

**Bank of America
Energy & Power Conference
November 16, 2004**



PINNACLE WEST
CAPITAL CORPORATION

Forward-Looking Statements

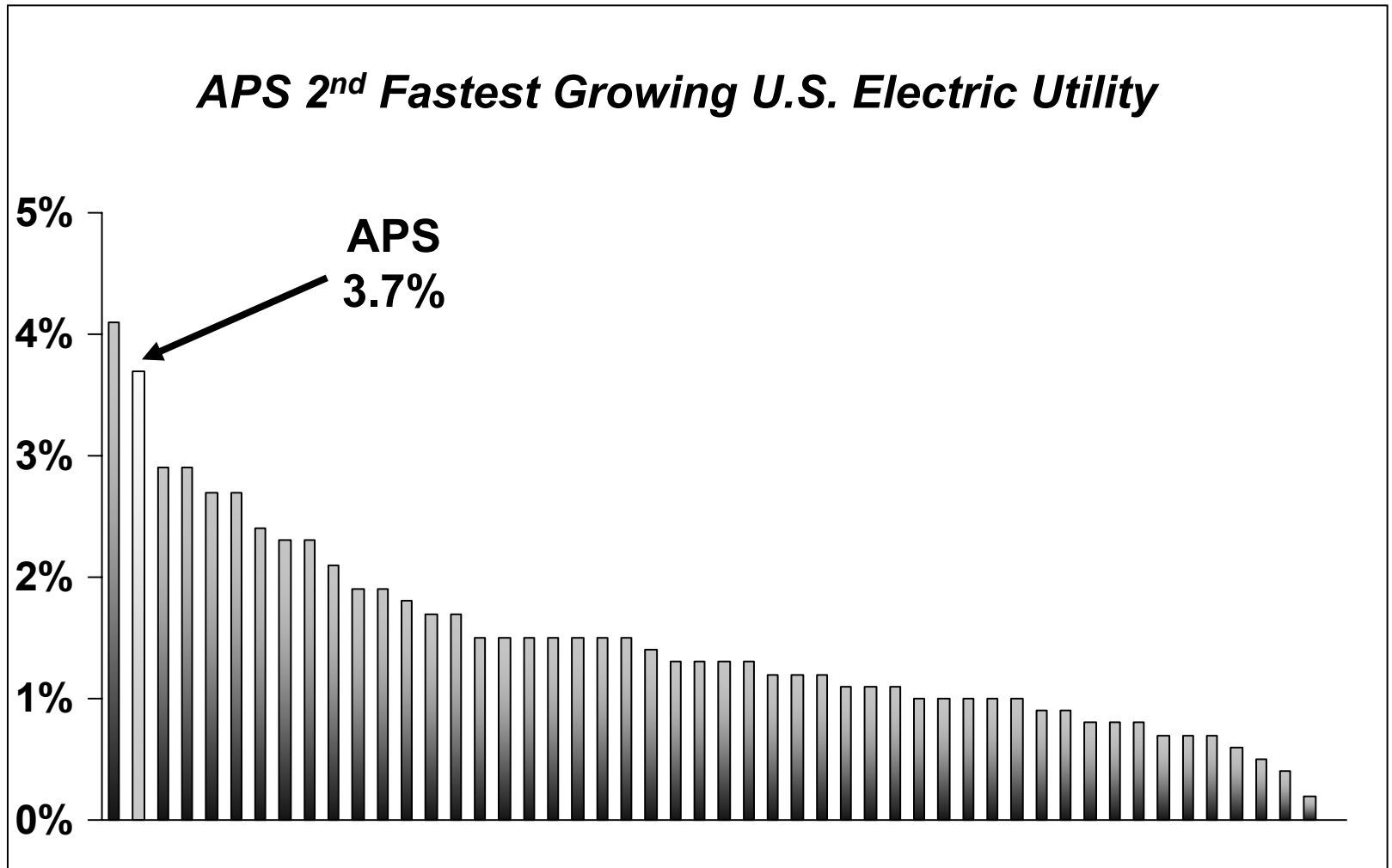
This document may contain forward-looking statements within the meaning of the safe harbor of the Private Securities Litigation Reform Act of 1995. These statements are subject to risks and uncertainties and are based on the beliefs and assumptions of our management, based on information currently available to our management. When we use words such as "believes," "expects," "anticipates," "intends," "plans," "estimates," "predicts", "should," or similar expressions, we are making forward-looking statements. Forward-looking statements are not guarantees of performance. They involve risks (including those described in the "Risk Factors" in exhibit 99.1 to our most recent report on Form 10-Q, filed with the SEC), uncertainties, and assumptions. Our future results may differ materially from those expressed in these forward-looking statements. Many of the factors that will determine these results are beyond our ability to control or predict. Except to the extent required by federal securities laws, we undertake no obligation to publicly update any forwarding-looking statement, whether as a result of new information, future events or otherwise. These factors include, but are not limited to: 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; 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, including 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 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 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; 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; conservation programs; and other uncertainties, all of which are difficult to predict and many of which are beyond our control. You are cautioned not to put undue reliance on any forward-looking statements. We claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 for any forward-looking statements contained in this presentation.

