

Pinnacle West Capital Corporation

A pair of dark-rimmed glasses with gold-colored temples is positioned over a document with handwritten notes in blue ink. The background is softly blurred, showing warm, golden light bokeh. The overall composition suggests a professional and focused environment.

Maintaining Strategic Focus

Forward-Looking Statements

This presentation contains forward-looking statements based on current expectations, and we assume no 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 "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 us. These factors include, but are not limited to, 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 and legislative proceedings relating to the restructuring; state and federal regulatory and legislative decisions and actions, including the outcome of the rate case APS filed with the ACC on June 27, 2003 and the wholesale electric price mitigation plan adopted by the FERC; 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; energy usage; weather variations affecting local and regional customer energy usage; conservation programs; power plant performance and outages; market prices for electricity and natural gas; the successful completion of our generation construction program; regulatory issues associated with generation construction, such as permitting and licensing; changes in accounting principles generally accepted in the United States; our ability to compete successfully outside traditional regulated markets (including the wholesale market); our ability to manage our marketing and trading activities and the use of derivative contracts in our business (including the interpretation of the subjective and complex accounting rules related to these contracts); technological developments in the electric industry; the performance of the stock market and the changing interest rate environment, which affect the amount of our required contributions to our pension plan and nuclear decommissioning trust funds, as well as our reported costs of providing pension and other postretirement benefits; 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 our control.

Pinnacle West Capital Corporation



***Largest
investor-owned
utility in Arizona***



***Headquartered in
6th largest city
Phoenix, Arizona***



***Consolidated
assets
of \$9 billion***

Pinnacle West Core Strengths

***Exceptional
growth***

***Solid customer
service and
operational
performance***

***Integrated
resource
strategy***

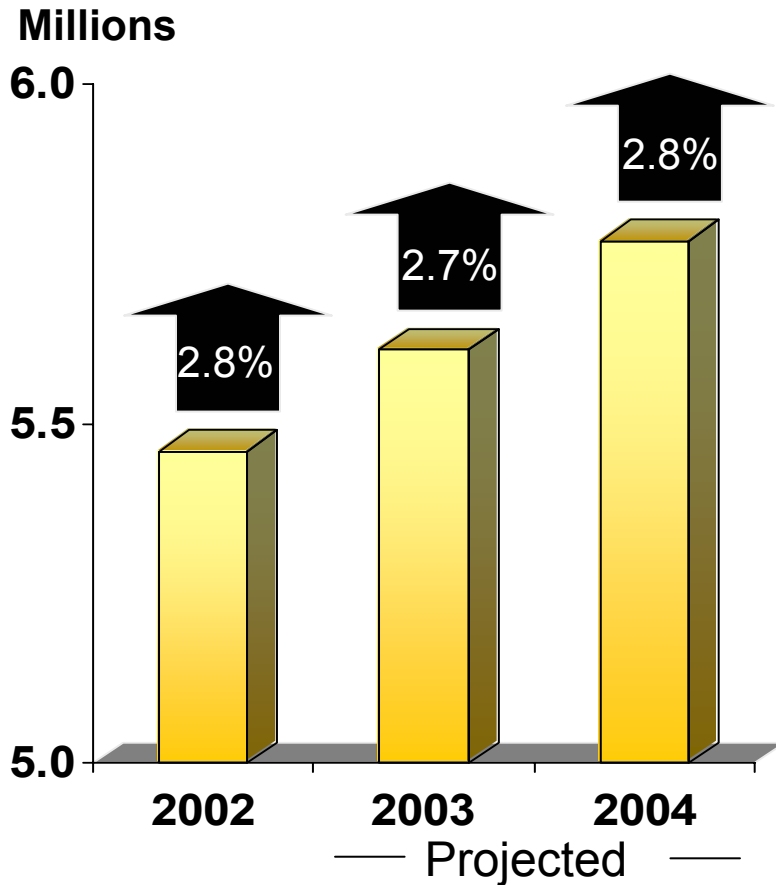
***Commitment
to constructive
regulatory
relationships***

***Focus on
long-term
shareholder
value***

Continuing Economic Gains in Arizona

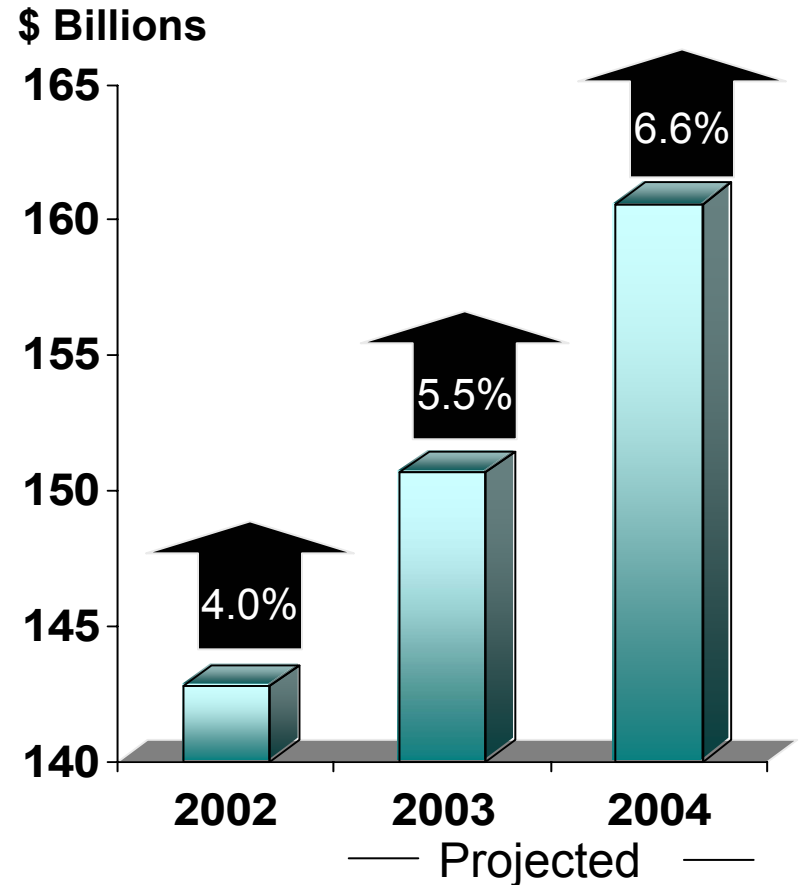
Population

Arizona second leading state in growth



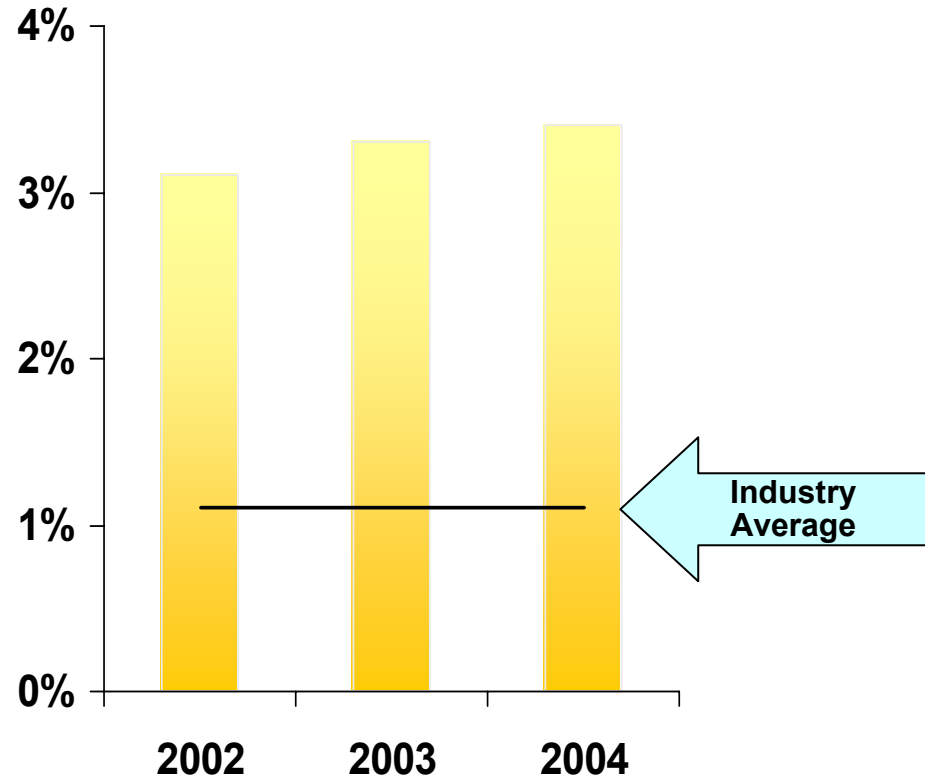
Personal Income

Arizona more than 1.5 times the national growth



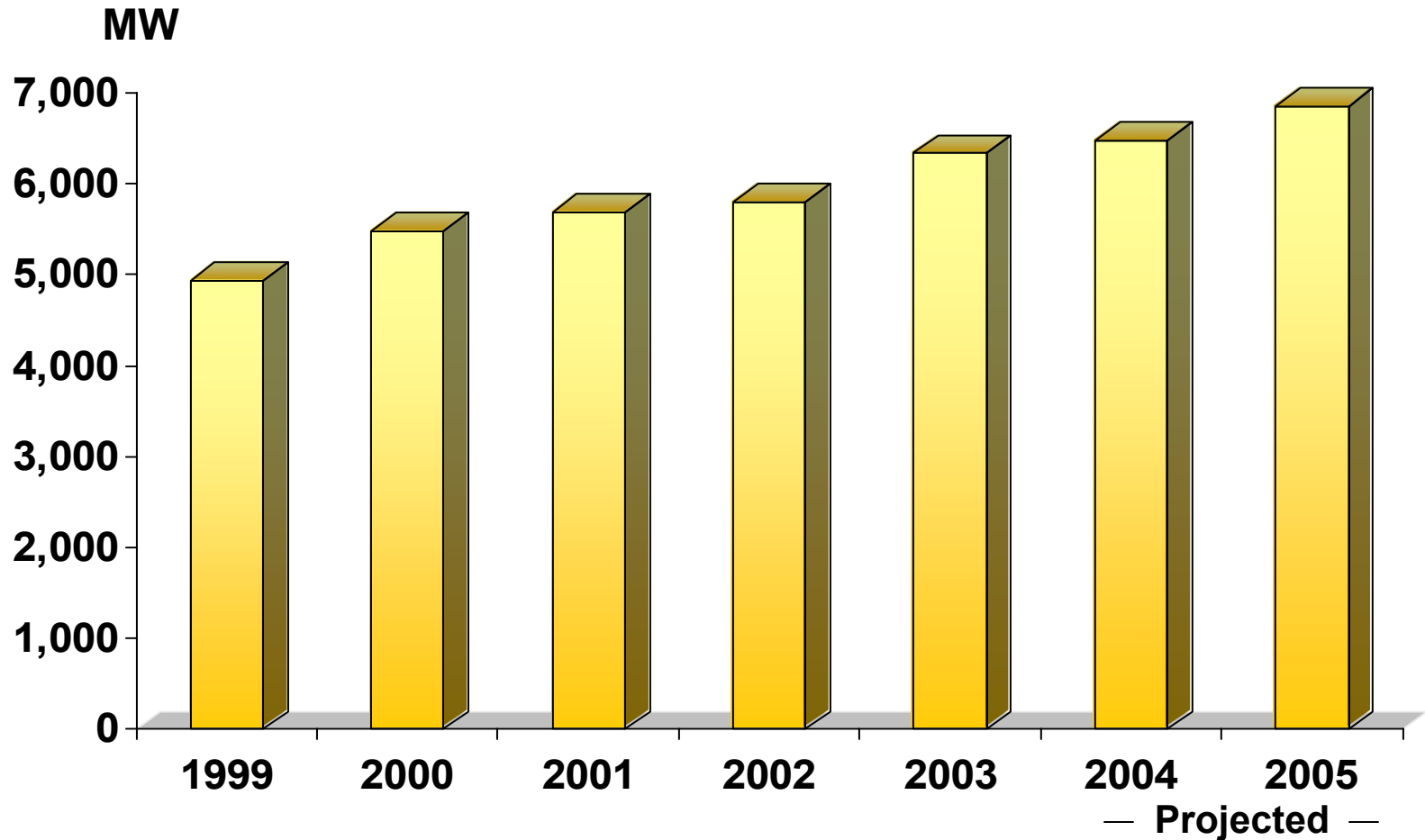
Exceptional Customer Growth

- **Vertically integrated utility in high growth market**
- **More than three times national average in customer growth**



