trading activities due to volatile market liquidity and any deteriorating counterparty credit and the use of derivative contracts in our business (including the interpretation of the subjective and complex accounting rules related to these contracts); changes in accounting principles generally accepted in the United States of America and the interpretation of those principles; the performance of the stock market and the changing interest rate environment, which affect the amount of required contributions to Pinnacle West’s pension plan and APS’ nuclear decommissioning trust funds, as well as the reported costs of providing pension and other postretirement benefits; technological developments in the electric industry; the strength of the real estate market in SunCor’s market areas, which include Arizona, Idaho, New Mexico and Utah; and other uncertainties, all of which are difficult to predict and many of which are beyond the control of Pinnacle West and APS.

Focused on Our Core Business

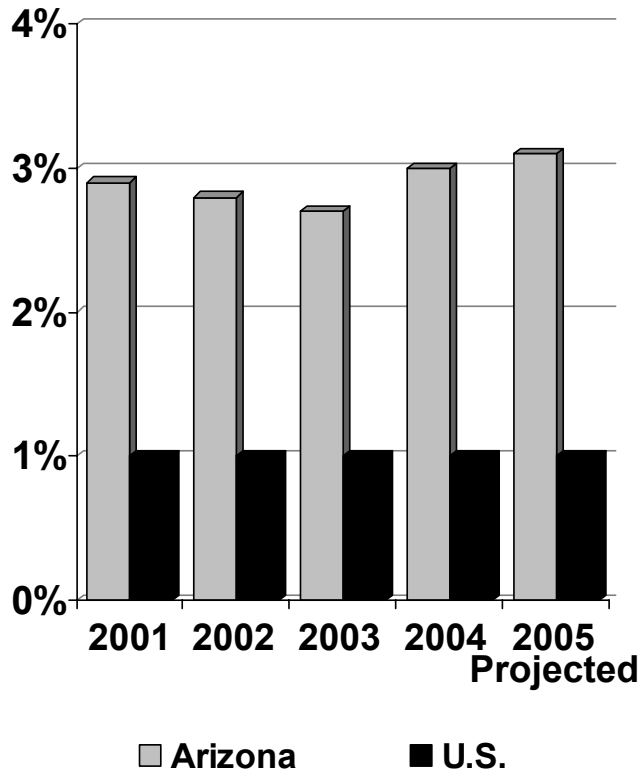


■ APS Retail Service Territory

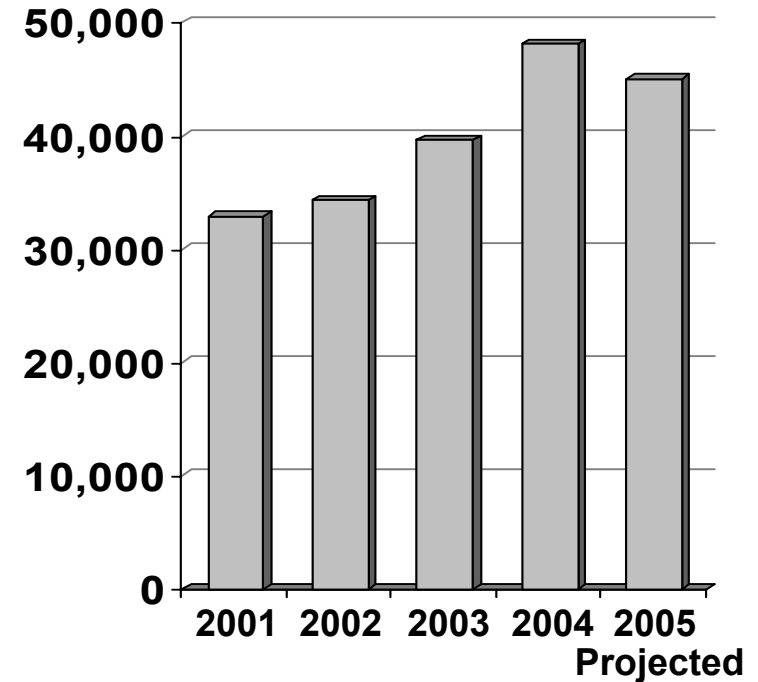
- Vertically integrated utility
- Capitalizing on benefits of exceptional growth
- Strong operating performance
- Solid regulatory track record
- Demonstrated long-term value creation

Driven by Strong Economic Growth

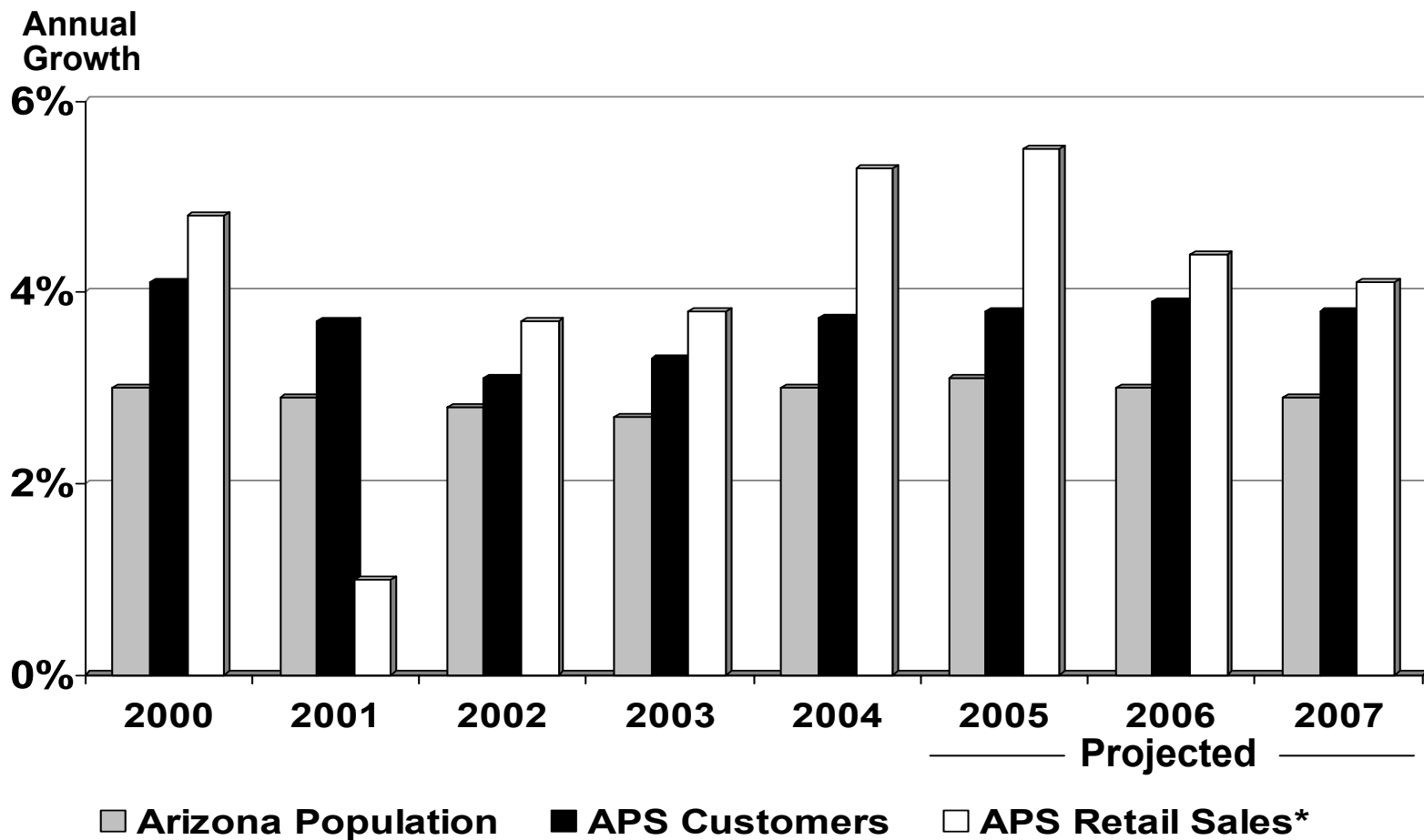
**Arizona vs U.S.
Population Growth**



**Metro Phoenix
Single-Family Building Permits**



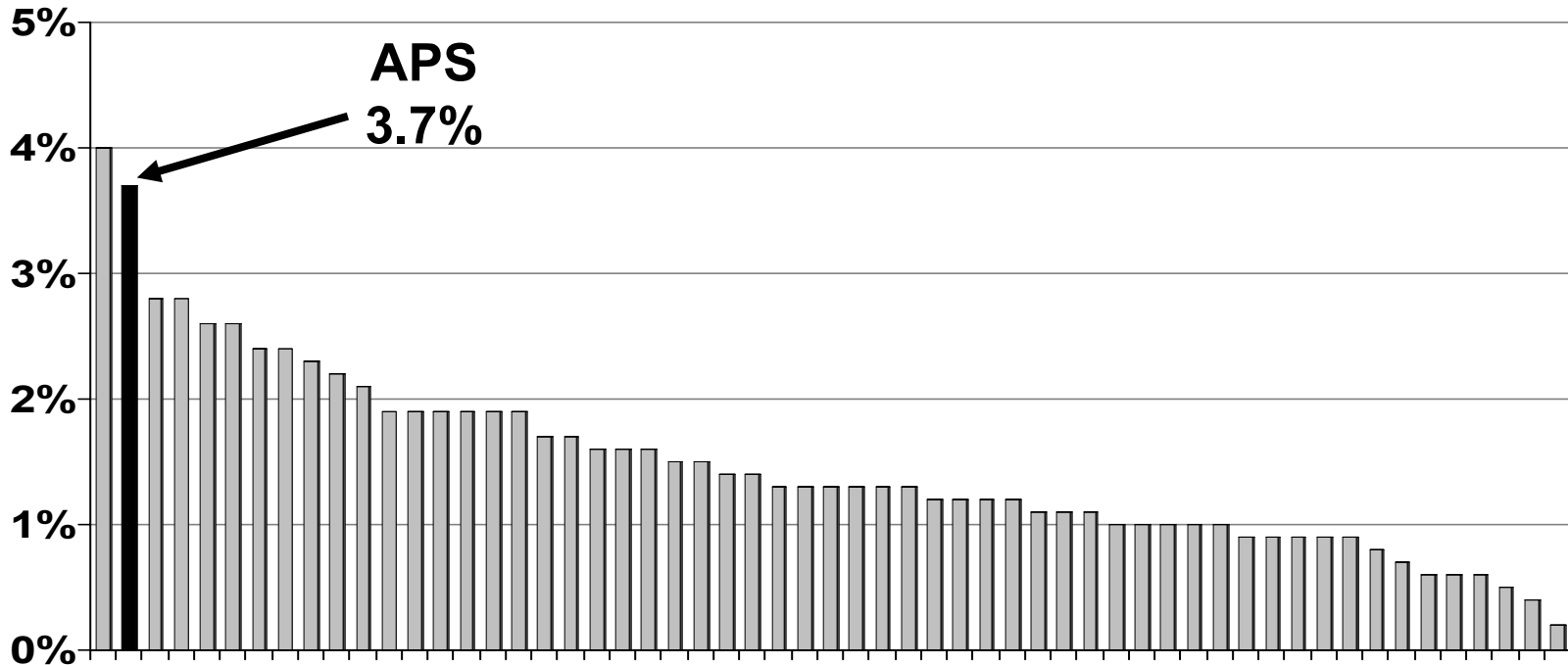
Economic Growth Translates into Utility Business Growth