Pinnacle West Corporate Focus

- **Capturing benefits of exceptional market growth**
- **Sustaining solid customer service and operational performance**
- **Managing commodity price risk**
- **Pursuing constructive regulatory outcomes**
- **Creating long-term shareholder value**

Exceptional Market Growth

APS Extraordinary Customer Growth

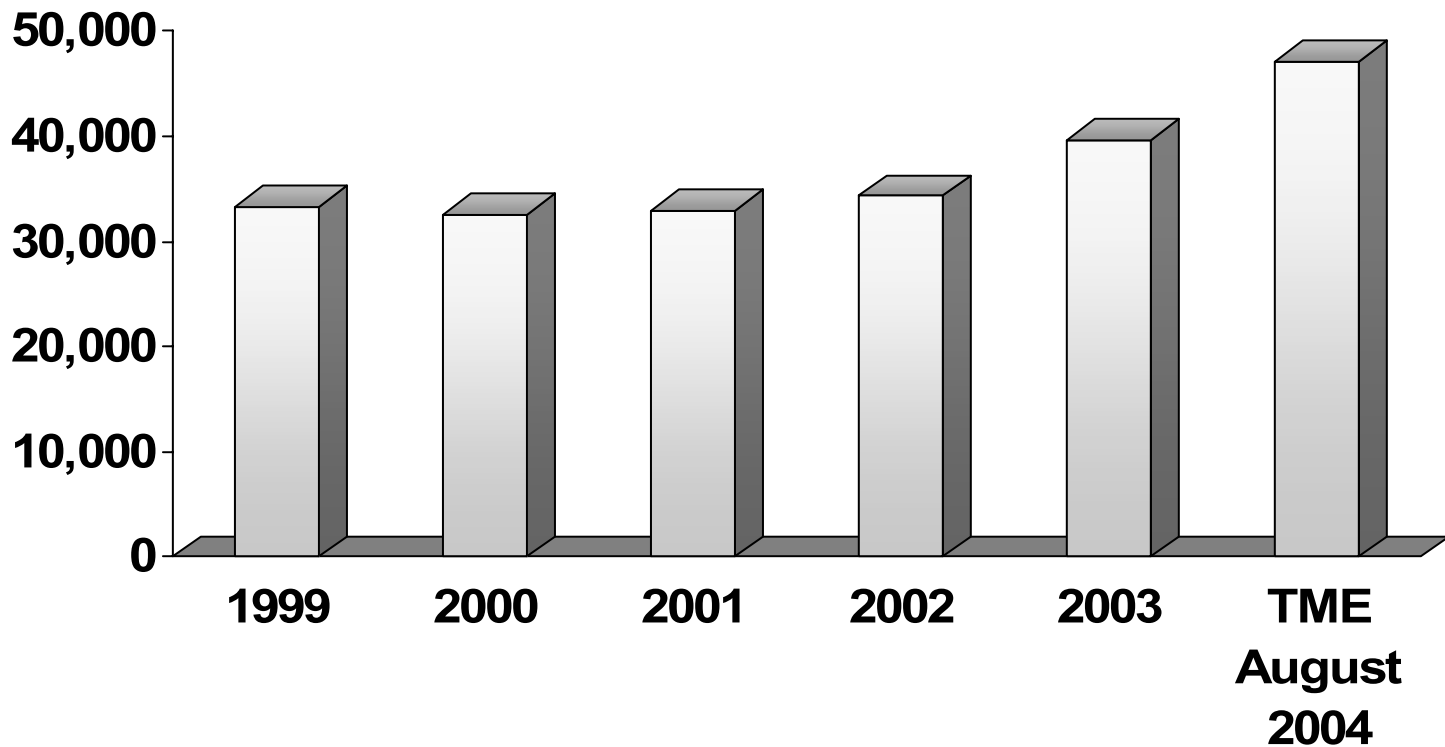


1999 – 2003 average annual growth

Metropolitan Phoenix Single-Family Building Permits

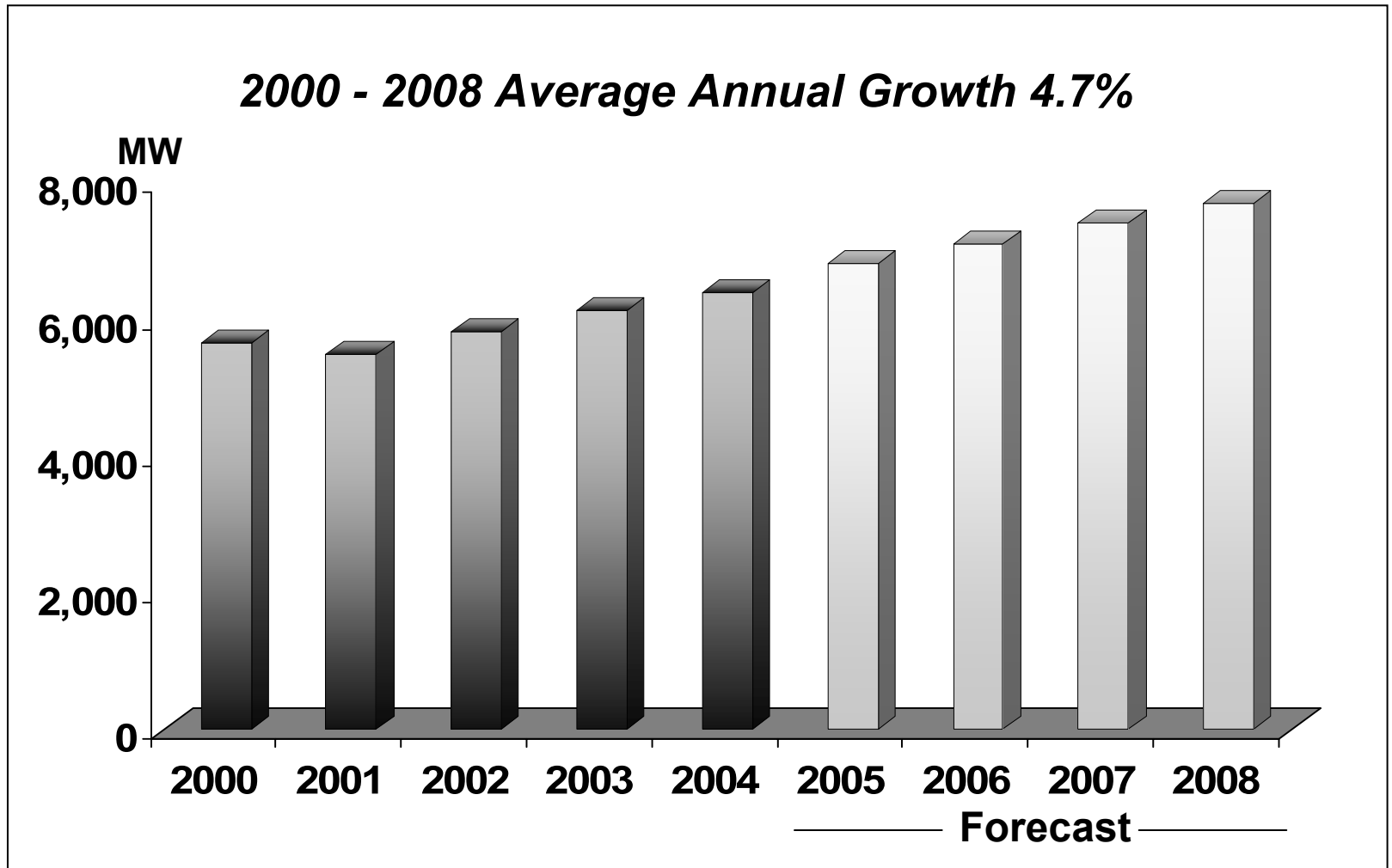
2004 Annualized Growth 28%

1999 – 2003 Average Annual Growth 3.2%

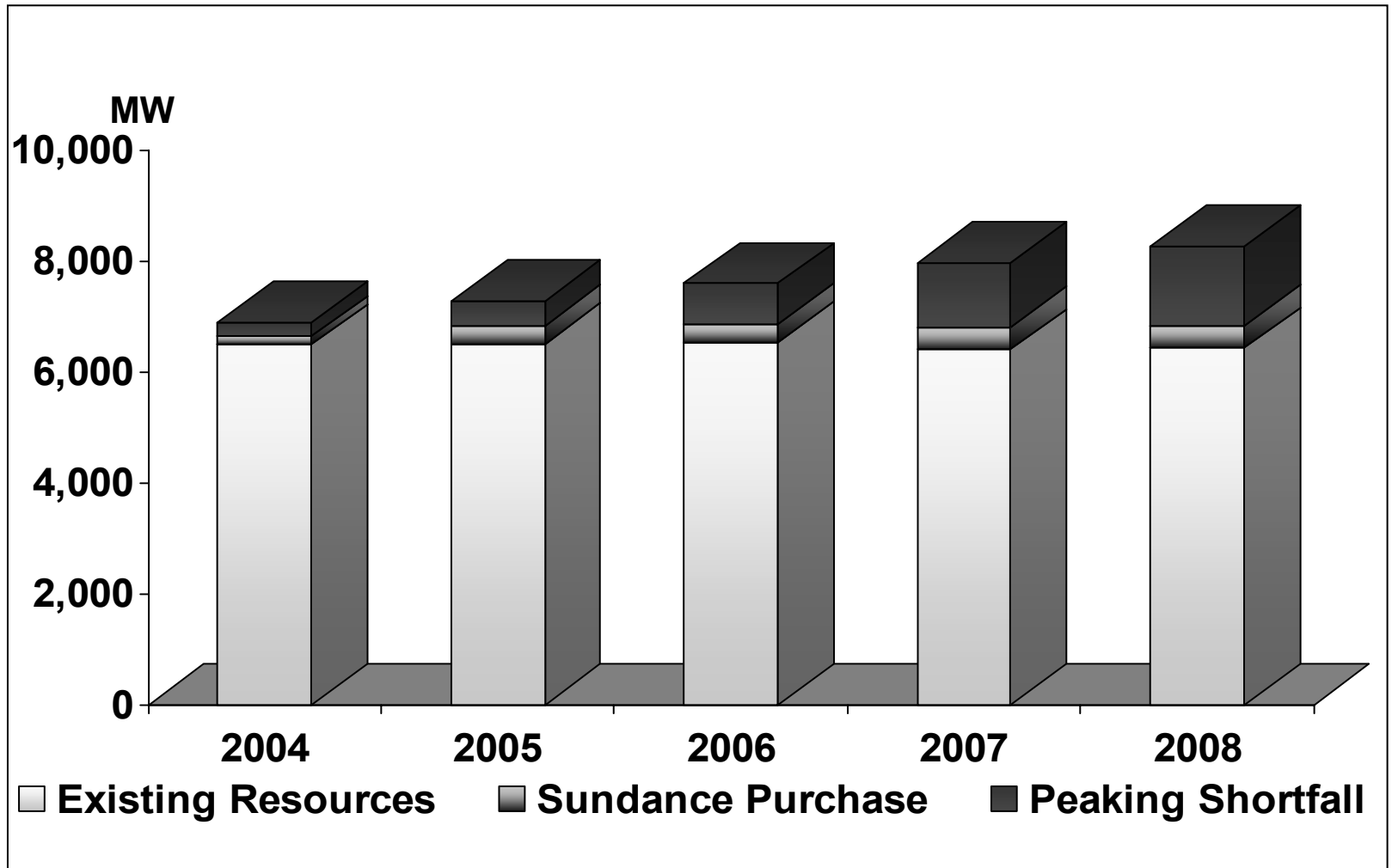


Population of Phoenix
metropolitan area
expected to increase by
1 million each decade