APS' Growing Peak Load

1999 - 2003 Annual Growth of 4.6%



Solid Operational Performance

Generation

- **Palo Verde – top U.S. power producer**
- **Top-tier baseload performance**
- **Silverhawk construction on target**

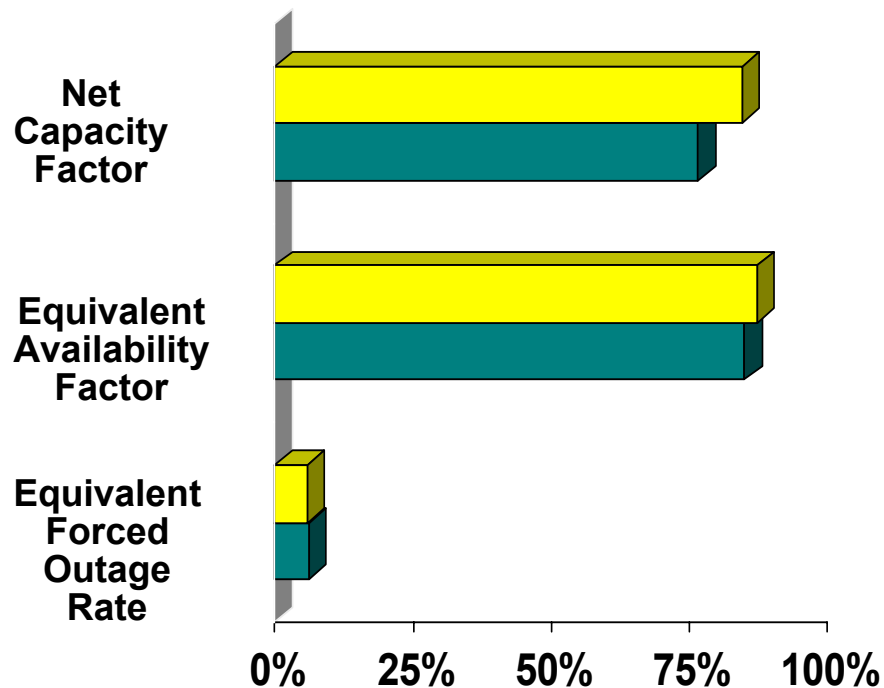
Delivery

- **High customer growth and satisfaction**
- **Superior reliability**
- **Transmission and distribution expansion to meet growth and sustain reliability**

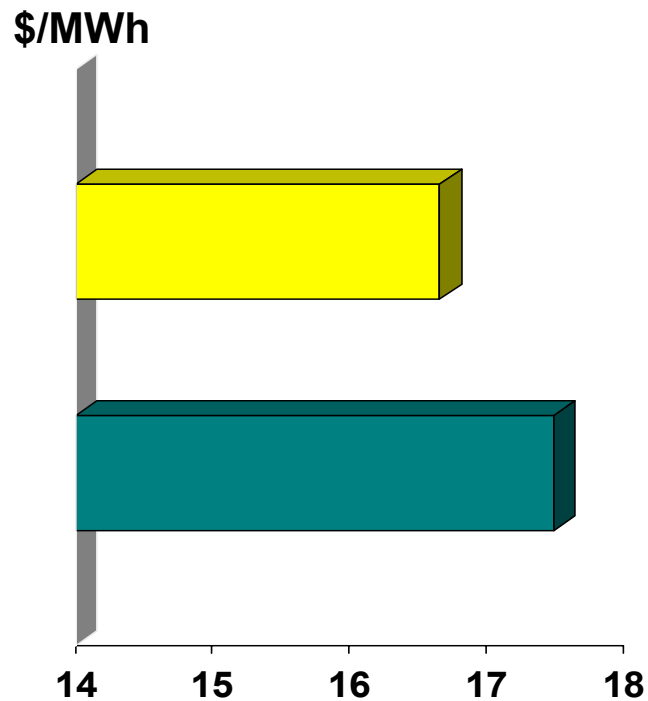
Top-Tier Generation Performance

1999 – 2003 Baseload Averages

Strong Operating Performance



Competitive Production Costs



■ APS

■ Industry*

* Industry represents latest available (1998 – 2002)