* Weather normalized

APS Extraordinary Customer Growth

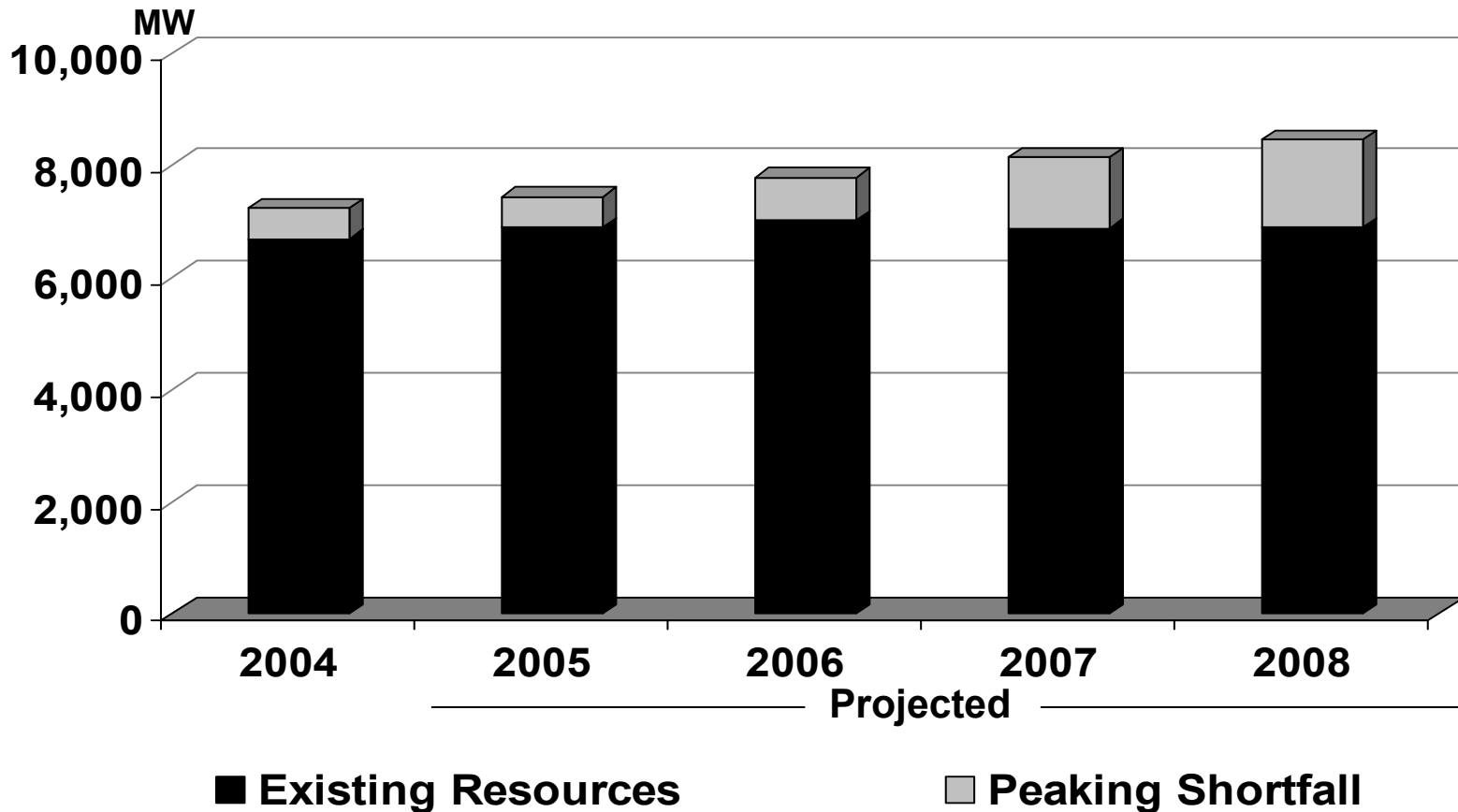
2nd Fastest Growing U.S. Electric Utility



1999 - 2004 average annual growth

Meeting Challenges of APS Peak Requirements

2004 - 2008 Average Annual Growth 4.0%



Including 15% reserve margin

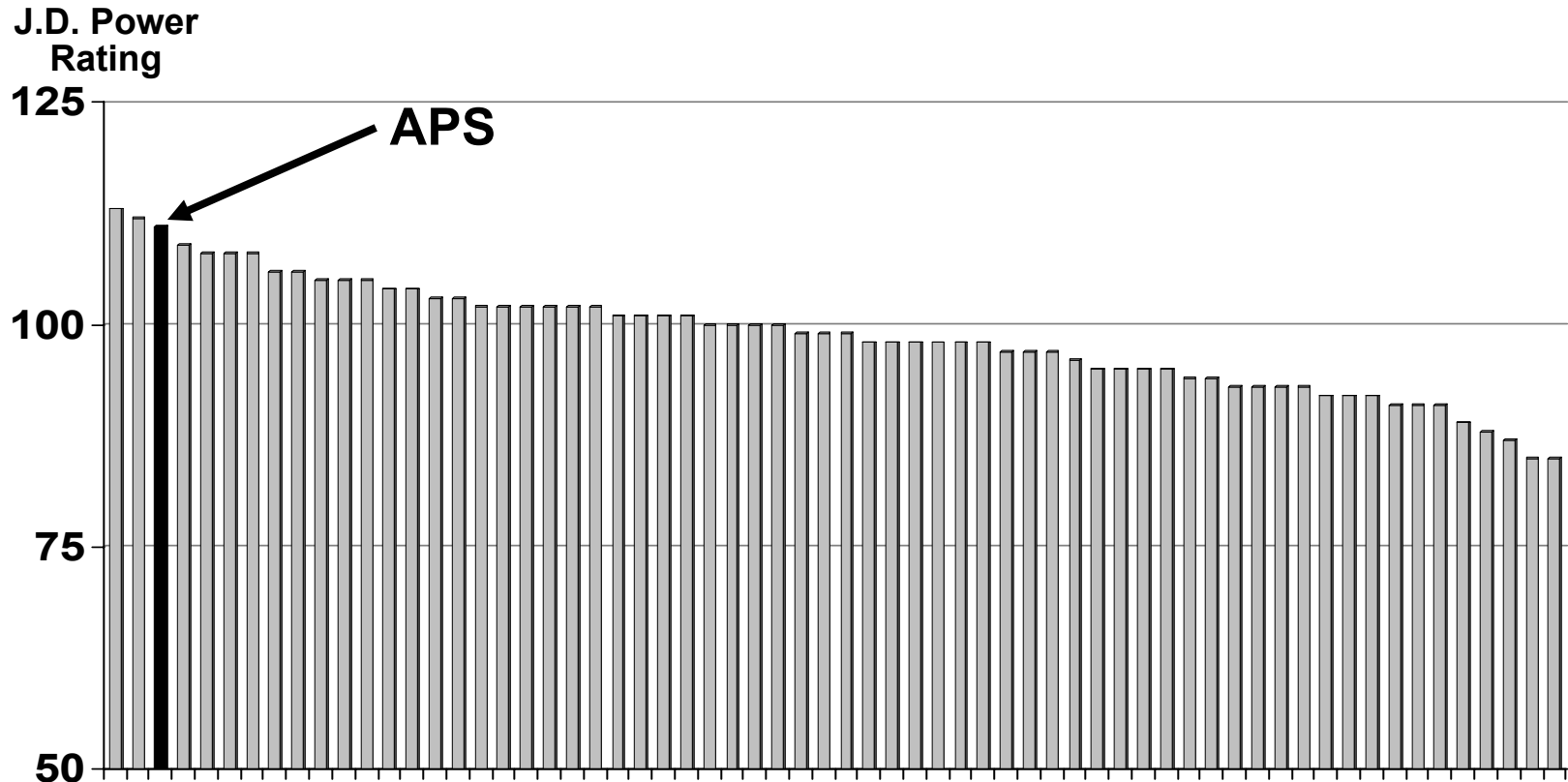
APS Resource Acquisition Activities

- **Pinnacle West Energy Arizona plants rate based at APS**
 - ▶ **1,790 MW capacity transferred July 2005**
- **Sundance Power Plant**
 - ▶ **450 MW peaking capacity acquired May 2005**
 - ▶ **Will request rate base treatment in next ACC rate case**
- **2005 requests for proposals underway**
 - ▶ **At least 1,000 MW of capacity for delivery beginning in 2007**
 - ▶ **100 MW renewable capacity for delivery beginning in 2006**

Outstanding Customer Service and Delivery

- **APS ranked 3rd nationally among IOU's in customer satisfaction by J.D Power & Associates**
- **Capital investment and technology**
 - ▶ **Improve customer service and efficiency**
 - ▶ **Enhance operational performance**
 - ▶ **Preserve reliability**