APS Peak Load Growth



APS Growing Generation Needs



Assuming proposed settlement

Sundance Power Plant Acquisition

Terms

- **450 MW peaking capacity southeast of Phoenix**
- **\$190 million purchase price**

Schedule

- **ACC hearing concluded October 5**
- **ACC decision target – end of 2004**
- **FERC decision target – first quarter 2005**
- **Transaction closing – end of first quarter 2005**

Solid Operational Performance

Generation

- Palo Verde – top U.S. power producer past 12 years
- Top-tier baseload performance
- 2,218 MW of new gas generation since 2001

Customer Service & Delivery

- Outstanding APS customer satisfaction rankings by J.D. Power & Associates
 - # 6 among IOU's in the U.S.
 - # 1 among IOU's in the West
- Capital investment and technology
 - Preserve reliability
 - Improve performance

Regulatory Update

APS Regulatory Strategy

- **Relationships built on consistency, accountability, performance and trust**
- **Focus on customer service**
- **Manage growth and reliability**

Proposed Retail Rate Settlement

Key Financial Provisions

- **Unifies generation assets built to serve APS customers through transfer of PWEC Arizona power plants to APS**
- **Mitigates risk of commodity price volatility with purchased power and fuel adjustor**
- **Positions APS to meet customer growth reliably at reasonable cost**
- **Increases rates 4.21% (\$75.5 million) to cover higher costs**

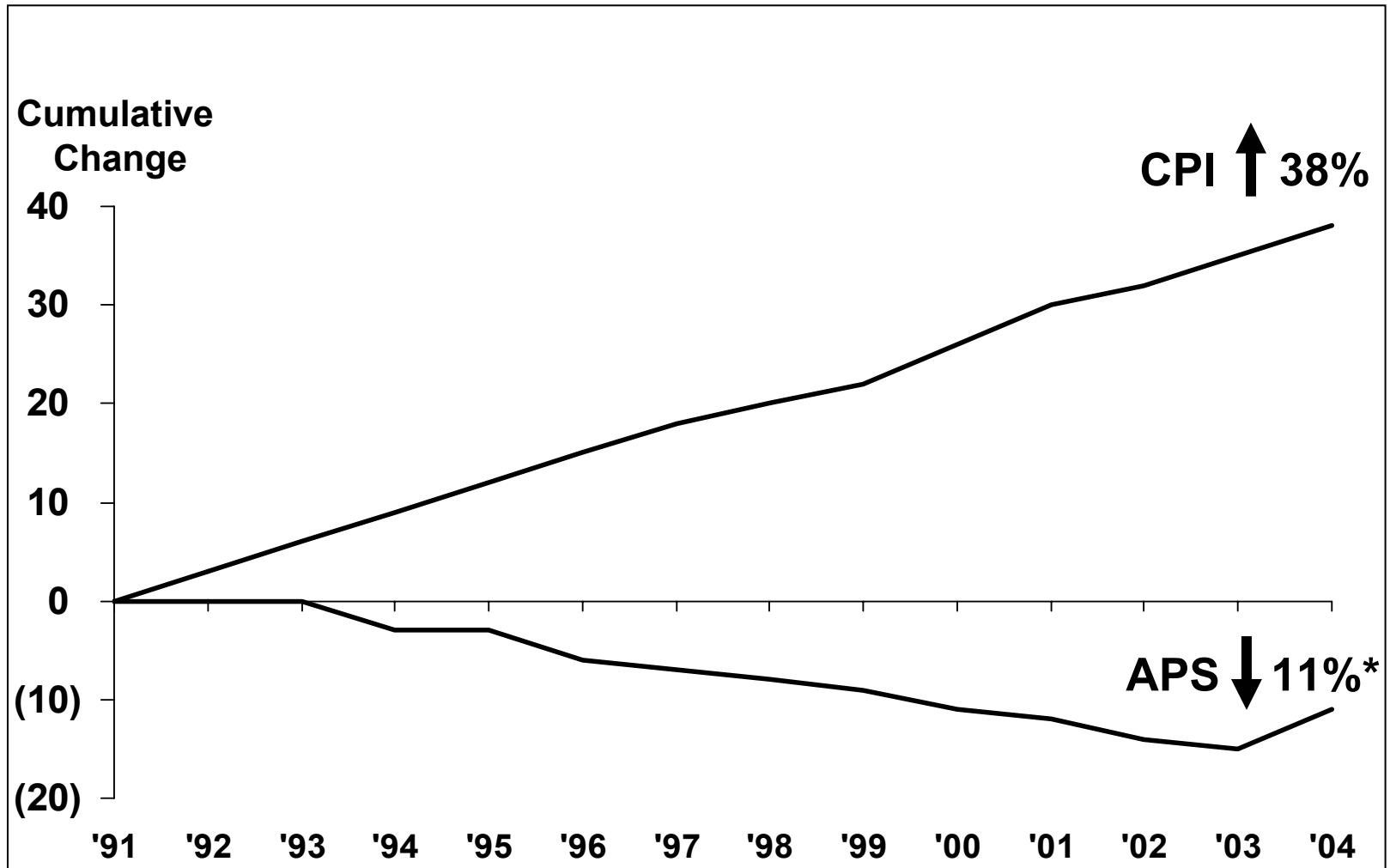
continued

Proposed Retail Rate Settlement

Key Financial Provisions (continued)