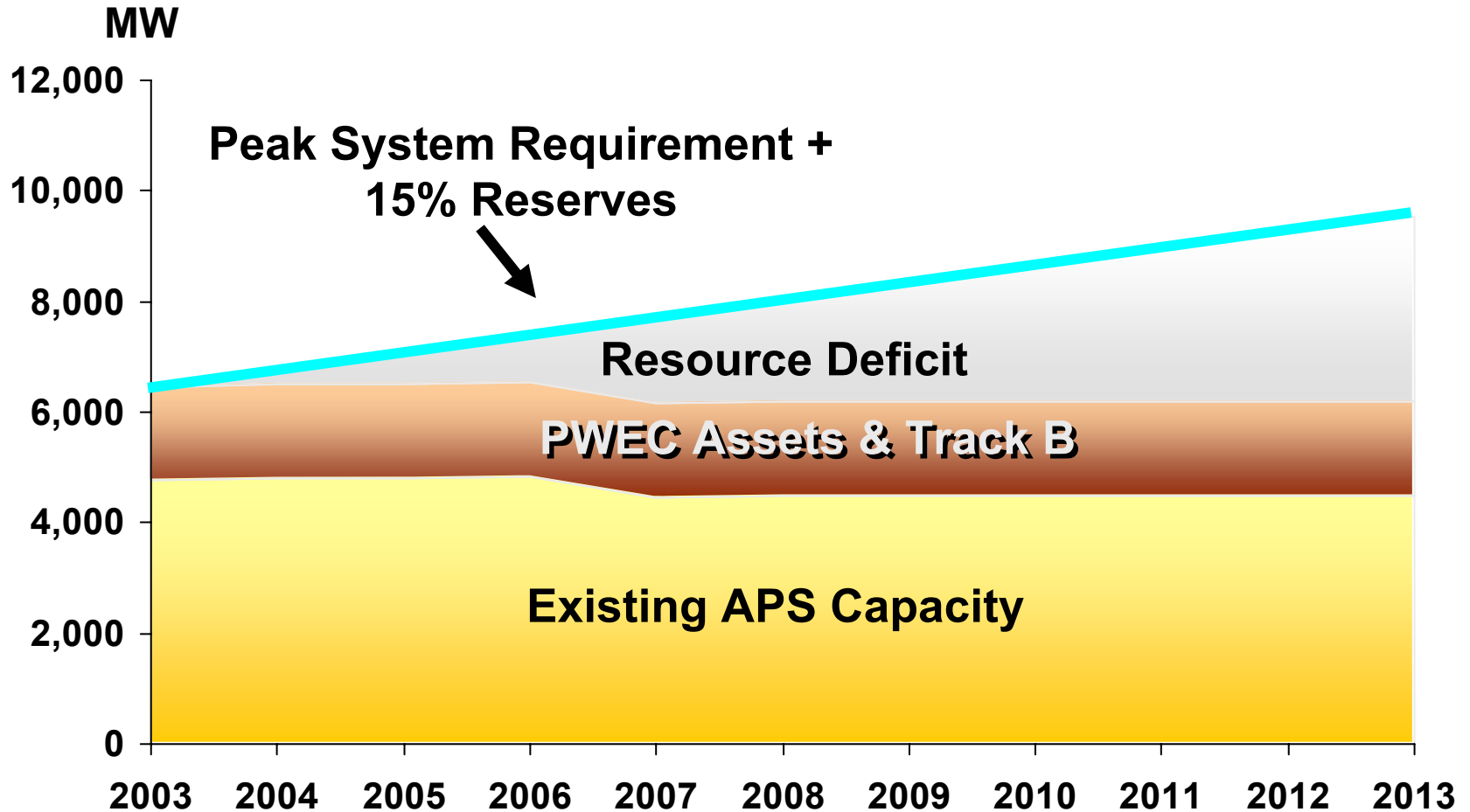
Sustaining Customer Satisfaction



**APS ranked
3rd best
among 56
electric utilities**

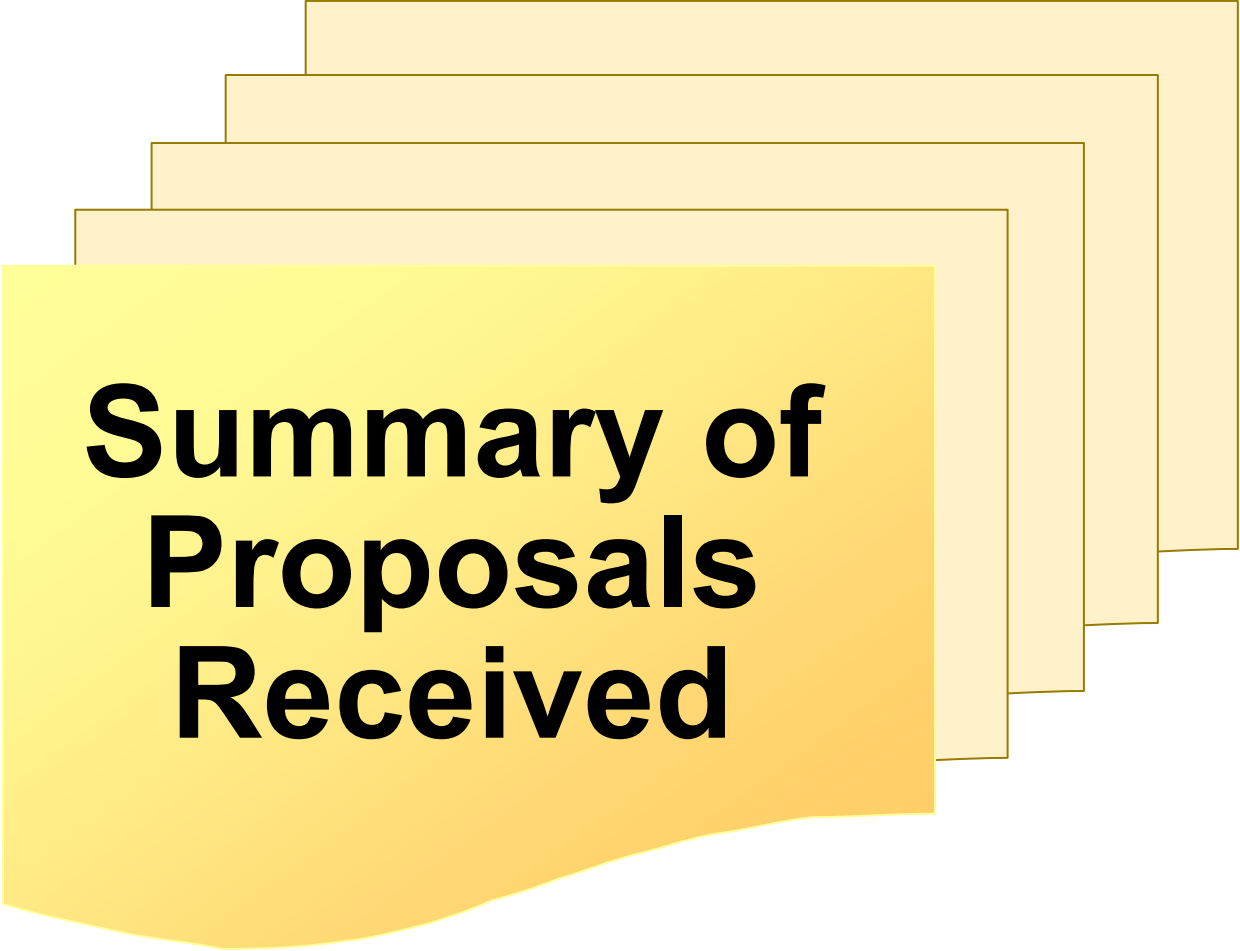
Planning for Growth and Reliability

APS System Load and Resources



APS Request for Proposals

<i>Purpose</i>	To cover a portion of APS' resource deficit
<i>Parameters</i>	At least 500 MW total beginning June 2007
<i>Resource Preferences</i>	Generation assets or long-term asset-backed power contracts
<i>Timing</i>	RFP announced December 2003. Bids submitted January 21, 2004. Definitive agreements to be signed spring 2004 (target)



**Summary of
Proposals
Received**

APS Regulatory Strategy

- **Relationships built on consistency, accountability, performance and trust**
- **Strong and straightforward presentation of APS position**
- **Focus on reliability issue**
- **Settlement opportunities**

APS Rate Case Key Provisions

**9.8% (\$175 million)
annual rate increase**

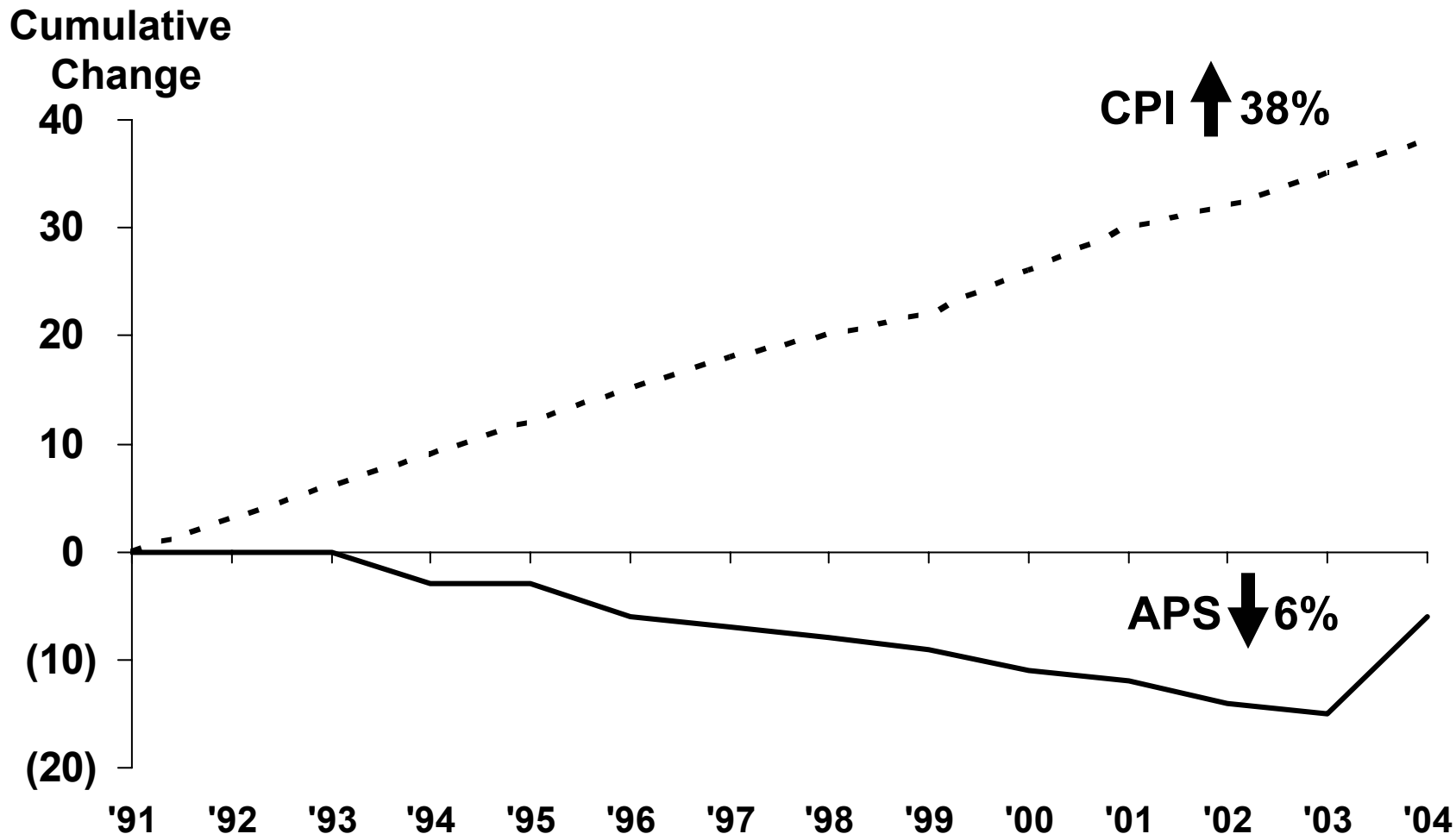
**Rate base treatment
of 1,800 MW of PWECC
Arizona assets**

**Recovery of previous
\$234 million write-off**

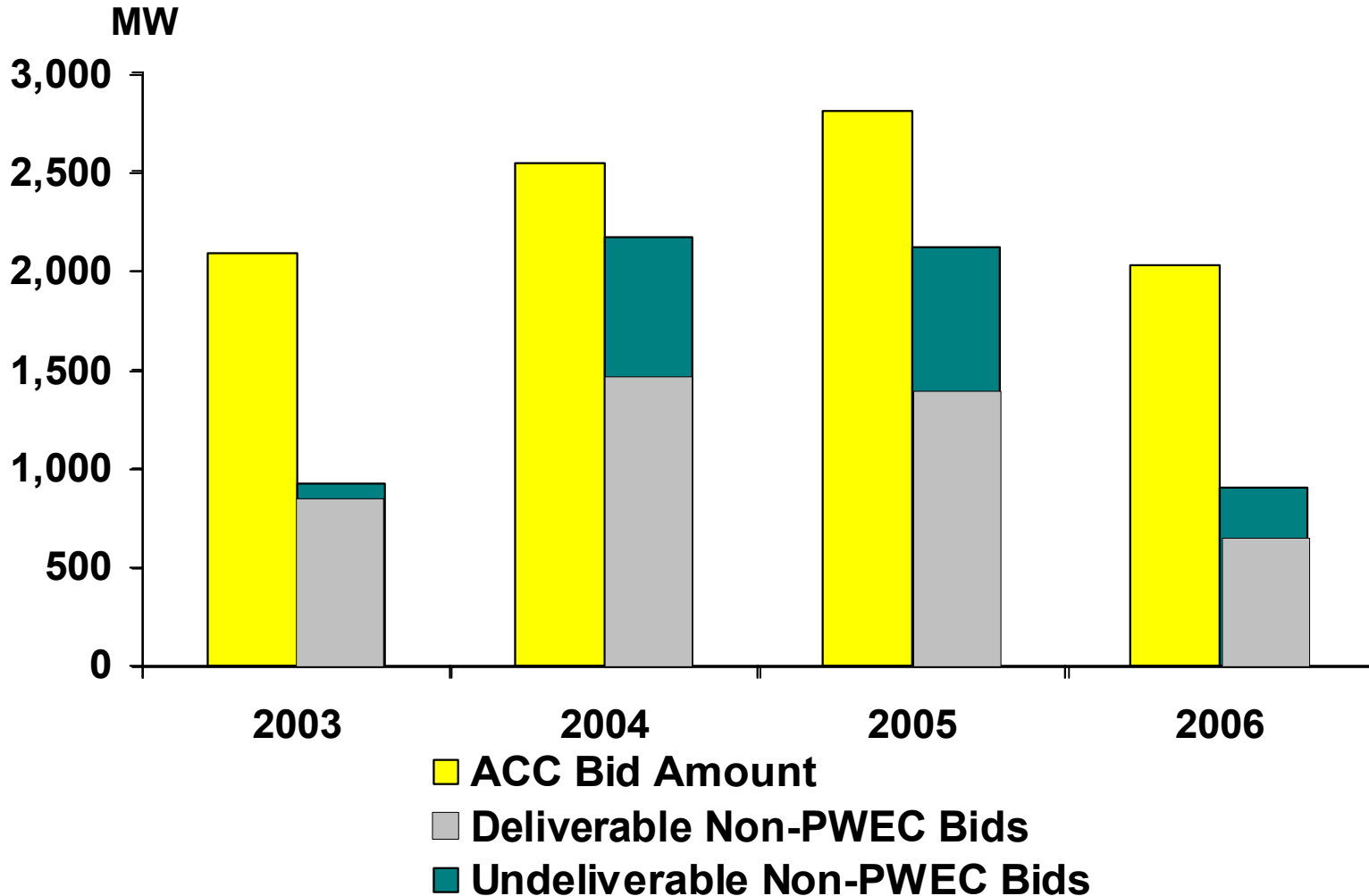
**Recovery of fuel
and purchased
power costs**