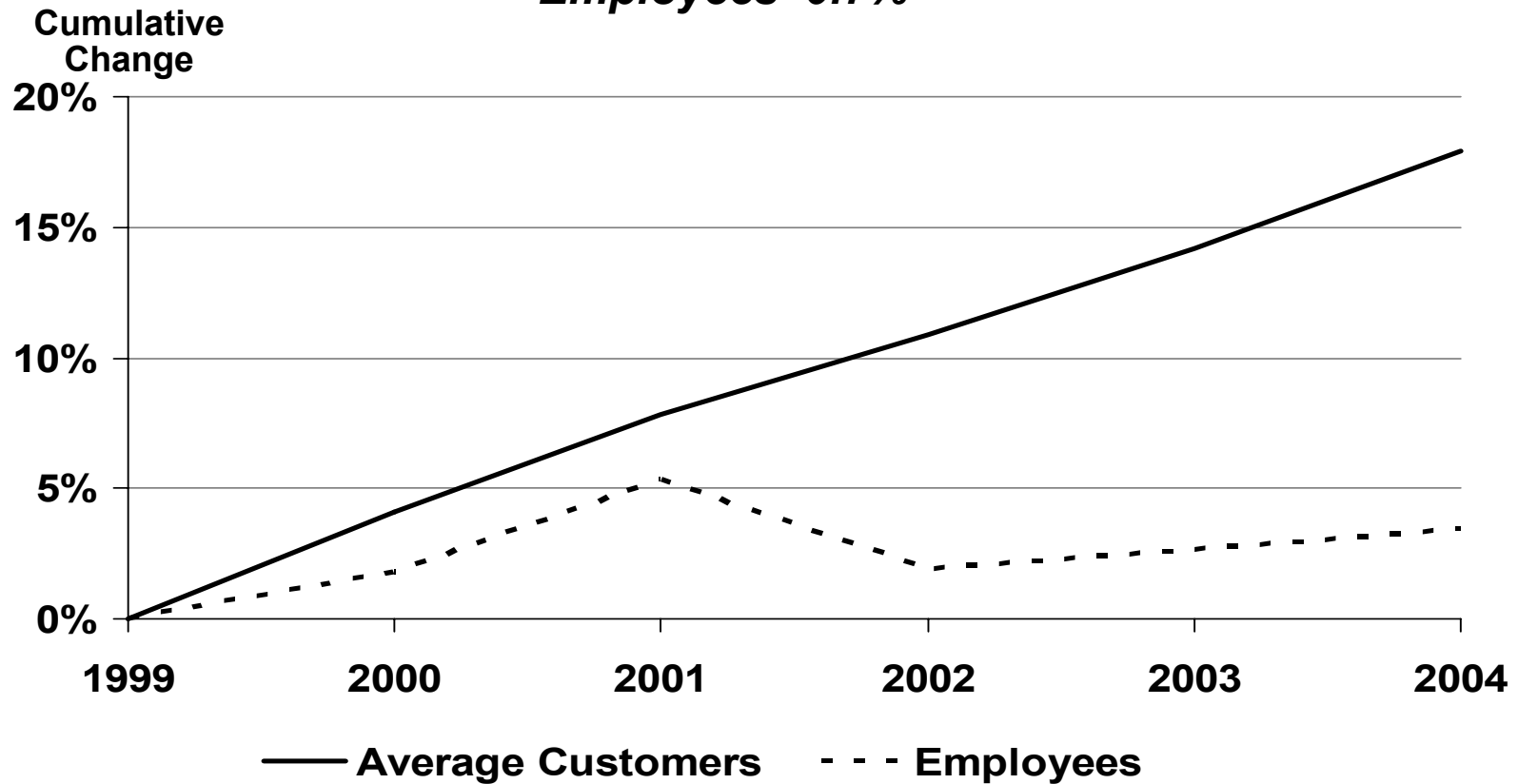
APS 3rd Nationally in Customer Satisfaction



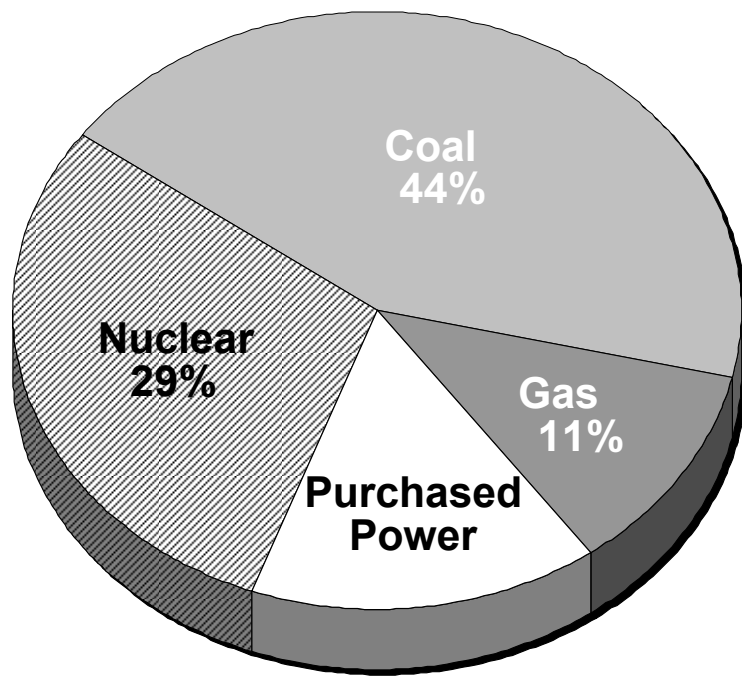
2005 Residential Customer Satisfaction Survey (64 Investor-Owned Electric Utilities)

Improving APS Customer Efficiency

Average Annual Growth
Customers 3.6%
Employees 0.7%



Strong Generation Performance

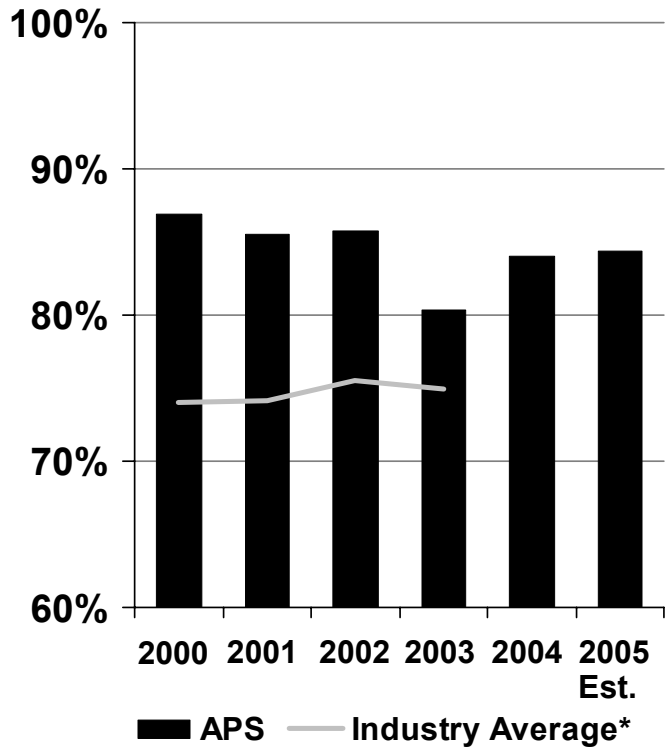


**2004 Native Load
Energy Fuel Mix**

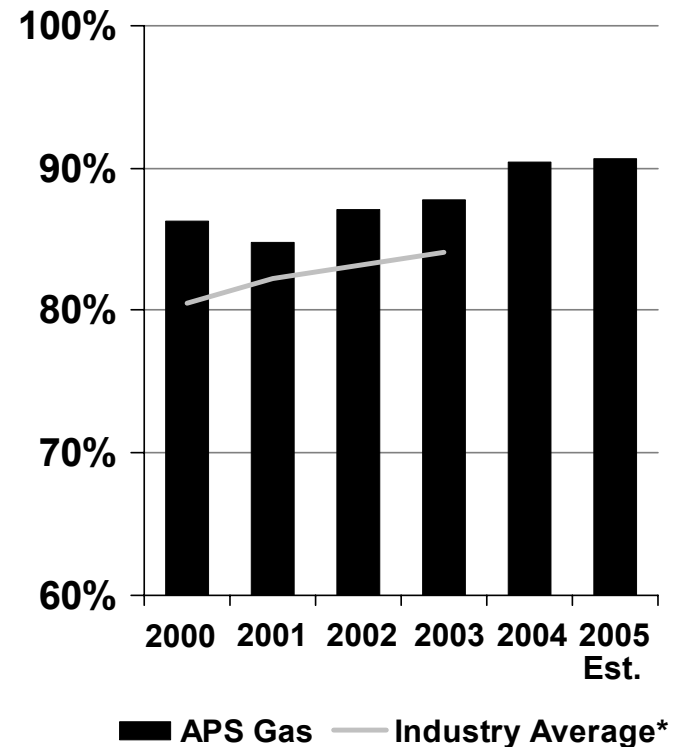
- **Diverse, low-cost generation**
- **Top-tier operating performance**
- **Palo Verde – top U.S. power producer past 13 years**
- **Coal plants 2004 capacity factors set record**

Solid Generation Track Record

Nuclear and Coal Combined Capacity Factors



Gas Equivalent Availability Factors



* Latest available

Operations Summary

- **Focused on our vertically integrated utility business**
- **Capitalizing on benefits of high-growth market area**
- **Maintaining solid operations and reliability**

APS Regulatory Fundamentals

Objectives

- **Support growth and reliability**
- **Provide fair return for shareholders**

Strategies

- **Focus on customer service**
- **Build positive relationships**

Major Retail Rate Issues

Power supply adjustor

- Surcharge application pending
- First annual adjustment - Spring 2006

2005 general rate case filing

2005 PSA Surcharge Application

Components

- Recovery of \$100 million of purchased power and fuel costs deferred since April 1, 2005
- 2.2% temporary rate increase for 24 months