- **Maintains benefit for APS customers of favorable PWEC-APS contract pricing**
- **Provides bridge purchased power agreement between APS and PWEC pending FERC approval**
- **Resolves significant issues associated with reversal of Arizona competitive structure**

APS Prices Low Relative to Consumer Price Index



* Assuming proposed settlement

Proposed Retail Rate Settlement Target Procedural Schedule

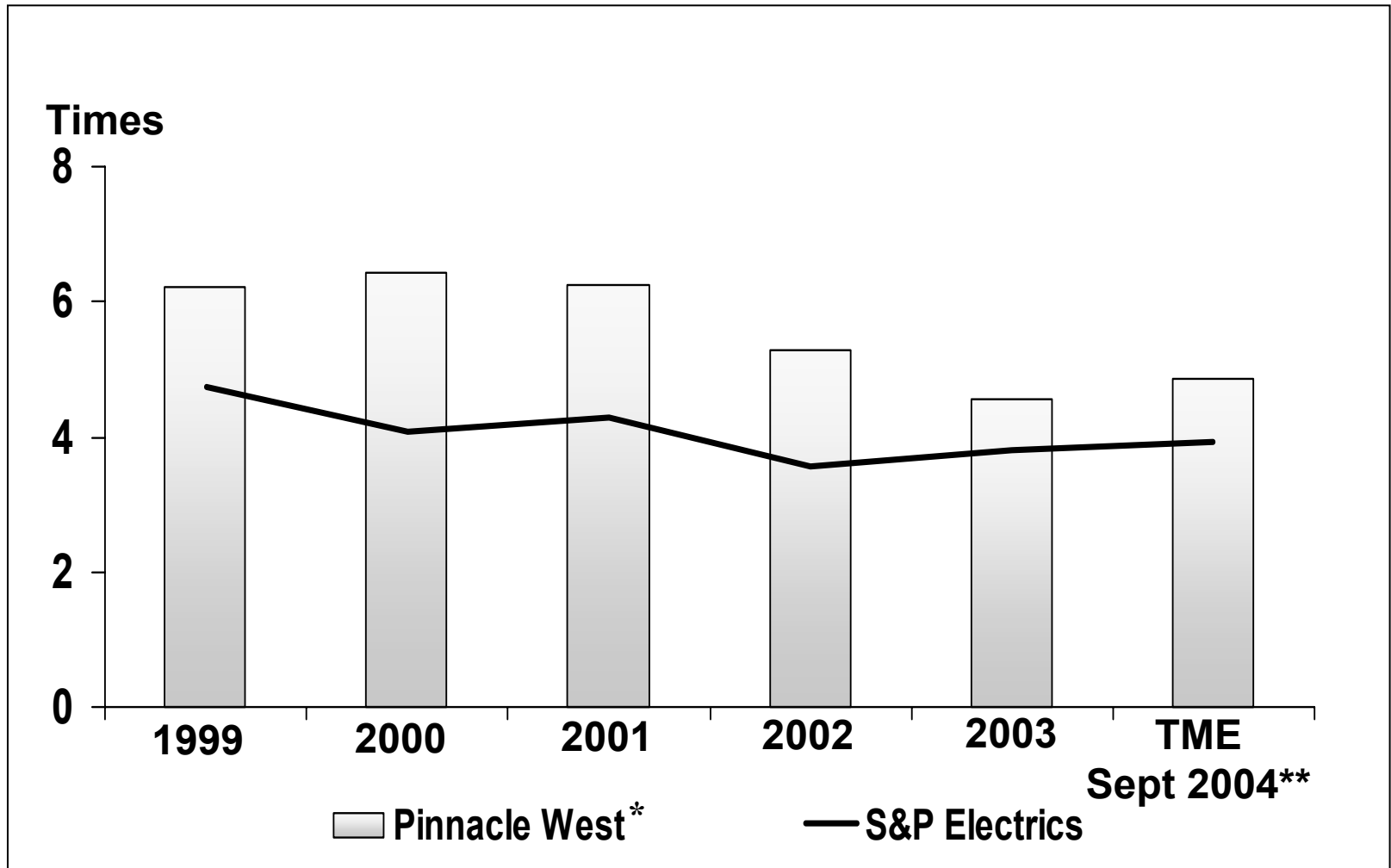
- **Hearing began November 8**
- **ACC approval around year-end 2004 or early 2005**
- **Rate increase effective following ACC approval**
- **FERC application for PWEC asset transfer to be filed after ACC approval**

Financial Overview

Financial Objectives

- **Sustain financial strength with constructive conclusion of rate case**
- **Improve investment grade credit ratings**
- **Maintain ample liquidity and capital market access**
- **Build long-term shareholder value**