**11.5%
return on equity**

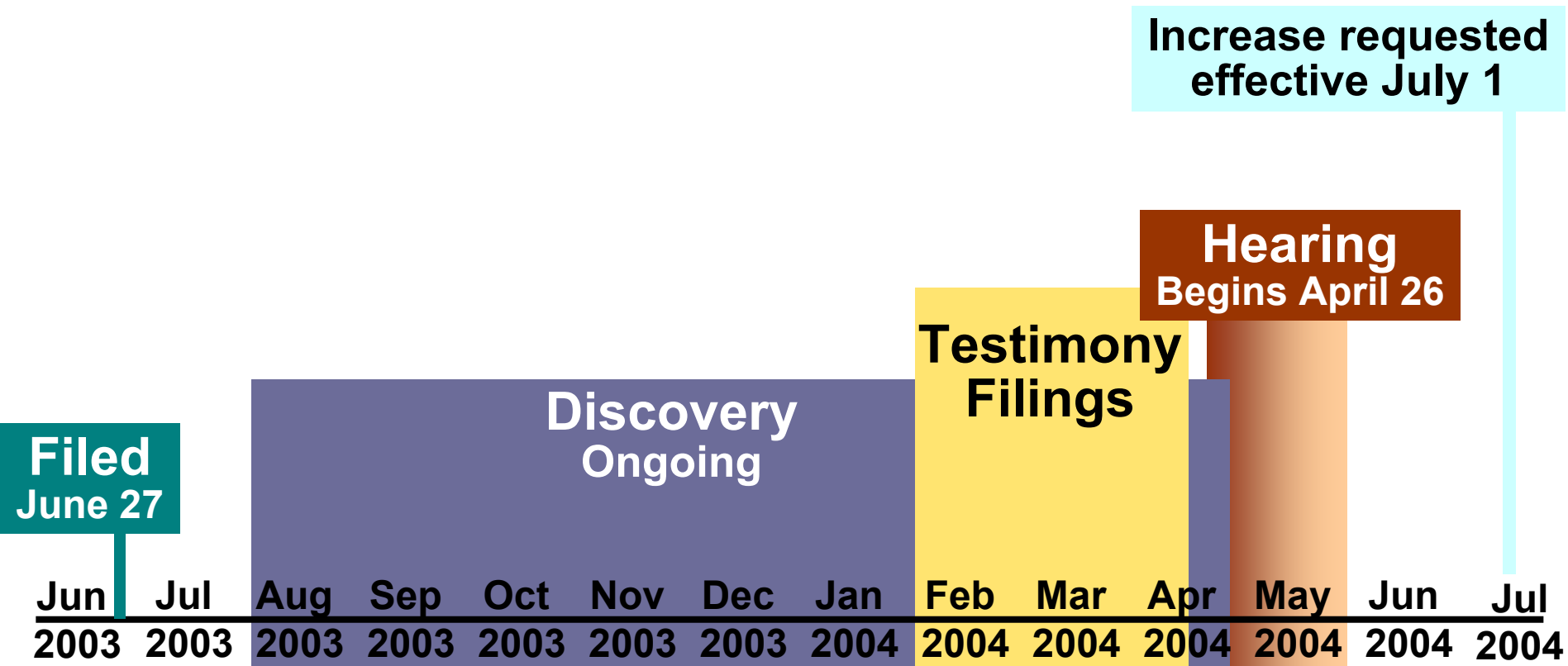
APS Prices Remain Low Relative to Consumer Price Index



ACC Procurement Process Demonstrated the Need for PWEC Assets



Milestones of Arizona Public Service General Rate Case



Financial Highlights

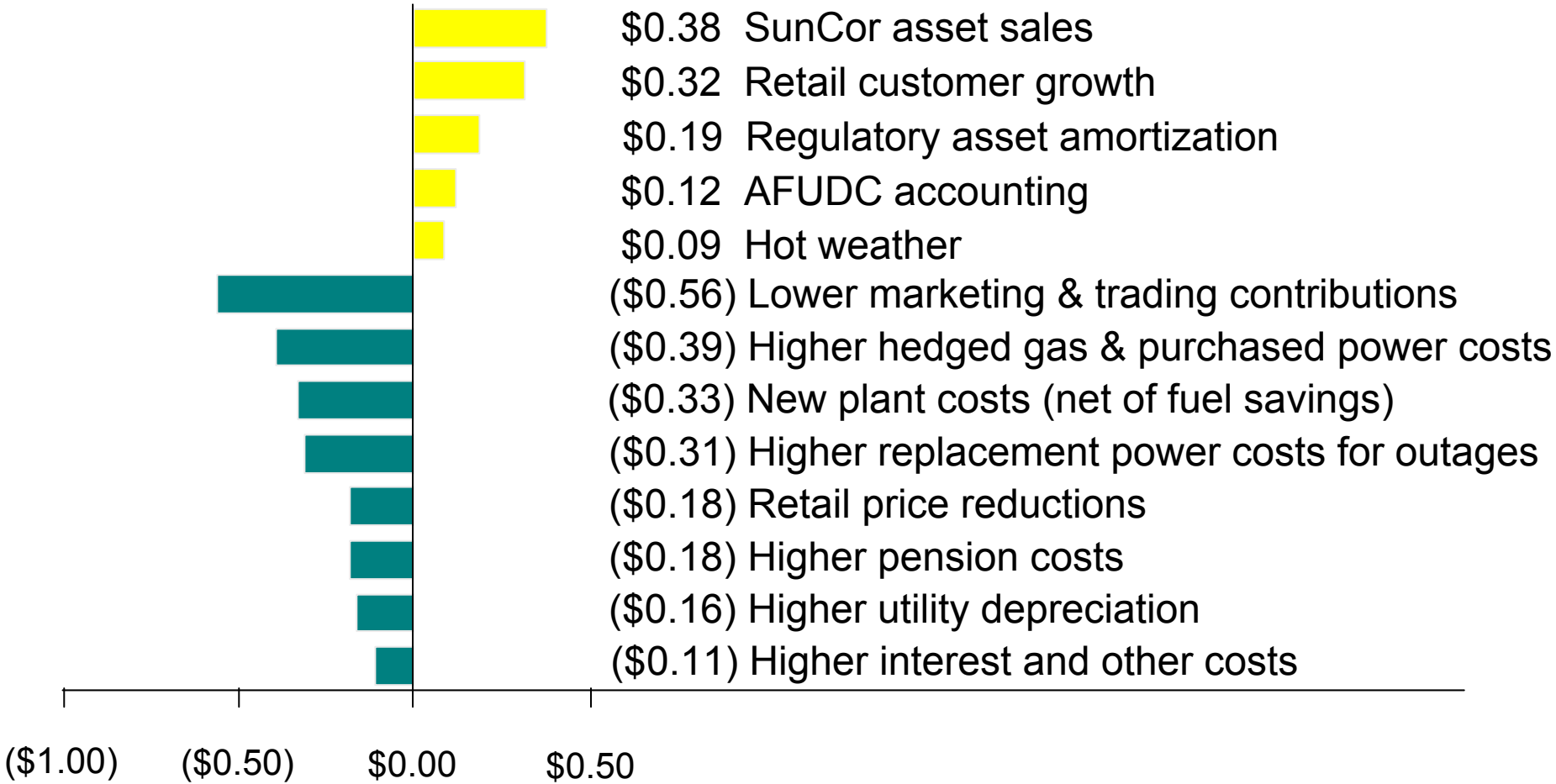
2003 Consolidated EPS Summary

	<u>2003 Diluted EPS*</u>	<u>2002 Diluted EPS*</u>	<u>Change</u>
Net income as reported	\$ 2.63	\$ 1.76	\$ 0.87
Cumulative effect of accounting change	-	0.77	(0.77)
Non-recurring items	-	1.03	(1.03)
Tax credits relating to prior years	(0.19)	-	(0.19)
On-going earnings	<u>\$ 2.44</u>	<u>\$ 3.56</u>	<u>\$ (1.12)</u>

* Detailed reconciliation of on-going earnings is available in the appendix

Summary of Major Variances In On-Going Earnings

2003 versus 2002



2004 Earnings Outlook

Base level earnings = \$2.50 per share

Key assumptions:

- **Rate increase not reflected**
- **No trading contributions**
- **Combined SunCor and APS Energy Services earnings of \$0.44 per share**

Sensitivities:

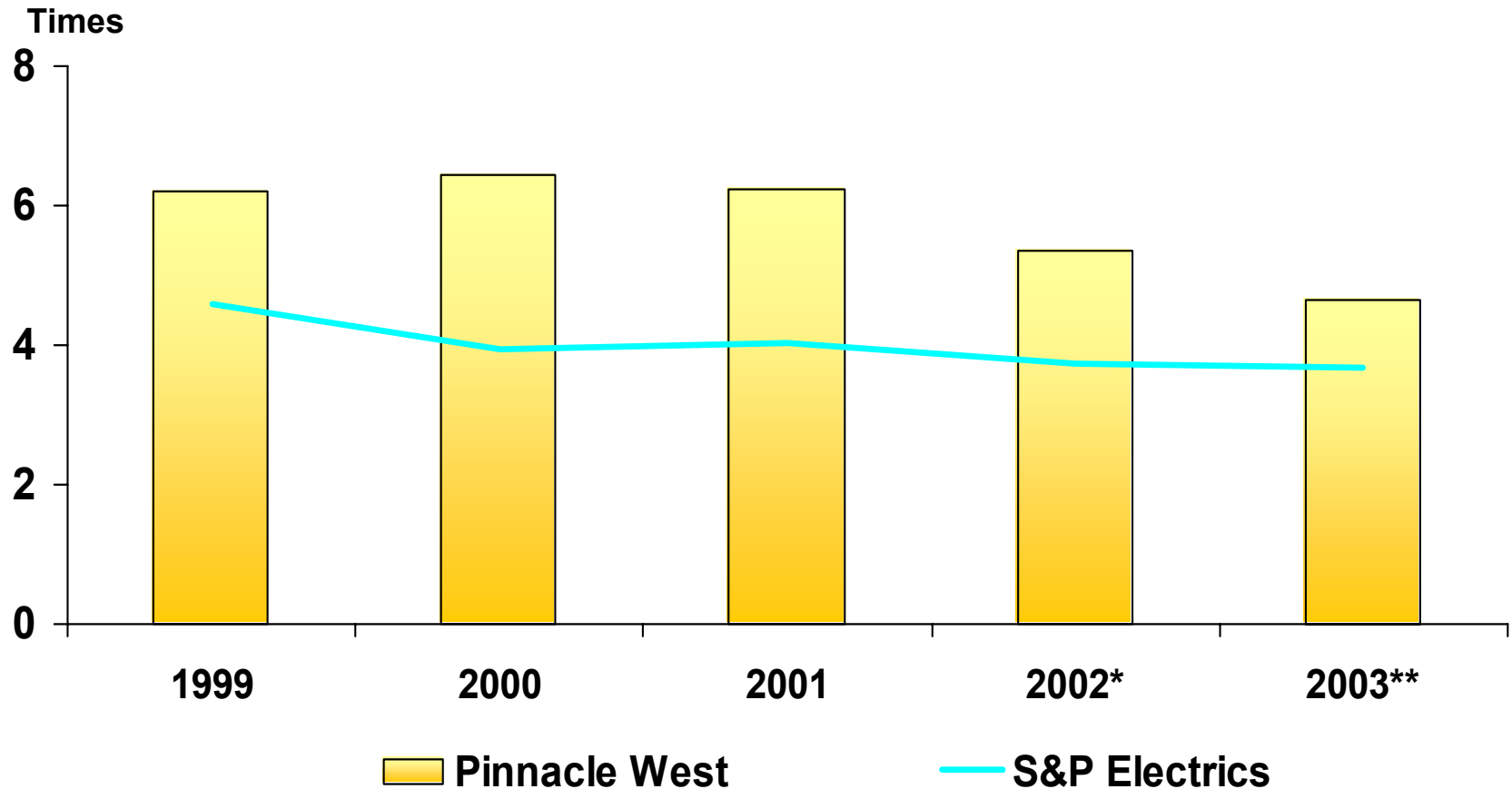
- | | | |
|------------------------------|------------|---------------------------|
| • Rate increase | + | \$ 0.00 - \$ 0.76 |
| • Weather variations | +/- | \$ 0.11 |
| • KWH sales variation | +/- | \$ 0.11 |
| • Gas price risk | +/- | \$ 0.11 - \$(0.07) |
| • Efficiency gains | + | \$ 0.00 - \$ 0.08 |