Timing

- Application filed July 2005
- Requested effective November 2005
- ACC process and timing to be established

Key Components of 2005 Rate Filing

Components

- Fuel and other cost of service updates
- Rate base additions
 - ▶ Sundance
 - ▶ Other capital additions since 2002
- Cost of capital

Timing

- Filing by end of 2005
- Decision target end of 2006

Creating Value for Shareholders

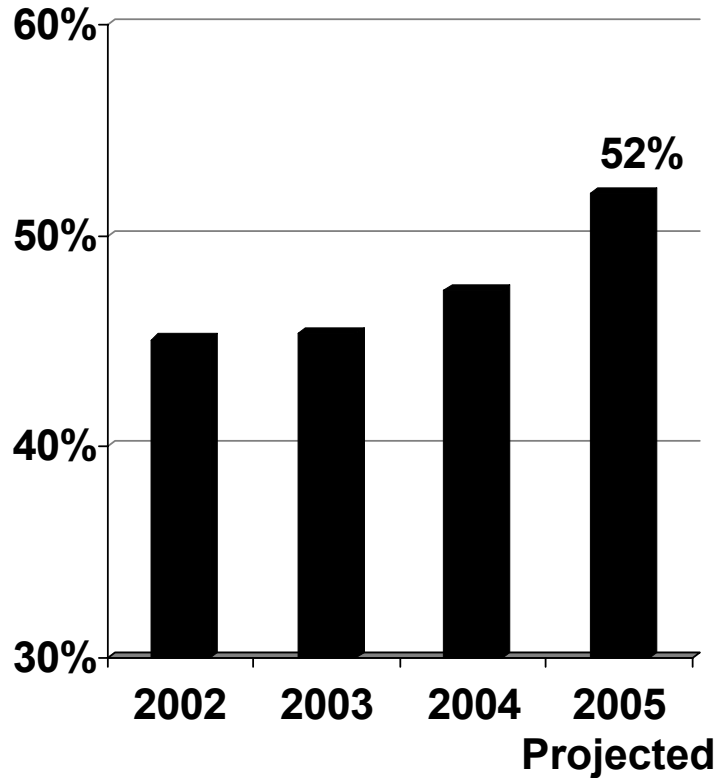
- **Positive long-term earnings and cash flow trends**
- **Pro-active cost management**
 - ▶ **Fuel and purchased power**
 - ▶ **Operating and capital costs**
- **Maintain financial strength and ample liquidity**
- **Optimize unregulated assets**
- **Favorable access to capital**
 - ▶ **Commitment to investment-grade credit ratings**
 - ▶ **Attractive dividend profile**

2005 Earnings Outlook

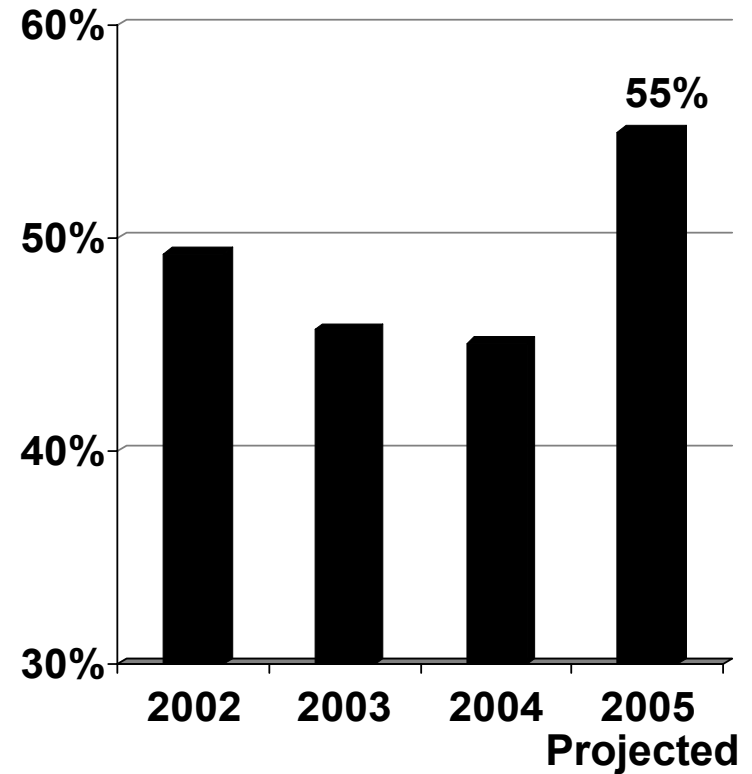
- Reasonable range around \$3.00 per share
- Does not reflect:
 - ▶ Regulatory disallowance
 - ▶ Effects of Silverhawk sale

Strengthening Equity Ratio

Consolidated

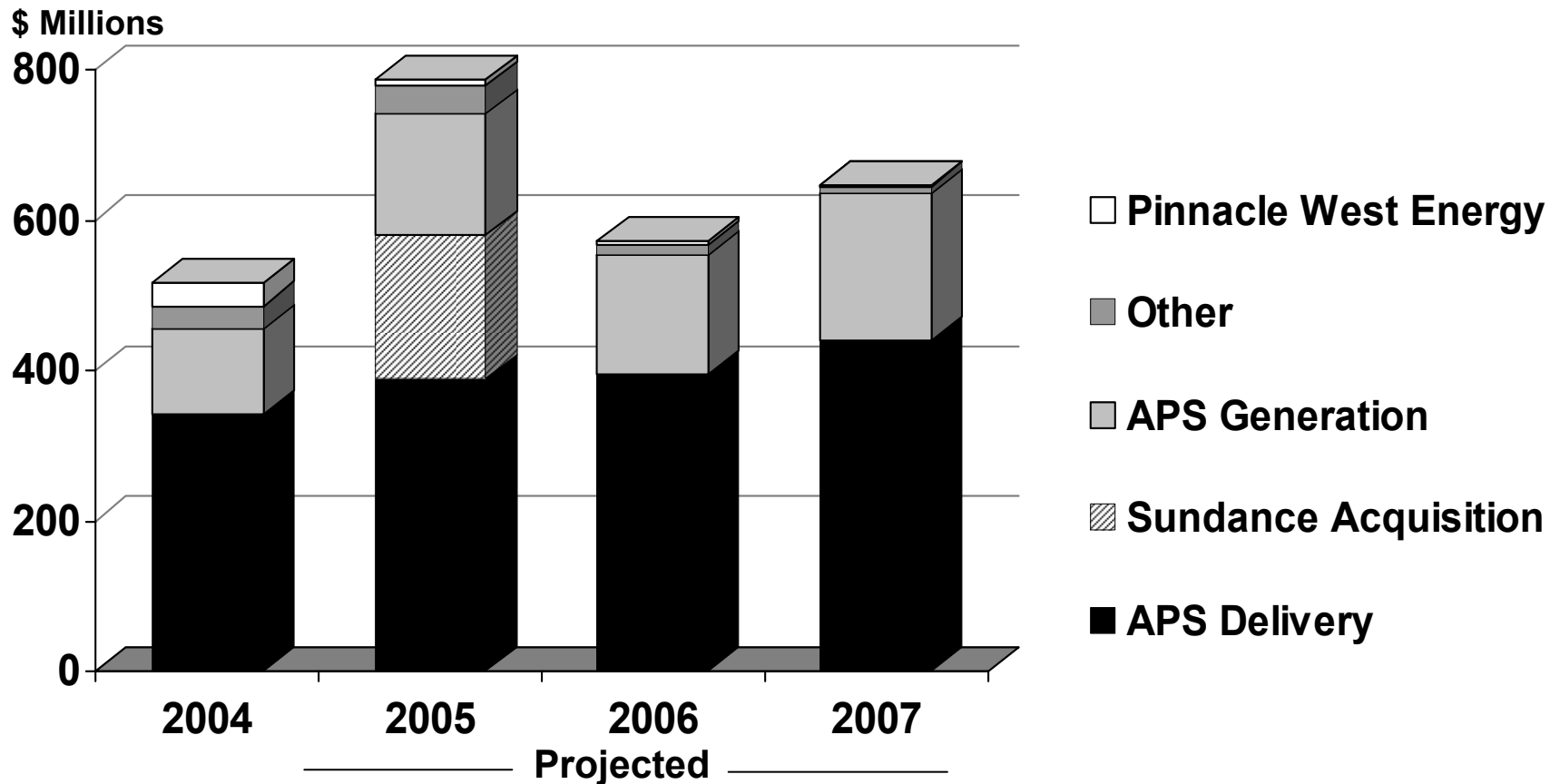


APS



Year-end ratios

Capital Expenditures Support Growth & Reliability



Excluding SunCor

Optimize Unregulated Assets Silverhawk Sale

- **Company's only merchant power plant**
- **Eliminates annualized operating loss \$0.20 to \$0.25 per share in near term**
- **Sale terms**
 - ▶ **\$208 million net proceeds**
 - ▶ **Expected closing fall 2005**
 - ▶ **Proceeds to be invested in APS equity**