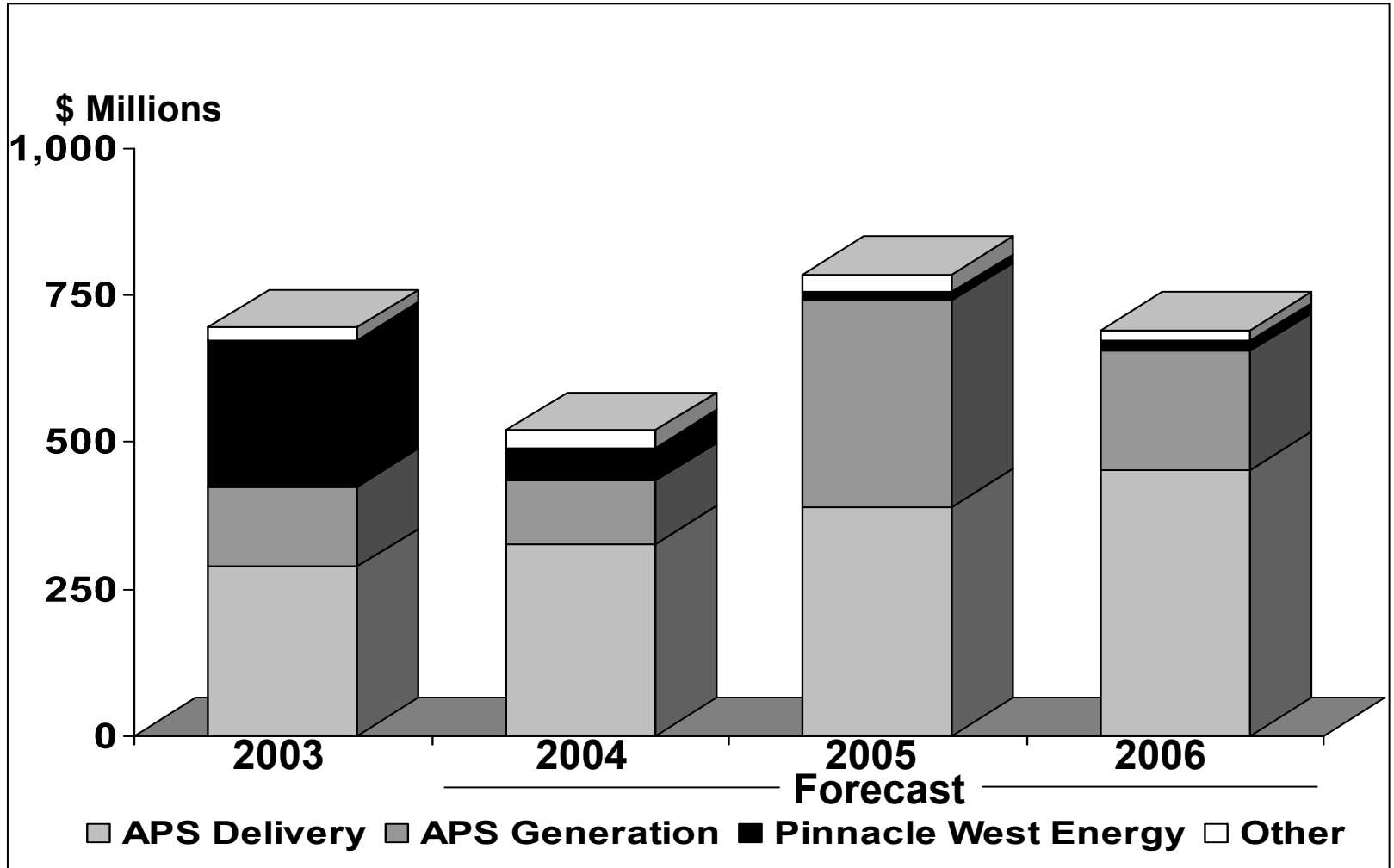
Strong EBITDA Interest Coverage



* Pinnacle West excluding non-recurring items

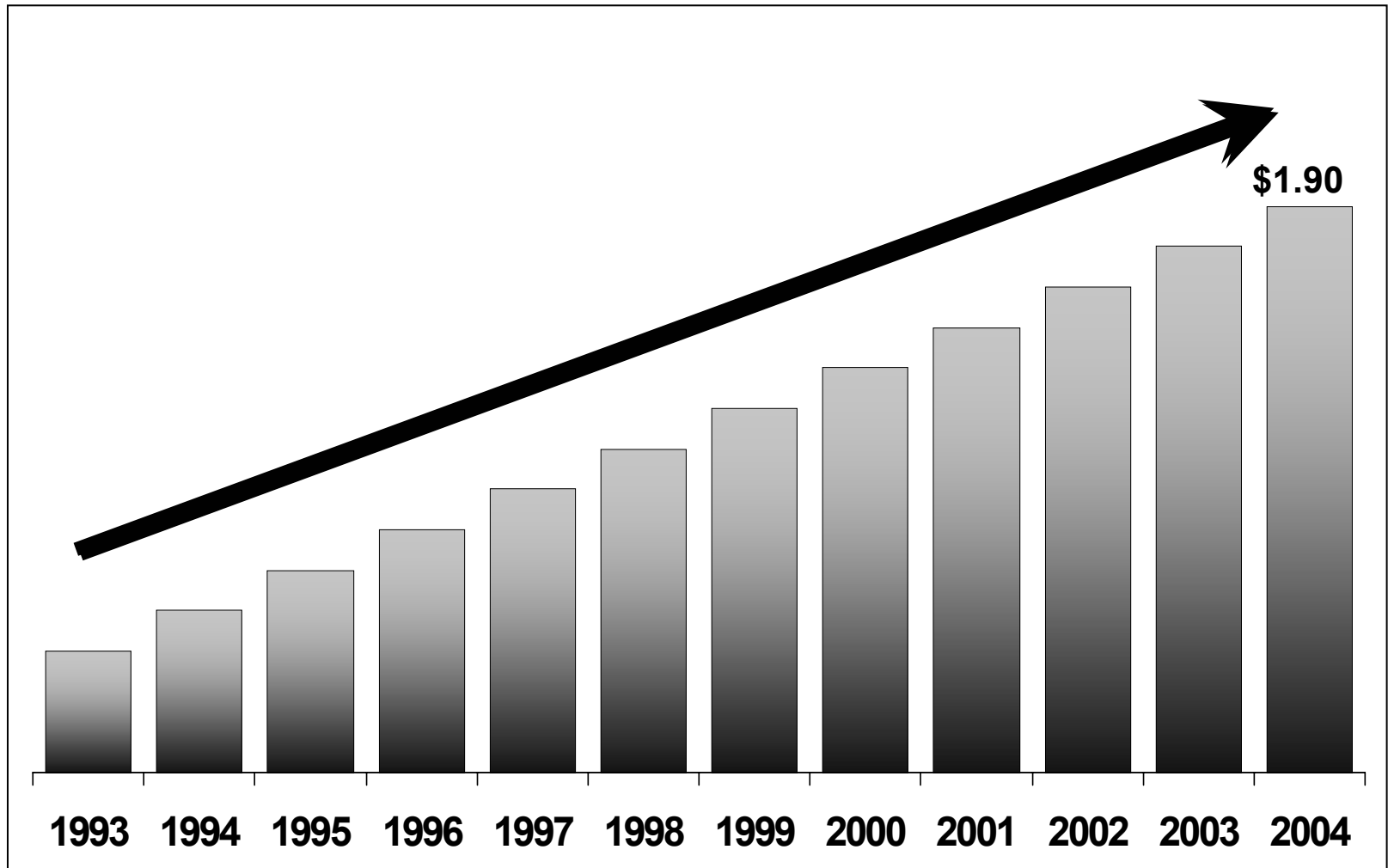
** S&P Electrics reflect latest available (12 months ended 6/30/04)