Earnings Outlook Beyond 2004 and Rate Case Resolution

At least \$3.40 per share, assuming:

- **ACC grants APS' rate request**
- **Trading contributions of \$0.07 per share**
- **Combined SunCor and APS Energy Services earnings of \$0.33 per share in 2005 and \$0.11 per share after 2005**

Strong EBITDA Interest Coverage

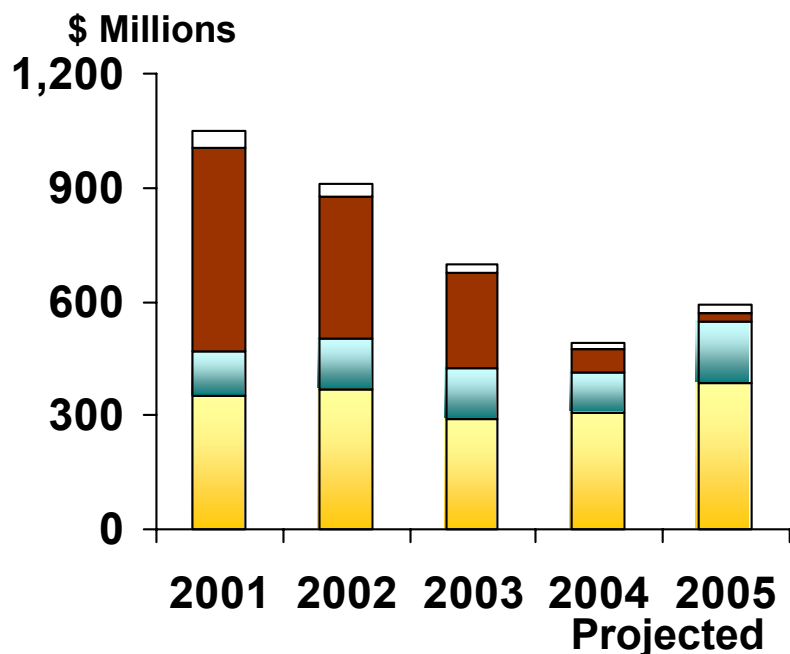


* Pinnacle West excluding non-recurring items

** S&P Electrics reflect latest available (12 months ended 9/30/03)

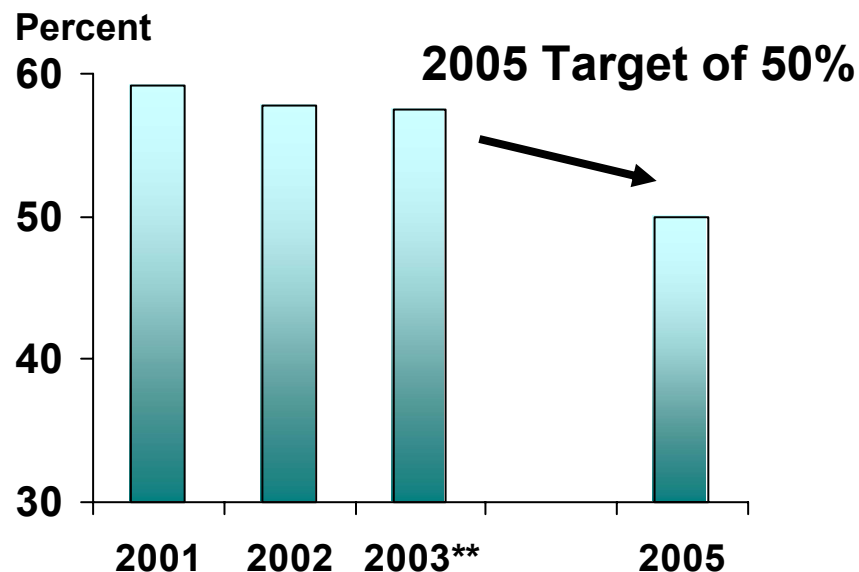
Balancing Growth & Financial Strength

Capital Expenditures Excluding SunCor



- Other
- PWEC Generation
- APS Generation
- Delivery

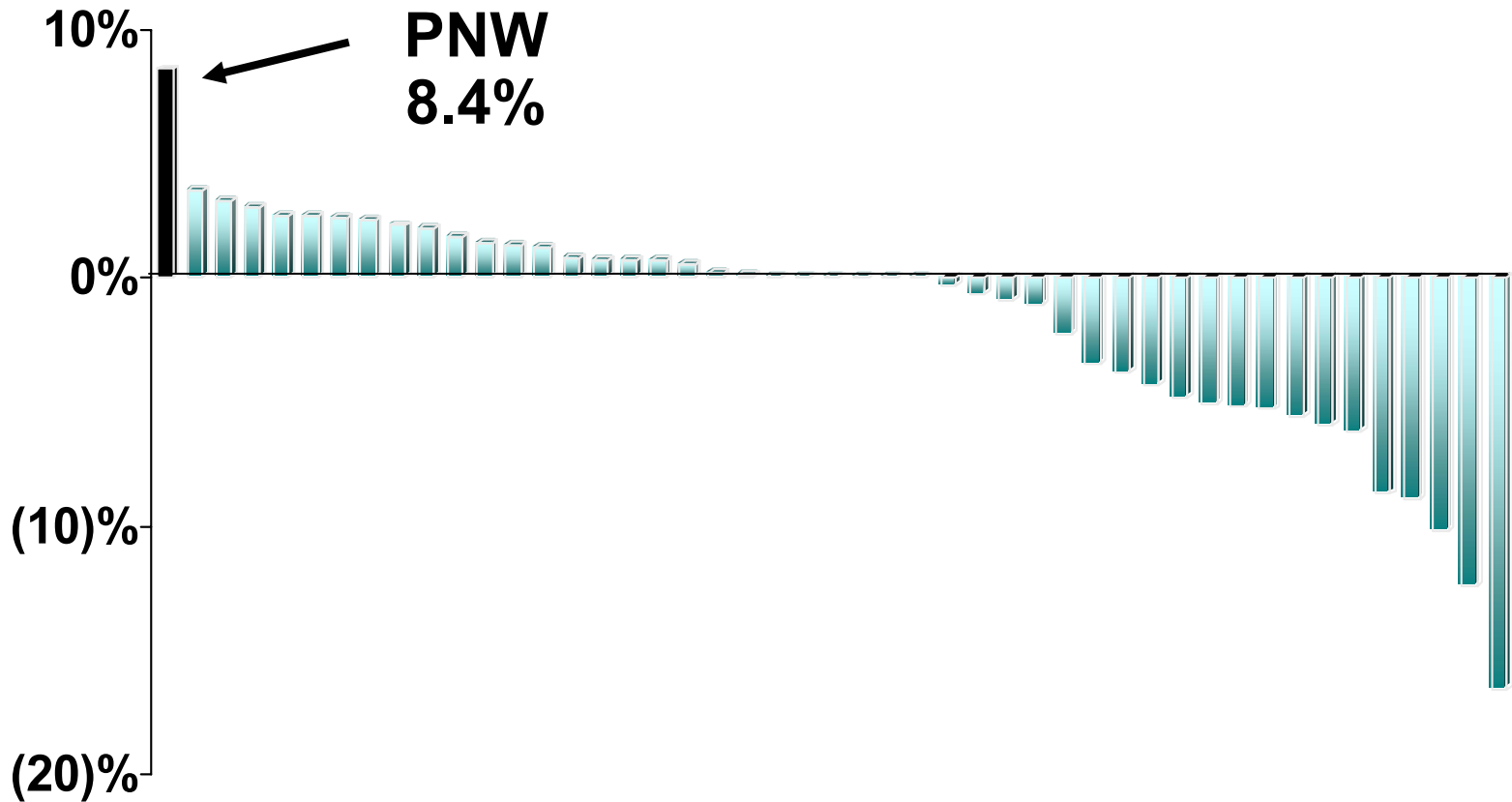
Consolidated Debt Ratio*



- * Includes Palo Verde sale/leaseback
- ** Unaudited

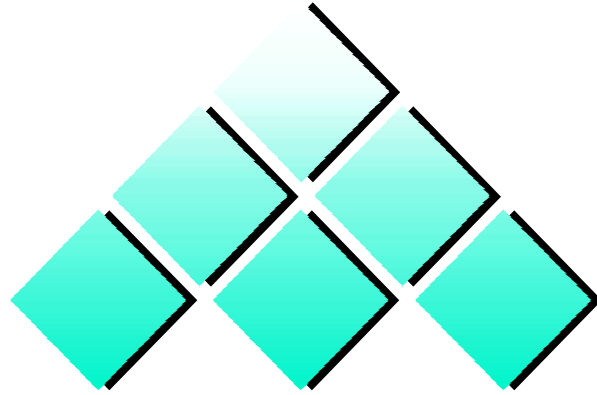
Creating Long-term Shareholder Value

Superior Dividend Growth 1993 - 2003



Maintaining Strategic Focus

- **A vertically integrated utility in a high-growth market area**
- **Focusing on strong operational and financial performance**
- **Pursuing constructive regulatory outcomes**
- **Managing risks in changing energy markets**
- **Creating long-term value for shareholders**



PINNACLE WEST
CAPITAL CORPORATION

Appendix

Current Credit Ratings

	<u>S&P</u>	<u>Moody's</u>
Arizona Public Service Co.		
First Mortgage Bonds/ Senior Secured Debt	A-	A3
Senior Unsecured Debt	BBB	Baa1
Secured Lease Obligation Bonds	BBB	Baa2
Commercial Paper	A2	P2
Pinnacle West Capital Corp.		
Senior Unsecured Debt	BBB-	Baa2
Commercial Paper	A2	P2

Liquidity Resources

APS:

- **\$250 million commercial paper facility**
 - **Backed by a \$250 million revolver expiring May 2004**
- **Unused long-term debt shelf capability of \$500 million**

Pinnacle West (parent):

- **\$250 million commercial paper facility**
 - **Backed by a \$275 million revolver expiring late 2004**
- **Unused long-term debt shelf capability of \$230 million**

Pinnacle West Reconciliation of Consolidated Net Income To On-Going Earnings*

	Three Months Ended December 31,			
	2003		2002	
	\$ Millions After Tax	Diluted EPS	\$ Millions After Tax	Diluted EPS
Consolidated net income	\$ 49.1	\$ 0.54	\$ (80.6)	\$ (0.95)
Cumulative effect of accounting change	-	-	65.7	0.77
Non-recurring charges				
Severance	-	-	6.8	0.08
Redhawk cancellation	-	-	29.7	0.35
NAC charges	-	-	22.9	0.27
Tax credits related to prior years	(10.7)	(0.12)	-	-
Subtotal	(10.7)	(0.12)	59.4	0.70
Total cumulative effect and unusual items	(10.7)	(0.12)	125.1	1.47
On-going earnings	\$ 38.4	\$ 0.42	\$ 44.5	\$ 0.52

* Management believes on-going earnings provides investors with a useful indicator of our results on a comparable basis because it excludes unusual items that may occur on an irregular basis. Management uses on-going earnings, or similar concepts, to internally measure performance.