SunCor Year-End Assets

ROI-Driven Business Strategy

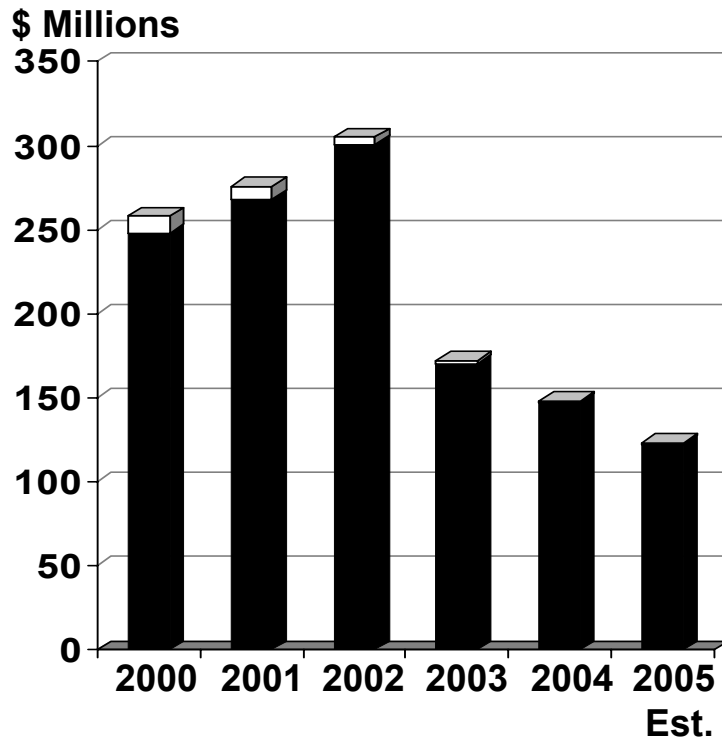
\$ Millions

	<u>2002</u>	Estimated <u>2005</u>	<u>Change</u>
Legacy Properties	\$ 305	\$ 123	\$ (182)
Post-1990 Properties	158	244	86
Total Properties	463	367	(96)
Consolidated Land Not Owned	-	34	34
Other	72	39	(33)
Total Assets	<u><u>\$ 535</u></u>	<u><u>\$ 440</u></u>	<u><u>\$ (95)</u></u>

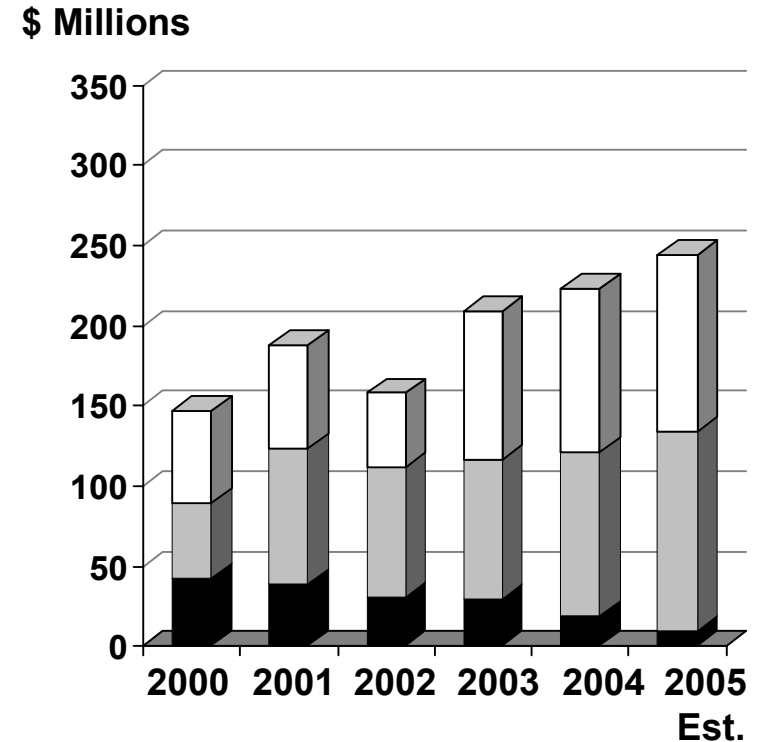
SunCor Book Values

ROI-Driven Business Strategy

Legacy Properties



Post-1990 Properties



- Commercial, Golf and Other
- Master Planned Ventures with Landowners
- Master Planned Owned

SunCor Development Company

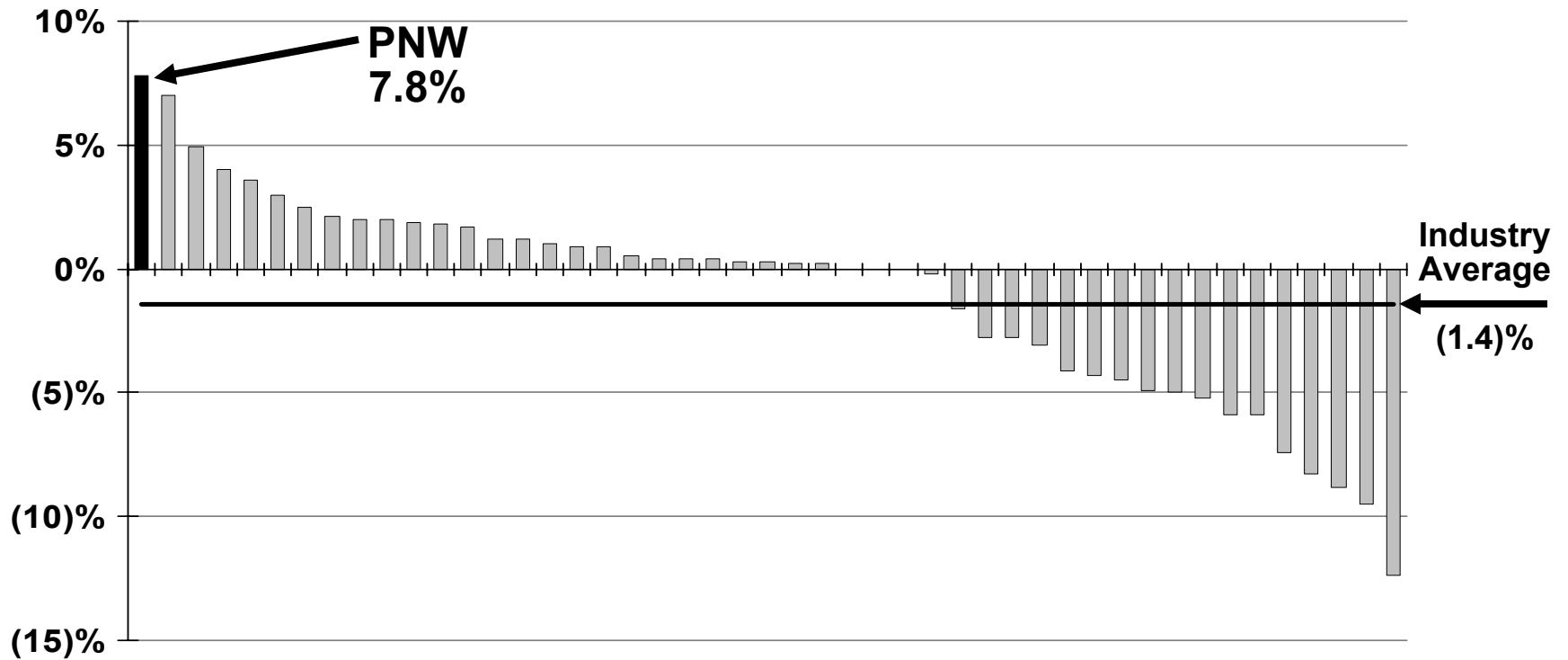
Improved Cash Realization

	<u>12/31/05 Book Value (\$ Millions)</u>	<u>Average Years to Realize</u>	<u>Remaining Project Life (Years)</u>
Post-1990 Properties			
Condos	\$ 31	2	5
Homebuilding	34	1	1
Commercial	62	6	1-12
Master Planned	<u>117</u>	5	1-40
Total	<u><u>\$ 244</u></u>	4	

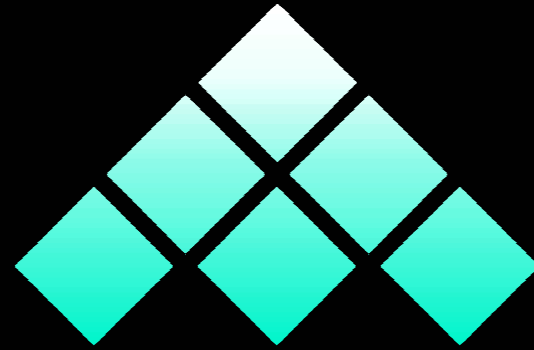
Estimates

Pinnacle West #1 in Dividend Growth

*1995 – 2004 Compound Annual Growth Rates
For U.S. Electric Utilities*



Chairman's Comments



PINNACLE WEST
CAPITAL CORPORATION

Appendix

Investment Grade Credit Profile

	S&P	Moody's
<i>Pinnacle West Capital Corporation</i> Senior Unsecured Debt Commercial Paper Outlook Business Position	BBB- A2 Stable 5*	Baa2 P2 Stable NA
<i>Arizona Public Service Company</i> Senior Unsecured Debt Commercial Paper Outlook Business Position	BBB A2 Stable 5	Baa1 P2 Stable NA

* Raised from business position 6 on April 1, 2005

Liquidity Resources

APS

- **\$500 million cash on hand***
- **\$325 million revolver through May 2007**

Pinnacle West (parent)

- **\$150 million cash on hand***
- **\$300 million revolver through October 2007**

Required Debt Redemptions

\$ Millions

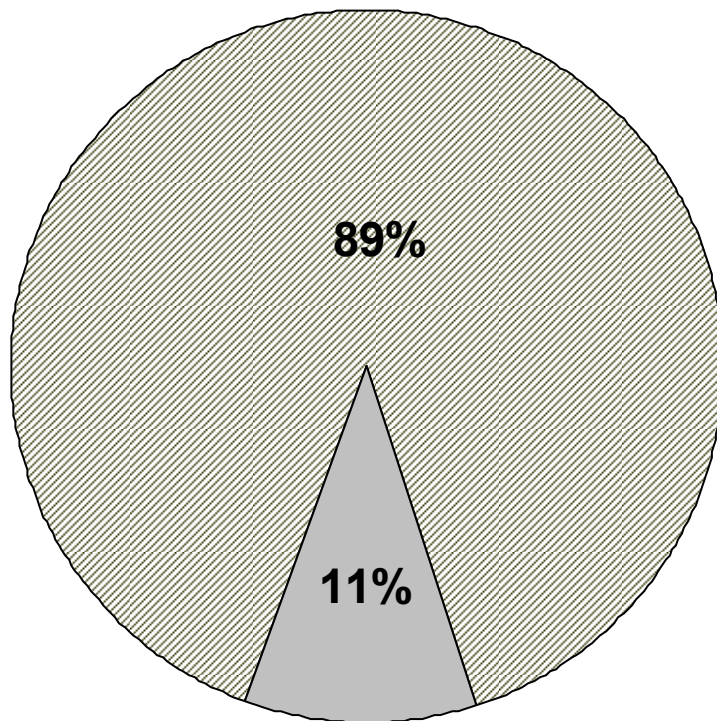
	<u>2005</u>	<u>2006</u>	<u>2007</u>
APS*			
Senior notes due 1/05	\$ 100	\$ -	\$ -
Senior notes due 8/05	300	-	-
Senior notes due 11/06	-	84	-
Pinnacle West Energy			
Senior notes due 4/07	-	-	500
Parent Company			
Floating rate notes due 11/05**	165	-	-
Senior notes due 4/06	-	300	-
Total	<u>\$ 565</u>	<u>\$ 384</u>	<u>\$ 500</u>