Pinnacle West Capital Expenditures To Serve Growing Customer Needs

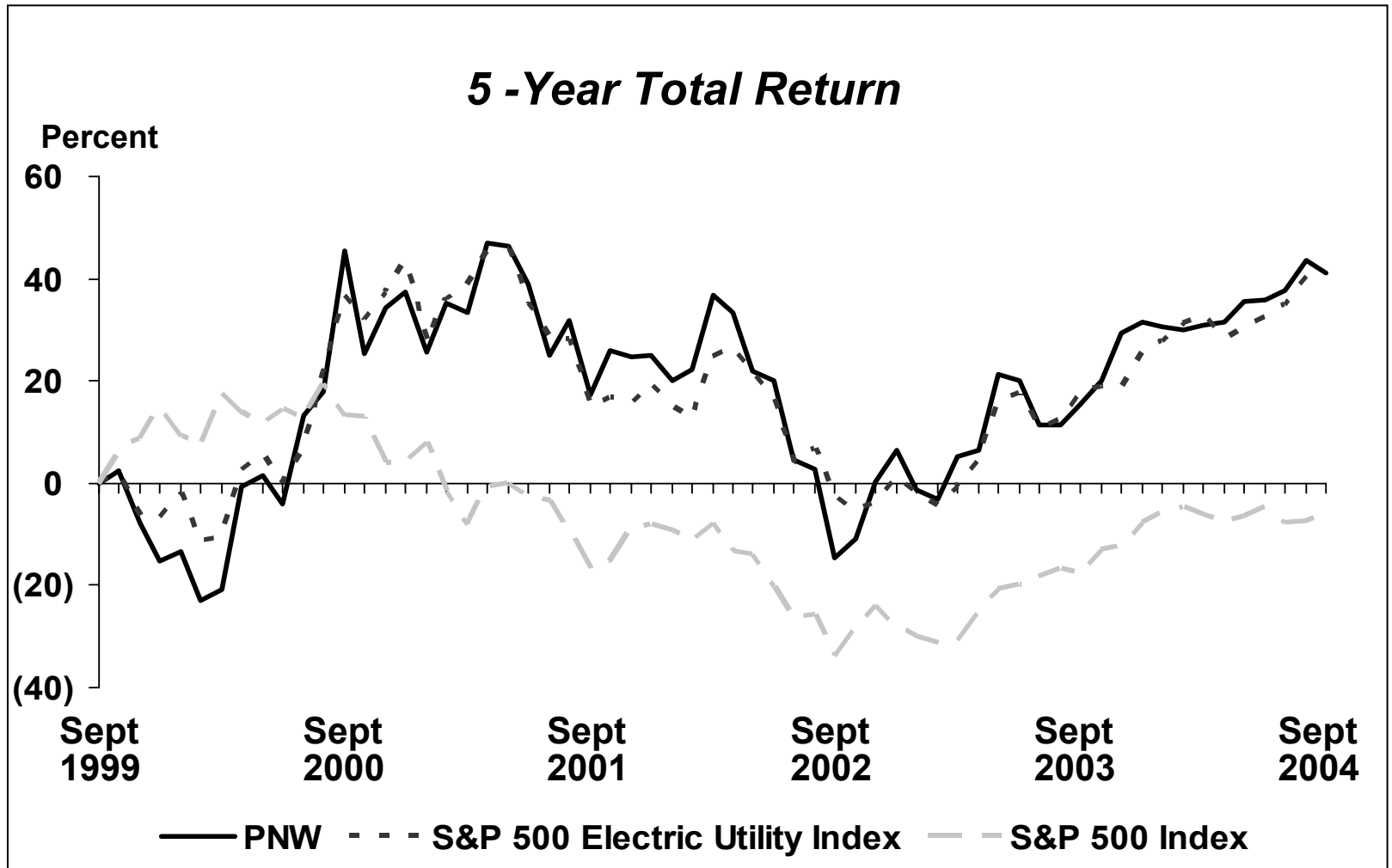


Excluding SunCor

Pinnacle West Consistent Dividend Growth Track Record



Creating Long-Term Shareholder Value



Maintaining Strategic Focus

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

Appendix

Current Credit Ratings

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

Ample Liquidity Resources

APS

- \$325 million revolver through May 2007
 - Support for \$250 million commercial paper facility
- Unused long-term debt shelf capability of \$200 million