Pinnacle West Reconciliation of Consolidated Net Income To On-going Earnings*

Years Ended December 31,

	2003		2002	
	\$ Millions After Tax	Diluted EPS	\$ Millions After Tax	Diluted EPS
Consolidated net income	\$ 240.6	\$ 2.63	\$ 149.4	\$ 1.76
Cumulative effect of accounting change	-	-	65.7	0.77
Non-recurring changes				
Severance	-	-	21.8	0.26
Redhawk cancellation	-	-	29.7	0.35
NAC charges	-	-	35.5	0.42
Tax credits related to prior years	(17.2)	(0.19)	-	-
Subtotal	(17.2)	(0.19)	87.0	1.03
Total cumulative effect and unusual items	(17.2)	(0.19)	152.7	1.80
On-going earnings	\$ 223.4	\$ 2.44	\$ 302.1	\$ 3.56

* Management believes on-going earnings provides investors with a useful indicator of our results on a comparable basis because it excludes unusual items that may occur on an irregular basis. Management uses on-going earnings, or similar concepts, to internally measure performance.

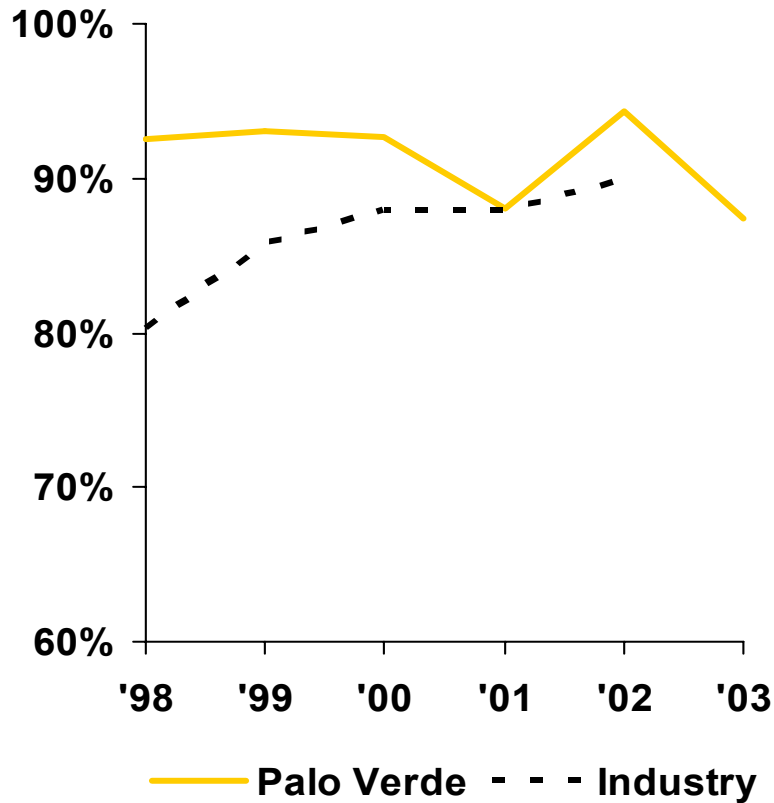
Pinnacle West EBITDA Interest Coverage Reconciliation To Income From Continuing Operations*

(\$ millions)	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Income from continuing operations	\$ 270	\$ 302	\$ 327	\$ 206	\$ 231
Income taxes	142	194	214	132	106
Interest expense, net of capitalized interest	145	145	128	144	175
Depreciation and amortization	<u>420</u>	<u>431</u>	<u>428</u>	<u>424</u>	<u>438</u>
Total EBITDA	977	1,072	1,097	906	950
2002 non-recurring items-	-	-	-	87	-
Total EBITDA – adjusted	<u>\$ 977</u>	<u>\$1,072</u>	<u>\$1,097</u>	<u>\$ 993</u>	<u>\$ 950</u>
Interest expense before capitalized interest	\$ 157	\$ 166	\$ 176	\$ 188	\$ 205
EBITDA interest coverage	6.2x	6.4x	6.2x	4.8x	4.6x
EBITDA interest coverage – adjusted	6.2x	6.4x	6.2x	5.2x	4.6x

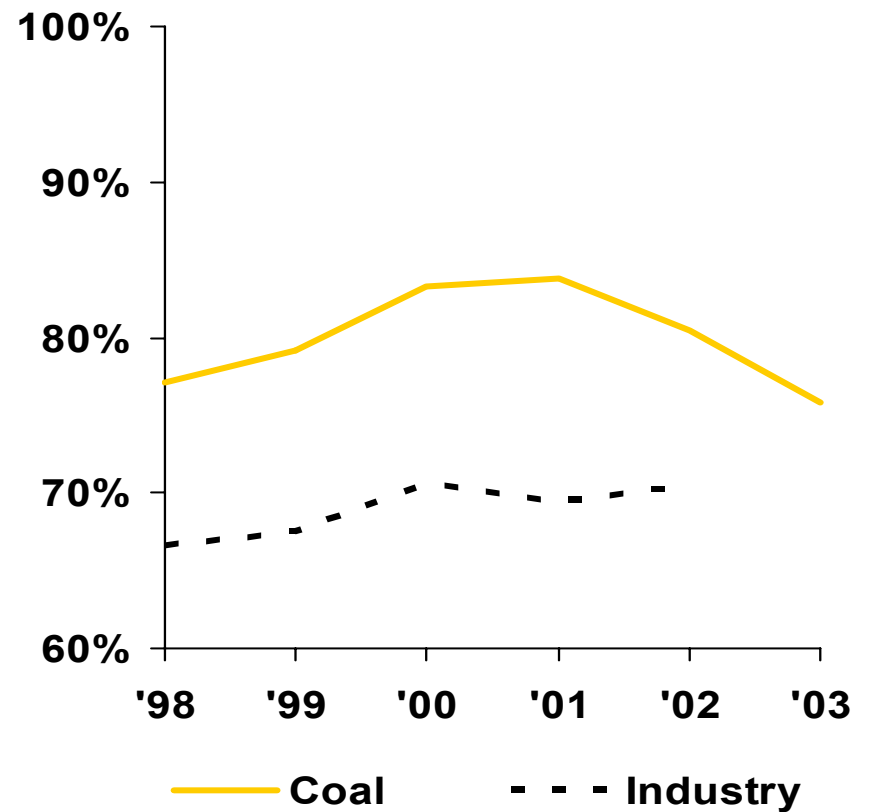
* Management believes EBITDA interest coverage provides useful information on the Company's cash flow and ability to meet its interest obligations. Management uses EBITDA, or similar concepts, to internally measure performance.

APS Capacity Factors

*Palo Verde Site Average**



Coal Average



* 2003 reflects steam generator replacement outage at Unit 2

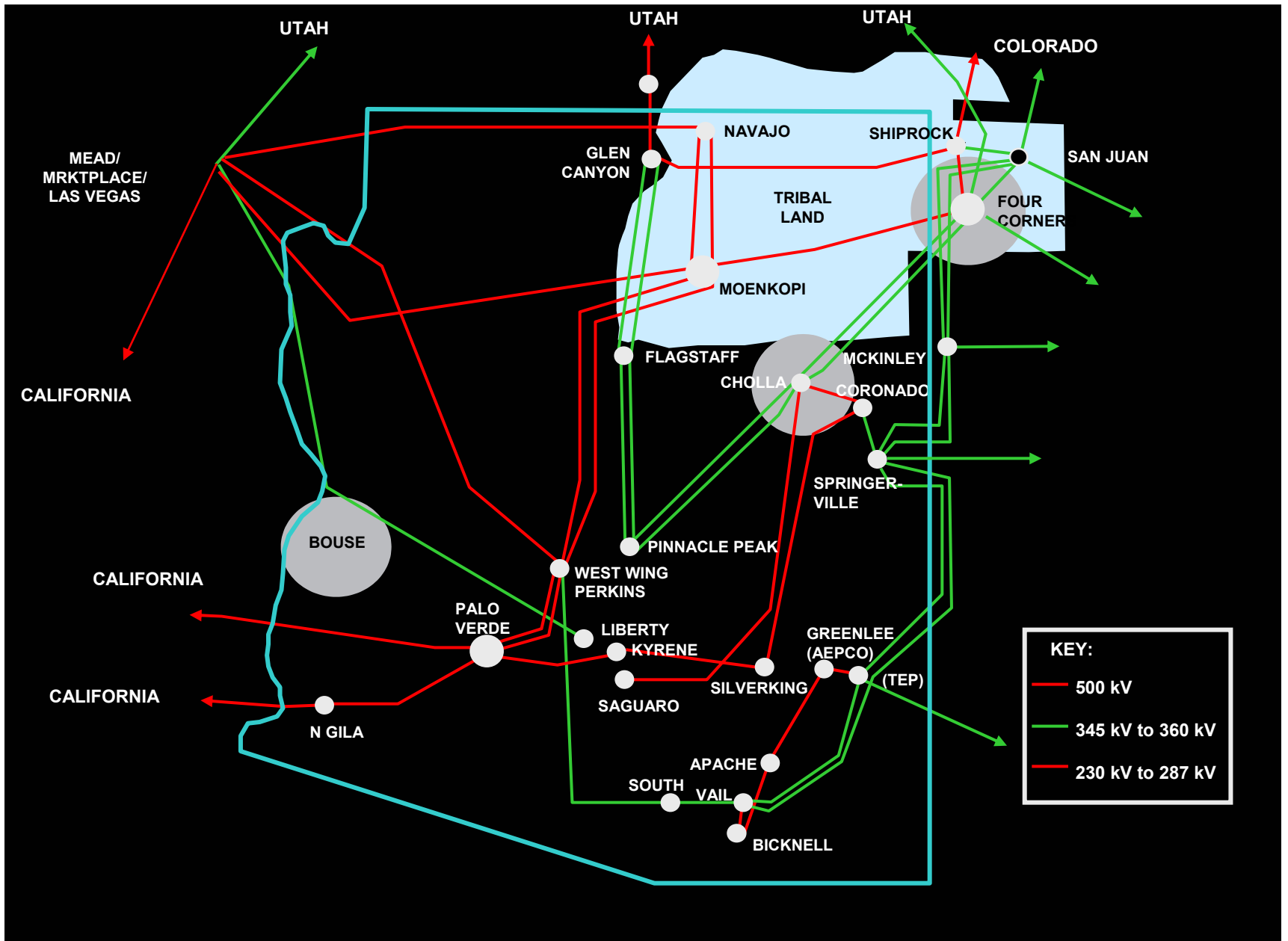
Pinnacle West Energy Plants

Commercial Operation	New Facilities	MWs	Location
June 2001	West Phoenix 4	120	Phoenix, AZ
July 2002	Saguaro CT 3	80	Red Rock, AZ
July 2002	Redhawk 1 and 2	1,060	Arlington, AZ
July 2003	West Phoenix 5	530	Phoenix, AZ
	Arizona Total	1,790	
June 2004 *	Silverhawk	570 **	Las Vegas, NV
	Totals	2,360	