* Excluding credit support renewals for pollution control bonds: \$50M, 2005; \$173M, 2007

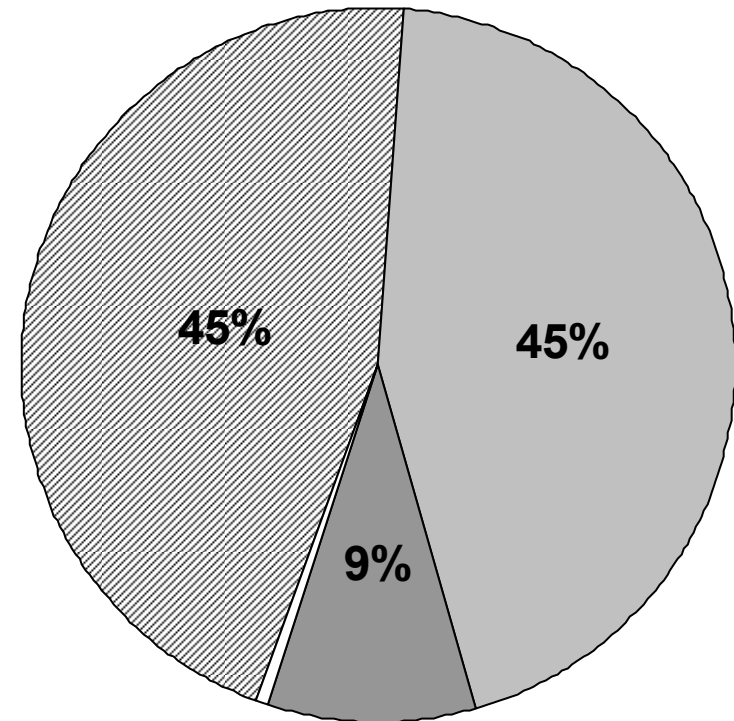
** Called at par 5/1/05

APS 2004 Retail Customer and Sales Mix

Customers



Sales



▨ Residential

■ Commercial

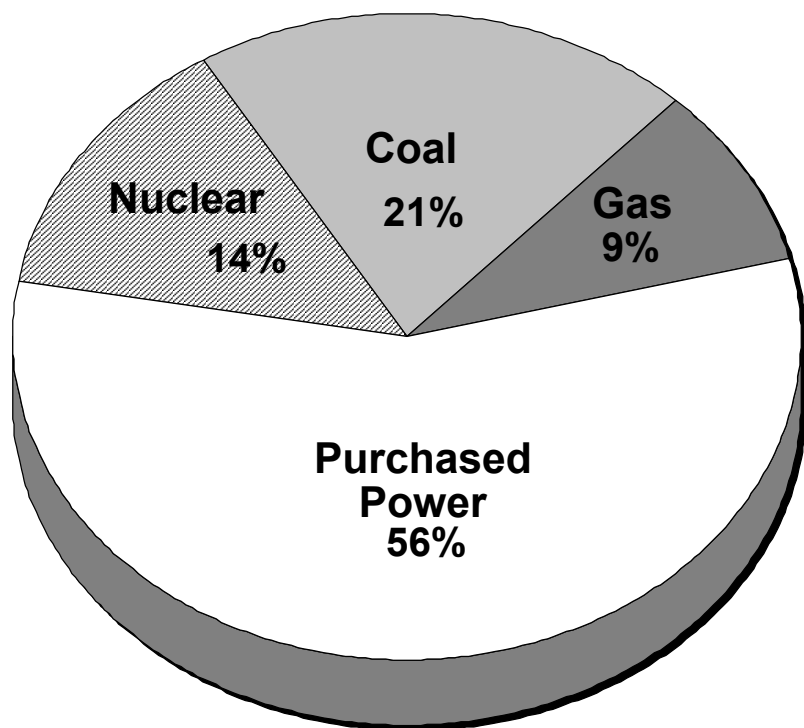
■ Industrial

□ Other

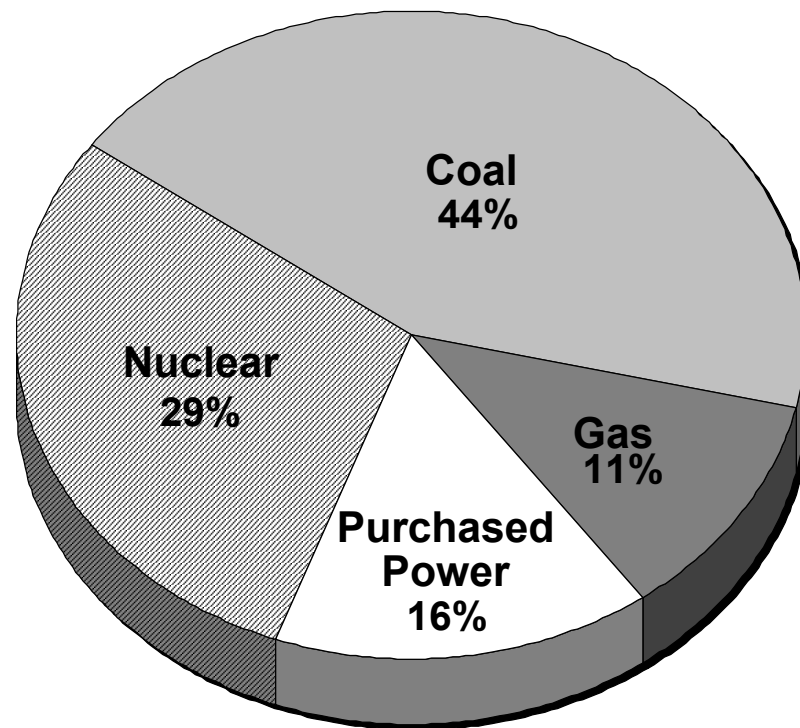
Industrial and other customers <1%

2004 Energy Fuel Mix

Consolidated



Native Load



2005 RFP for Long-Term Capacity

Terms

- **At least 1,000 MW of summer capacity**
- **Beginning 2007**
- **5-year minimum contract length**
- **25 MW minimum amount of capacity per proposal**

Schedule

- **RFP issued May 31, 2005**
- **Responses due July 18, 2005**
- **Shortlist notification August 30, 2005**
- **Selection completion target October 2005**

2005 RFP for Renewable Resources

Terms

- **At least 100 MW**
- **Beginning 2006**
- **5-year minimum contract length**
- **Costs limited to 125% of market price of conventional resource alternative**

Schedule

- **RFP issued May 11, 2005**
- **Responses due June 14, 2005**
- **Shortlist notification July 14, 2005**
- **Selection completion target September 2005**

Arizona Corporation Commissioners

<u>Commissioner</u>	<u>Party Affiliation</u>	<u>Commissioner Since</u>	<u>Term Expires</u>
Jeff Hatch-Miller, Chairman	Republican	Jan. 2003	Jan. 2009
Michael Gleason	Republican	Jan. 2003	Jan. 2009
Kristin Mayes	Republican	Oct. 2003	Jan. 2007
William Mundell	Republican	June 1999	Jan. 2009
Marc Spitzer	Republican	Jan. 2001	Jan. 2007

Arizona Regulation in a Changing Environment

ACC Competition Rules Proceedings



Approved September 1999

APS Settlement Proceedings



Approved September 1999

Track A Order
(Competition Reversal)



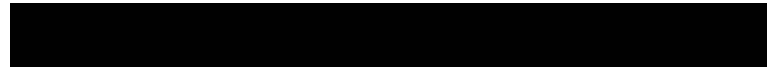
Issued September 2002

Track B Order
(Competitive Procurement)



Issued March 2003

PWEC Arizona Plants Constructed



Transferred to APS
July 2005

General Rate Case



Approved
March
2005

1999

2000

2001

2002

2003

2004

2005

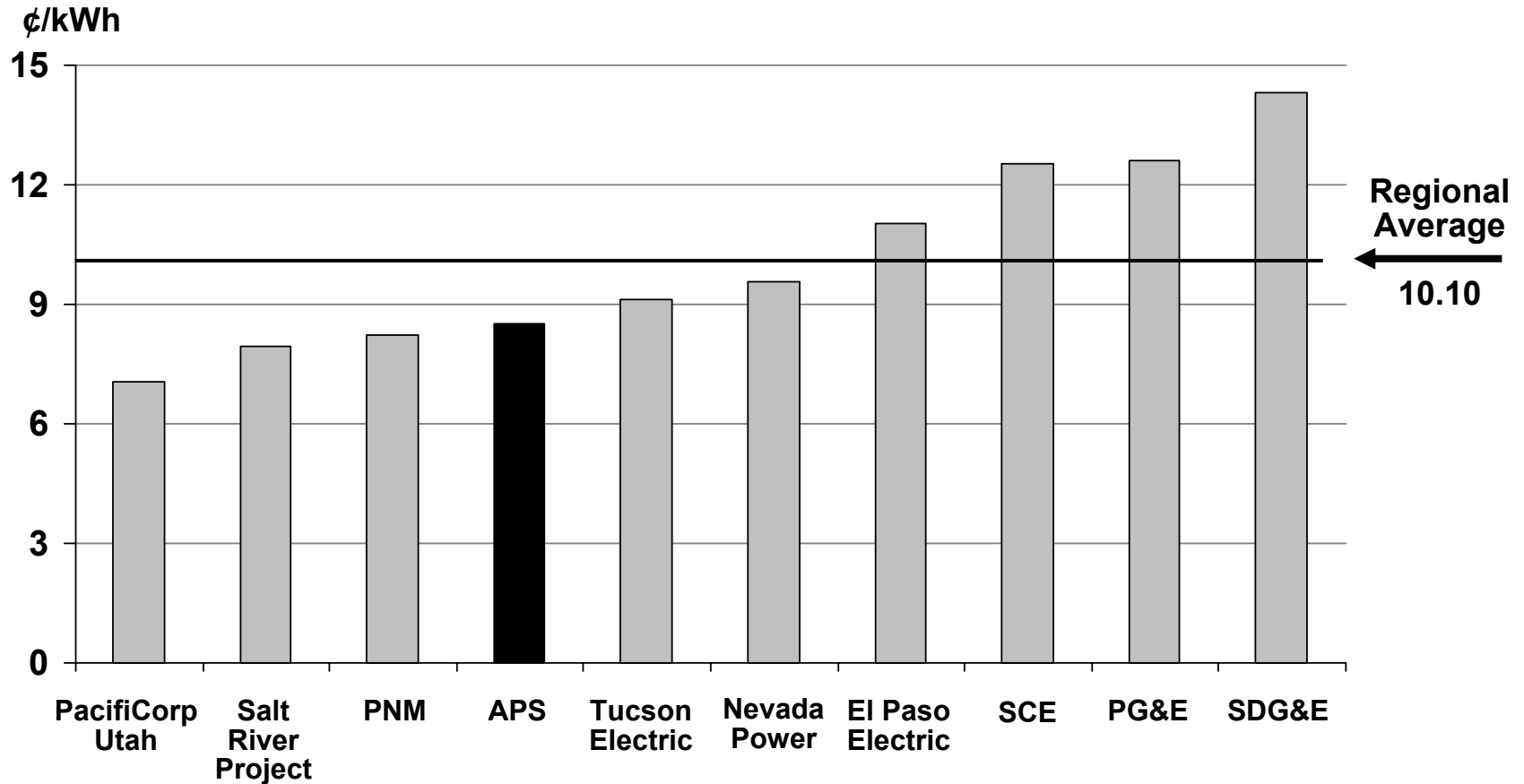
Retail Rate Settlement Key Provisions

- **Approved by Arizona commission March 28, 2005**
- **Effective April 1, 2005**
- **4.2% base rate increase (pretax revenues: \$71 million in 2005, \$93 million in 2006)**
- **Power supply adjustor mitigates risk of commodity price volatility**
- **Pinnacle West Energy Arizona plants rate based at APS**

Power Supply Adjustor Major Provisions

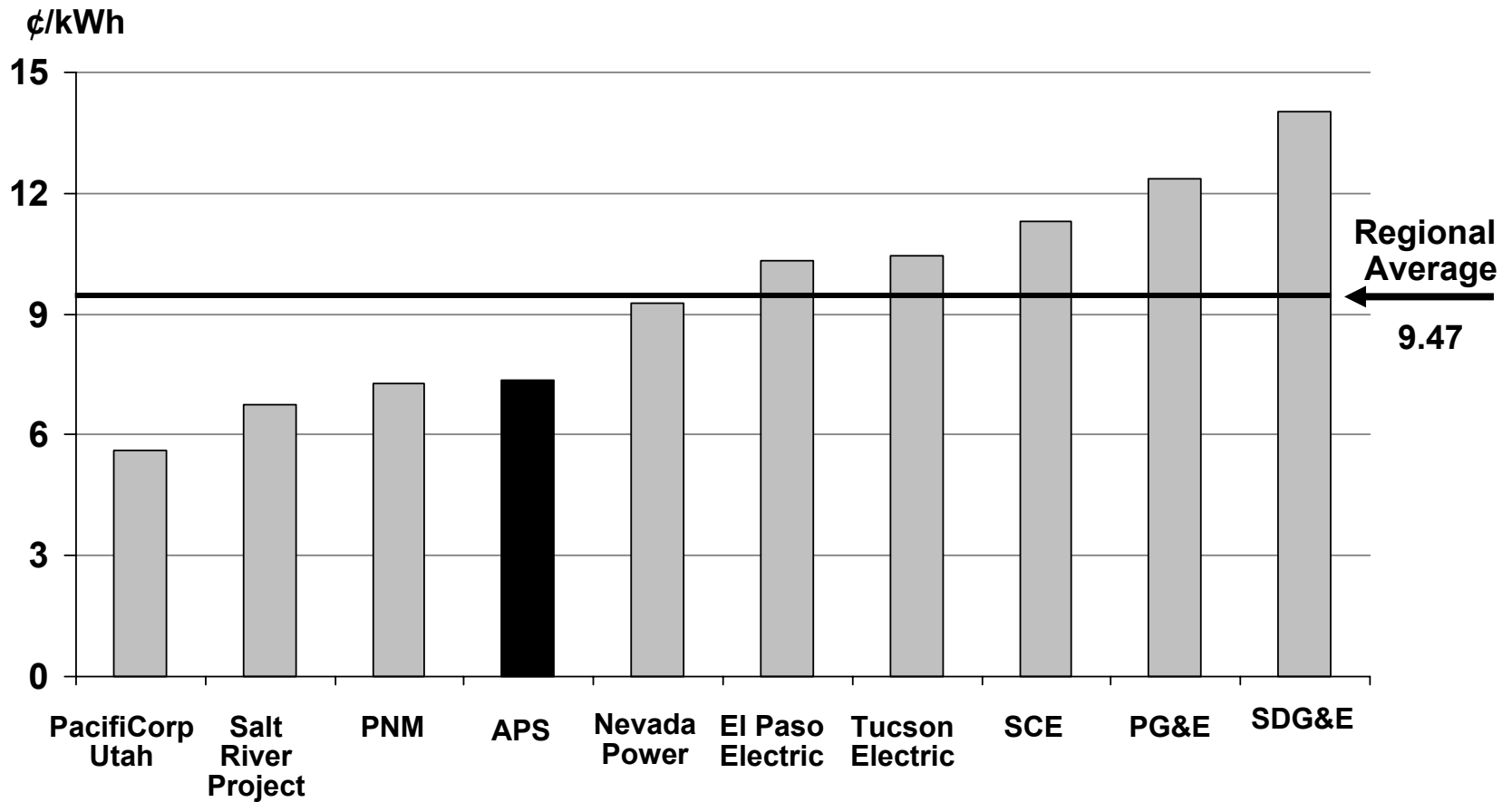
- **Changes in fuel and purchased power costs versus base level (\$0.020743 per kWh)**
- **90% of differential passed through to customers**
- **Adjustor rate limited to +/- \$0.004 per kWh**
- **Surcharge possible if accumulated deferrals between \$50 million and \$100 million**
- **\$776 million cap for PSA calculations on annual net fuel and purchased power**

Average Residential Retail Price Ranking Southwestern U.S.



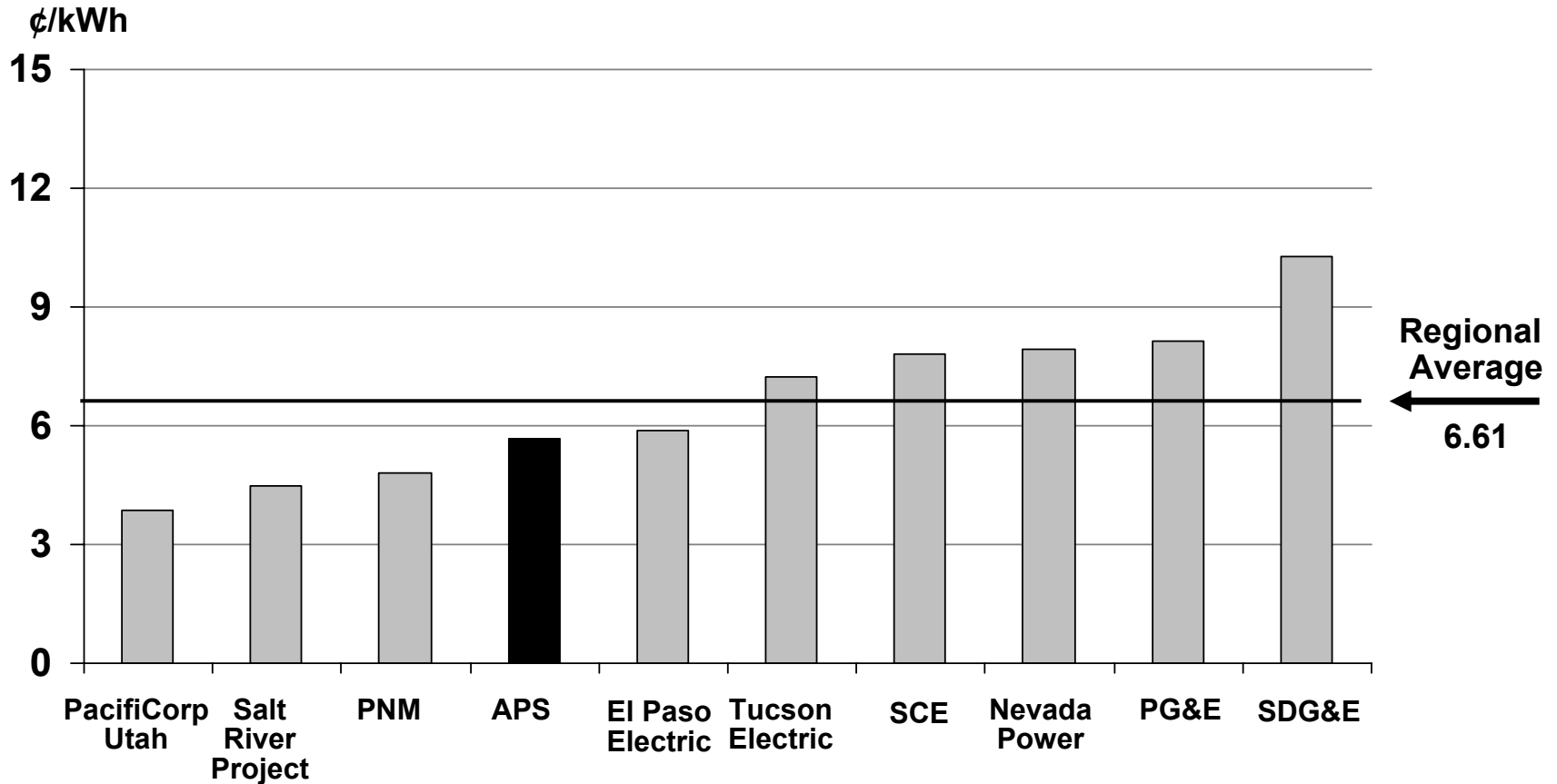
As of December 31, 2004

Average Commercial Retail Price Ranking Southwestern U.S.