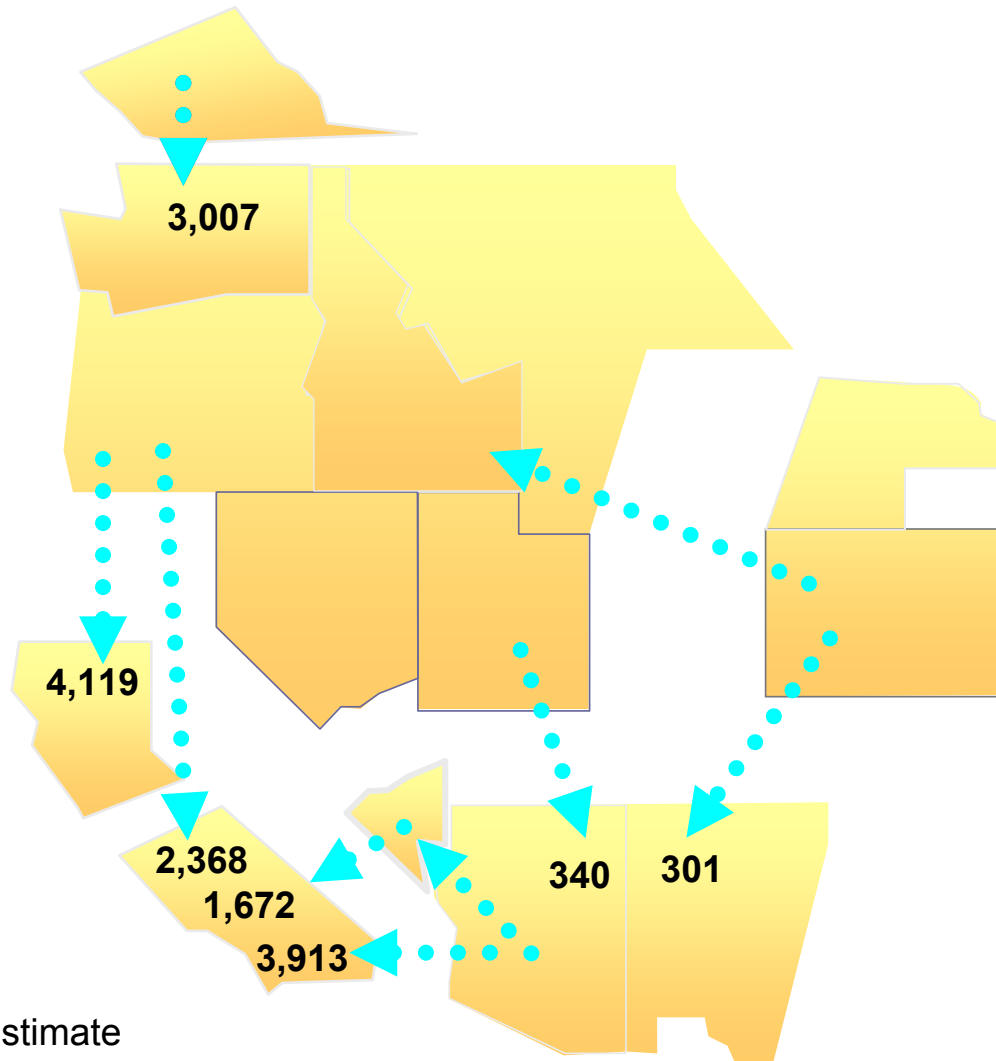
* Target

** Including 25% Southern Nevada Water Authority purchase option

Arizona Transmission System



Reliability Remains Essential WECC Available Transmission Capability*

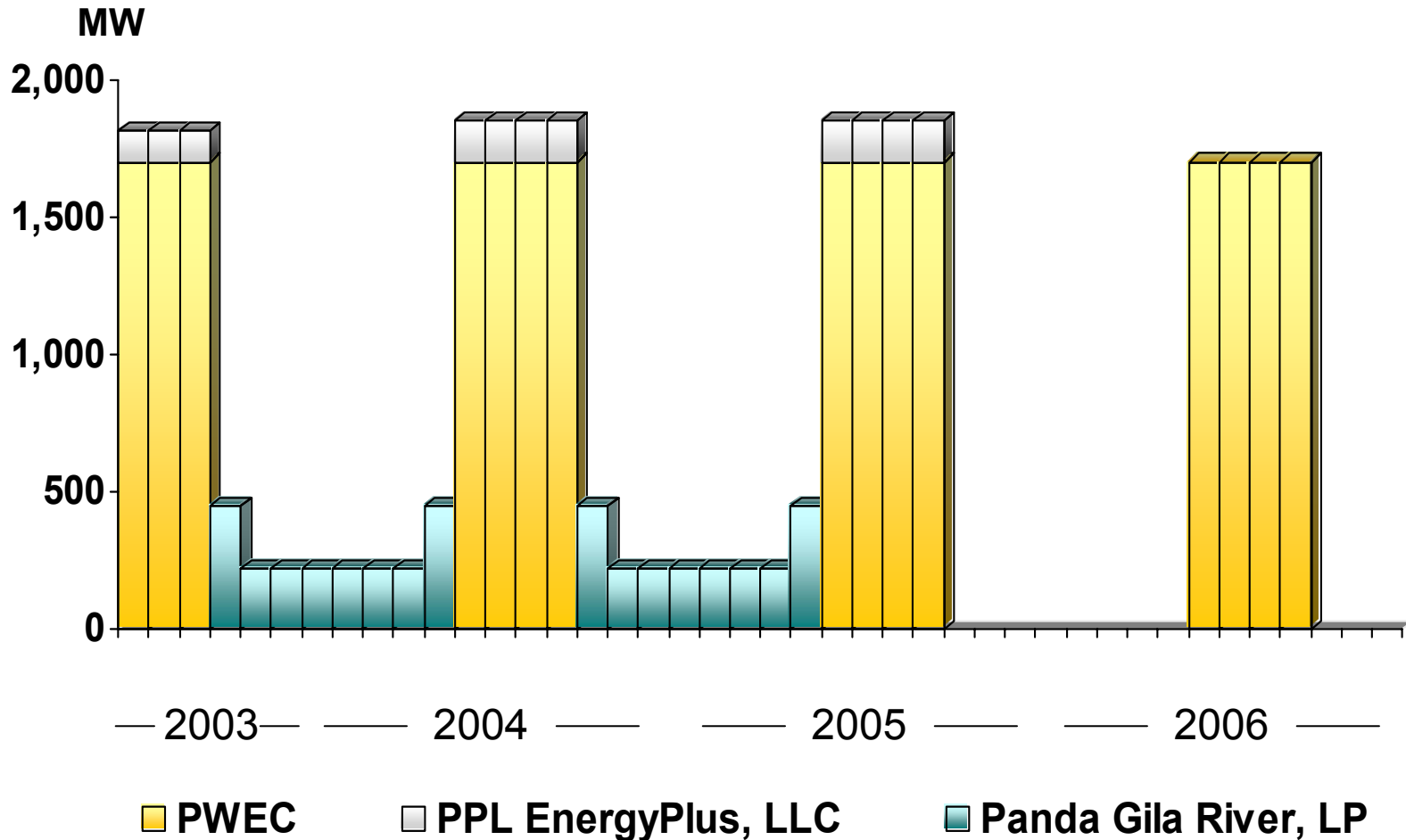


* Summer 2006 estimate

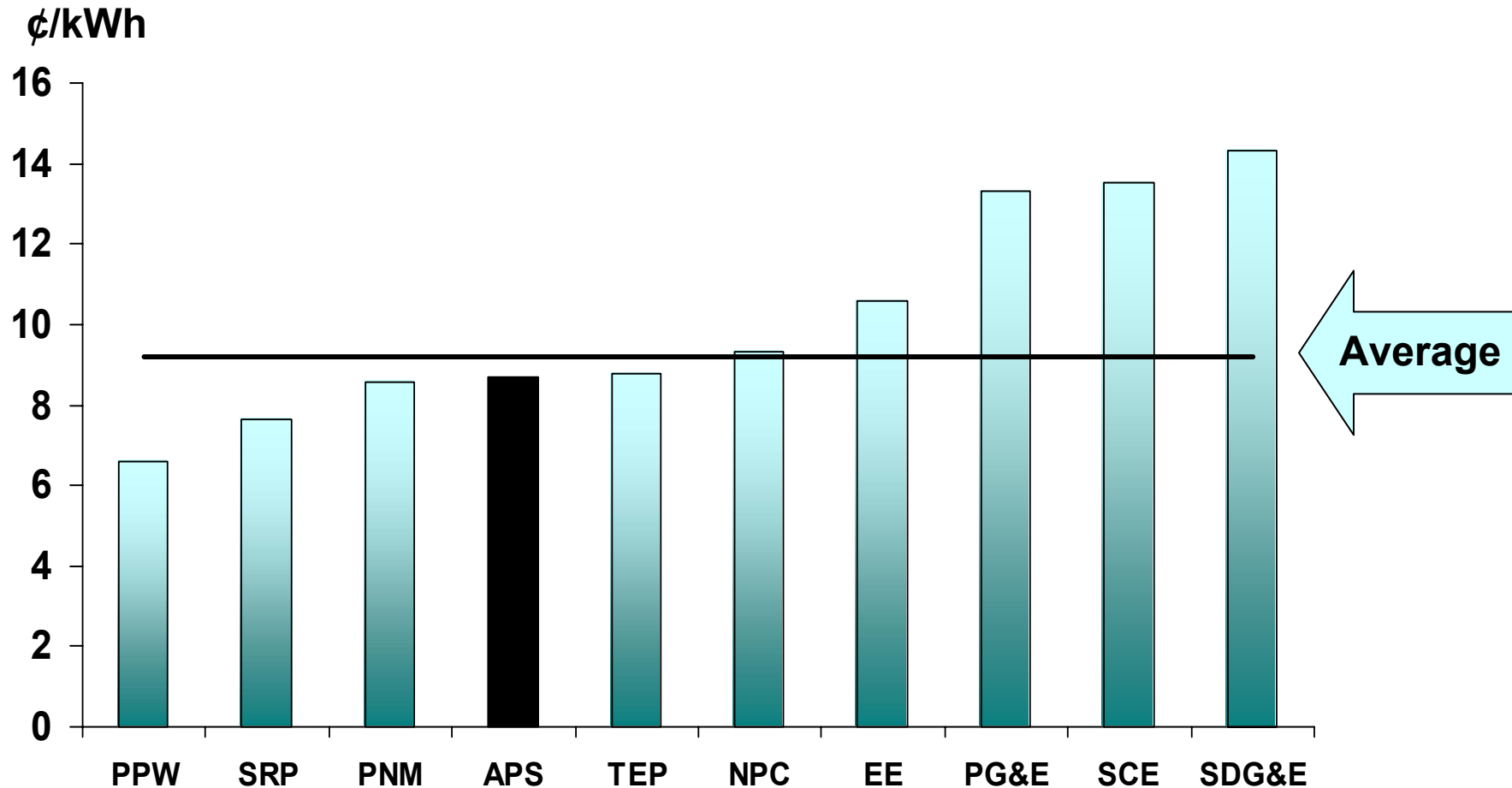
Arizona Corporation Commissioners

<u>Commissioner</u>	<u>Party Affiliation</u>	<u>Commissioner Since</u>	<u>Current Term Expires</u>
Marc Spitzer, Chairman	Republican	Jan. 2001	Jan. 2007
Michael Gleason	Republican	Jan. 2003	Jan. 2005
Jeff Hatch-Miller	Republican	Jan. 2003	Jan. 2005
Kristin Mayes	Republican	Oct. 2003	Jan. 2005
William Mundell	Republican	June 1999	Jan. 2005

APS Track B Procurement Contracts Awarded May 2003

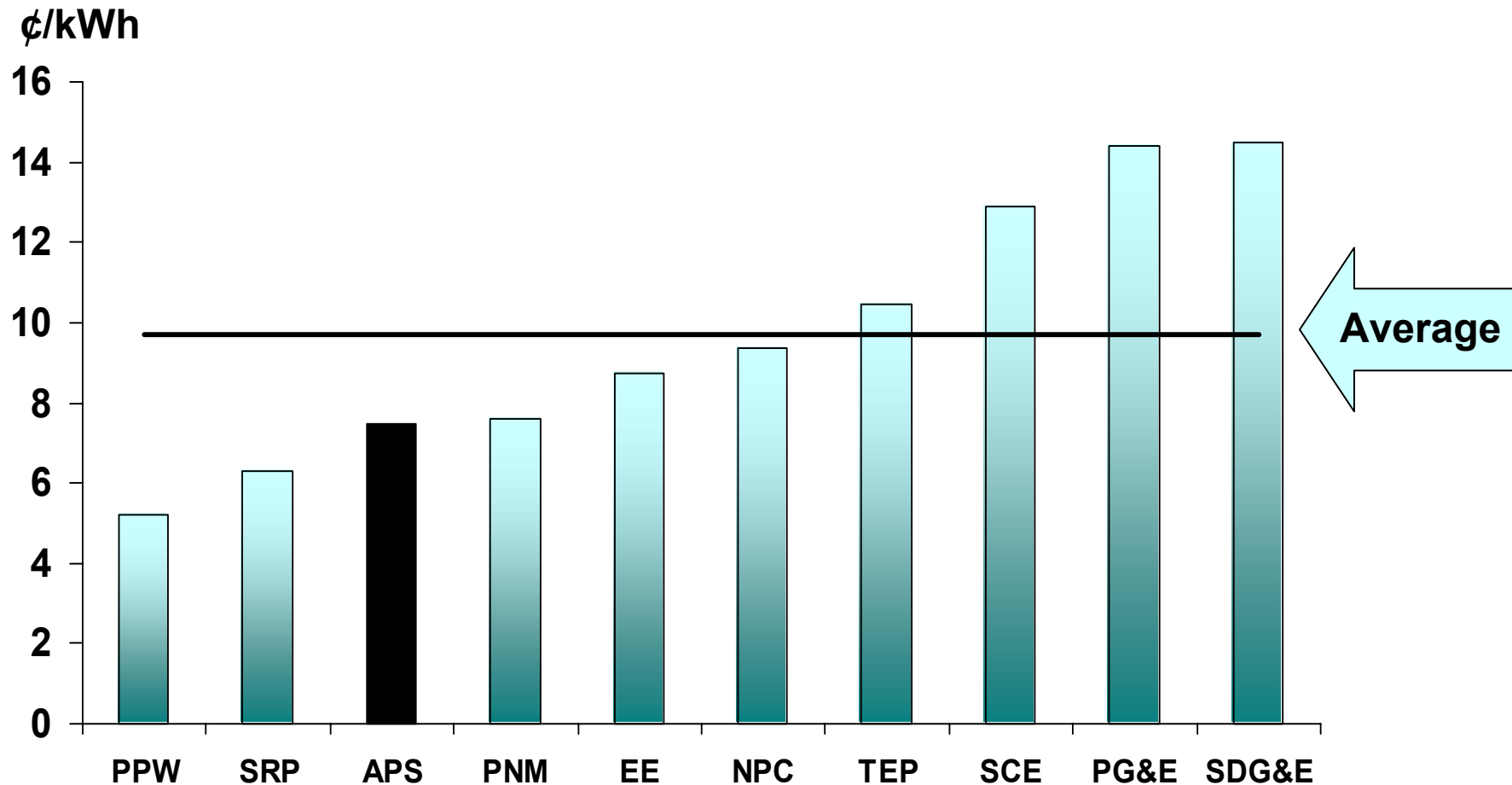


Average Residential Retail Price Ranking* Southwestern U.S.



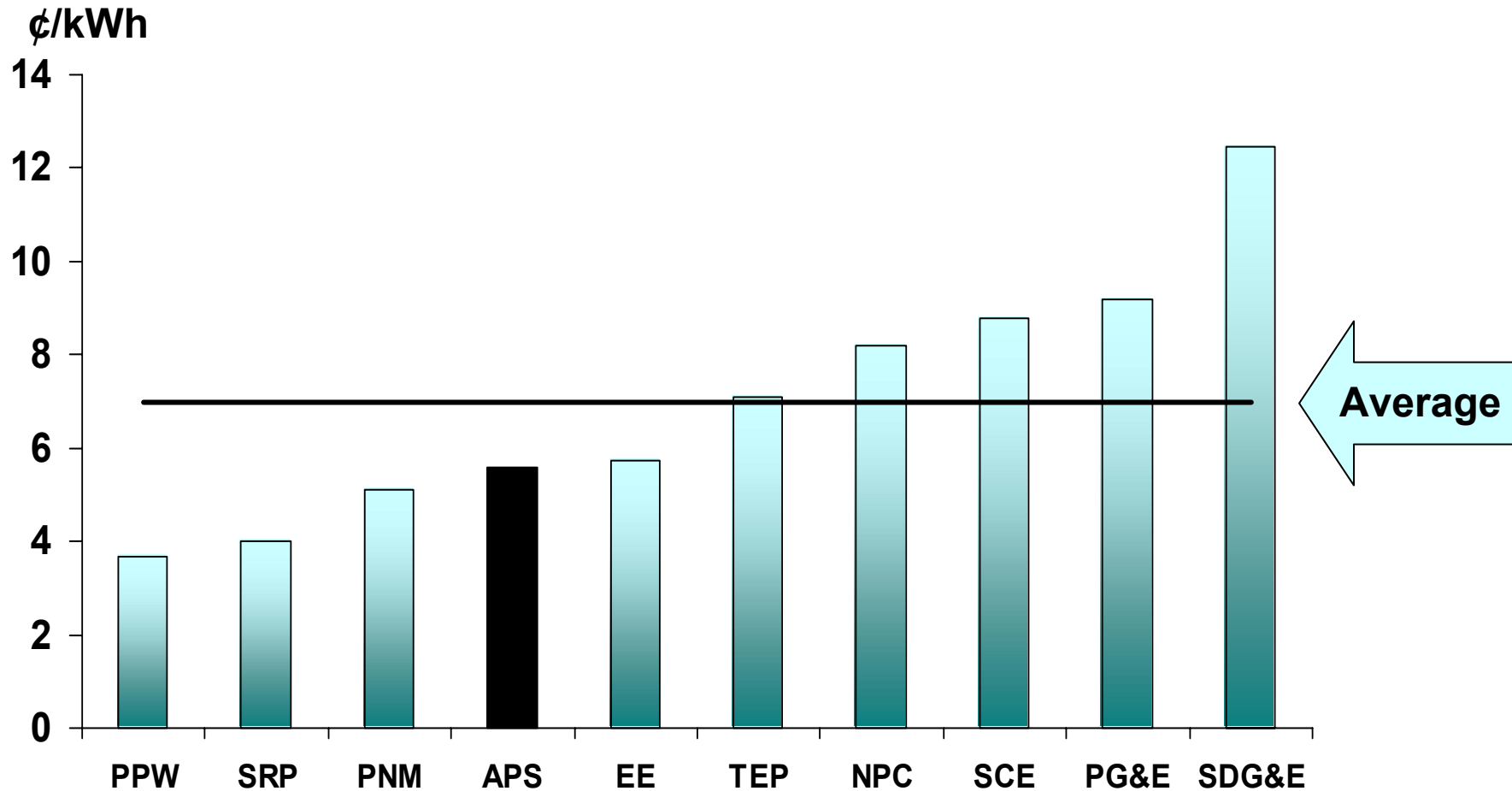
* As of December 31, 2002

Average Commercial Retail Price Ranking* Southwestern U.S.



* As of December 31, 2002

Average Industrial Retail Price Ranking* Southwestern U.S.



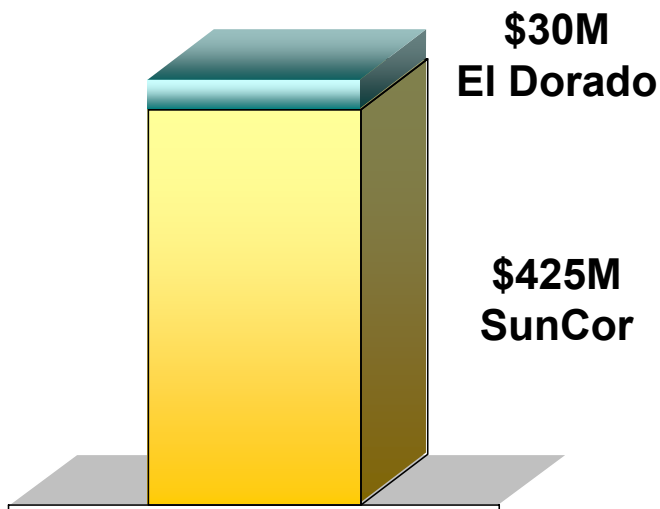
* As of December 31, 2002

APS Energy Services Overview

	<u>2003</u>	<u>2002</u>	<u>2001</u>
• Pretax Earnings	\$23 M	\$28 M	\$(10) M
• Future Drivers			
– Seize opportunities to grow existing business at reasonable margin levels			
– Renew existing contracts in California (estimated at declining margins)			
– Realize steady growth of ESCO and district cooling business			
– Favorably influence competitive rules and California expand market			
– Explore Texas opportunities			

Non-Energy Subsidiaries Overview

Assets
\$455 Million



December 31, 2003*

* Unaudited

- **Objectives**

- Cash flow and profit potential to parent

- **Current activities**

- SunCor accelerated asset sales program
- Harvesting venture capital portfolio as it matures

- **Growth opportunities**

- Select real estate opportunities
- Future investments complementing energy business