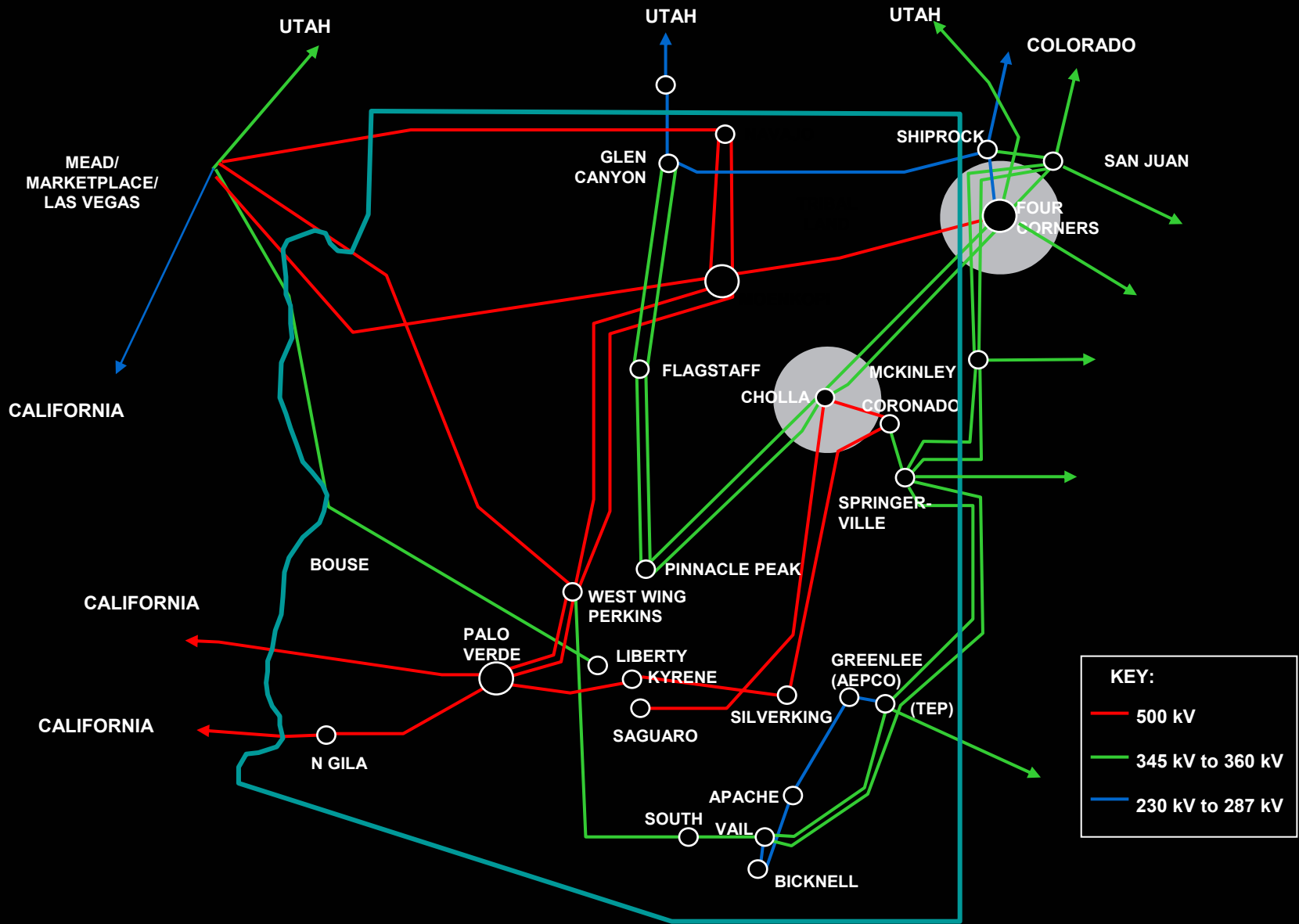
As of December 31, 2004

Average Industrial Retail Price Ranking Southwestern U.S.

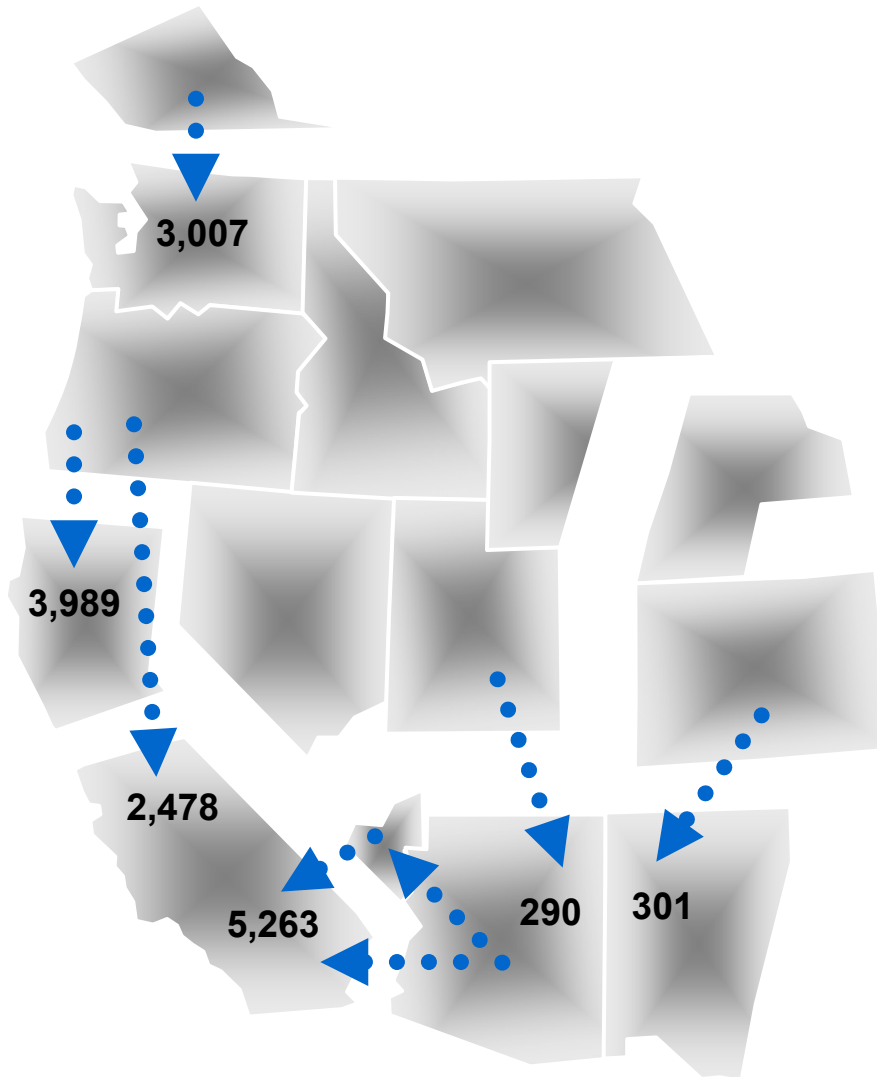


As of December 31, 2004

Arizona Transmission System



WECC Available Transmission Capability



Summer 2006 estimate (MW)

SunCor Project Summaries

Master Planned Communities

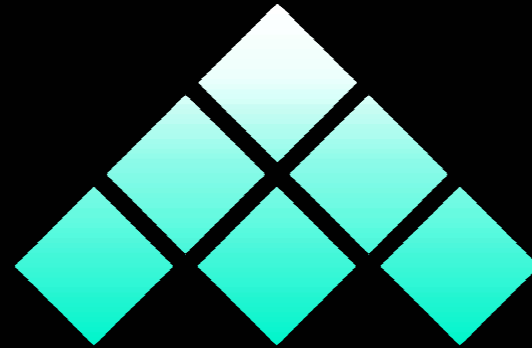
	<u>Year Acquired</u>	<u>Original Acreage</u>	<u>12/31/04 Acreage</u>
Legacy Properties			
Palm Valley (Phoenix, AZ)	1987	11,630	3,330
Tatum Ranch (Phoenix, AZ)	1987	1,400	0
Post-1990 Properties			
Scottsdale Mountain (Scottsdale, AZ)	1991	1,400	0
SunRidge Canyon (Scottsdale, AZ)	1994	950	0
Sedona Golf Resort (Sedona, AZ)	1995	300	0
Rancho Viejo Phase I (Santa Fe, NM)*	1996	2,500	1,340
Hidden Hills (Phoenix, AZ)	1997	419	18
Coral Canyon (St. George, UT)*	1998	2,500	1,003
StoneRidge (Northern AZ)*	2001	1,840	780
Avimor (Boise, ID)*	2003	12,500	12,500
Prescott Lakes (Northern AZ)*	2004	175	175

* Venture with landowner

SunCor Project Summaries

Commercial Properties

	<u>Year Acquired</u>	<u>Original Acreage</u>	<u>12/31/04 Acreage</u>
Legacy Properties (Phoenix, AZ)			
Tempe Market Place/Autoplex	1987	420	0
Talavi	1987	140	7
Post-1990 Properties (Phoenix, AZ)			
Black Canyon Commerce Park	1998	16	0
Hayden Ferry Lakeside Office & Condos	2000	17	17
Rio West	2004	25	25
Centrepont	1989	80	0
Riverside Distribution Center	2004	28	28



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