Pinnacle West (parent)

- \$300 million revolver through 2007
 - Support for \$250 million commercial paper facility
- Unused long-term debt shelf capability of \$230 million

Pinnacle West EBITDA Interest Coverage Reconciliation To Income From Continuing Operations

(\$ millions)

	1999	2000	2001	2002	2003	TME 9/2004
Income from continuing operations	\$ 270	\$ 302	\$ 327	\$ 206	\$ 231	\$ 251
Income taxes	142	194	214	132	106	124
Interest expense, net of capitalized interest	145	145	128	144	175	179
Depreciation and amortization	420	431	428	424	438	417
Total EBITDA	977	1,072	1,097	906	950	971
Non-recurring items	-	-	-	87	(17)	(11)
Total EBITDA – adjusted	<u>\$ 977</u>	<u>\$1,072</u>	<u>\$1,097</u>	<u>\$ 993</u>	<u>\$ 933</u>	<u>\$ 960</u>
Interest expense before capitalized interest	\$ 157	\$ 166	\$ 176	\$ 188	\$ 205	\$ 198
EBITDA interest coverage	6.2x	6.4x	6.2x	4.8x	4.6x	4.9x
EBITDA interest coverage – adjusted	6.2x	6.4x	6.2x	5.2x	4.5x	4.8x

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.

Arizona Corporation Commissioners

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

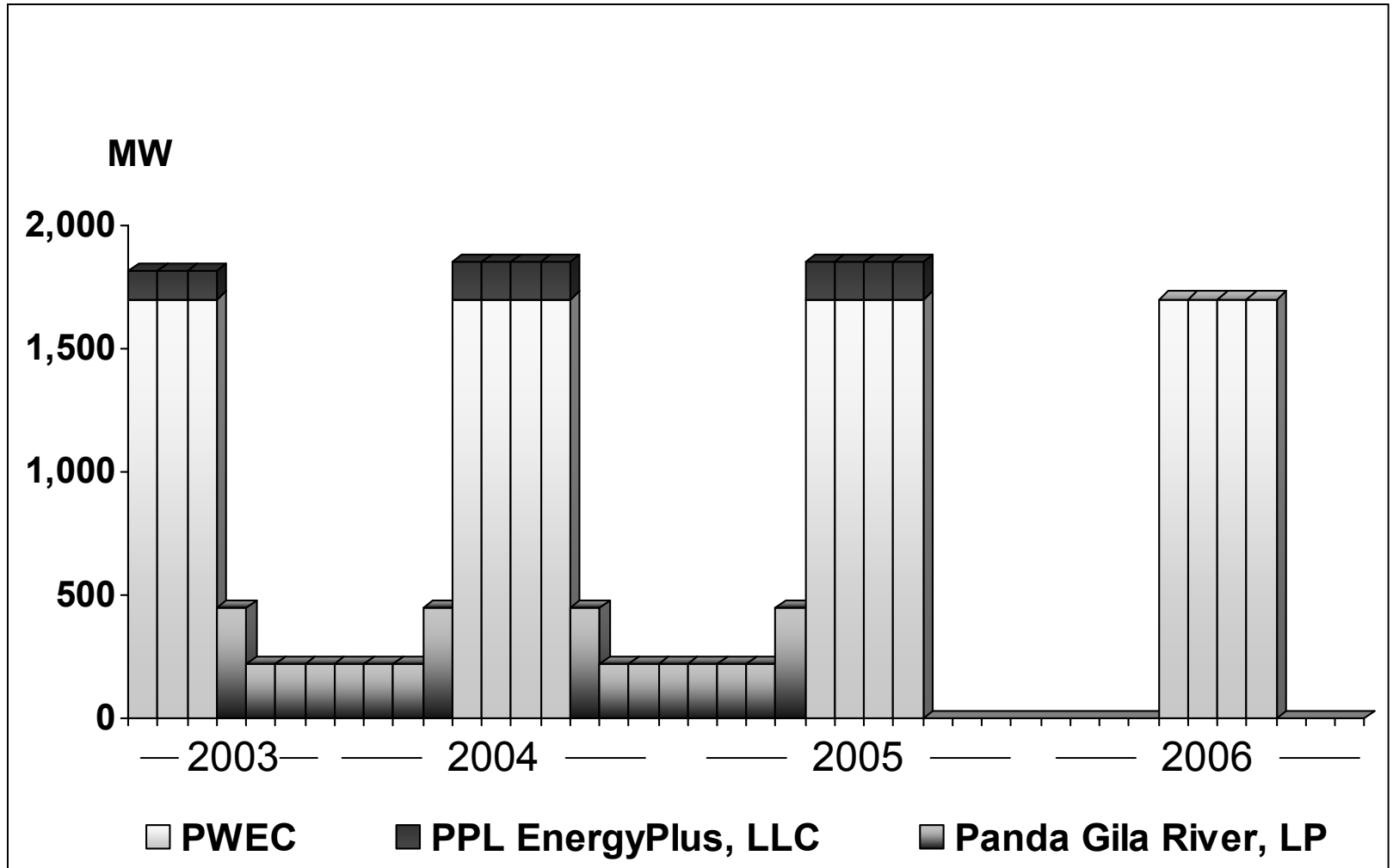
Proposed Retail Rate Settlement

Major Changes in Revenue Requirements

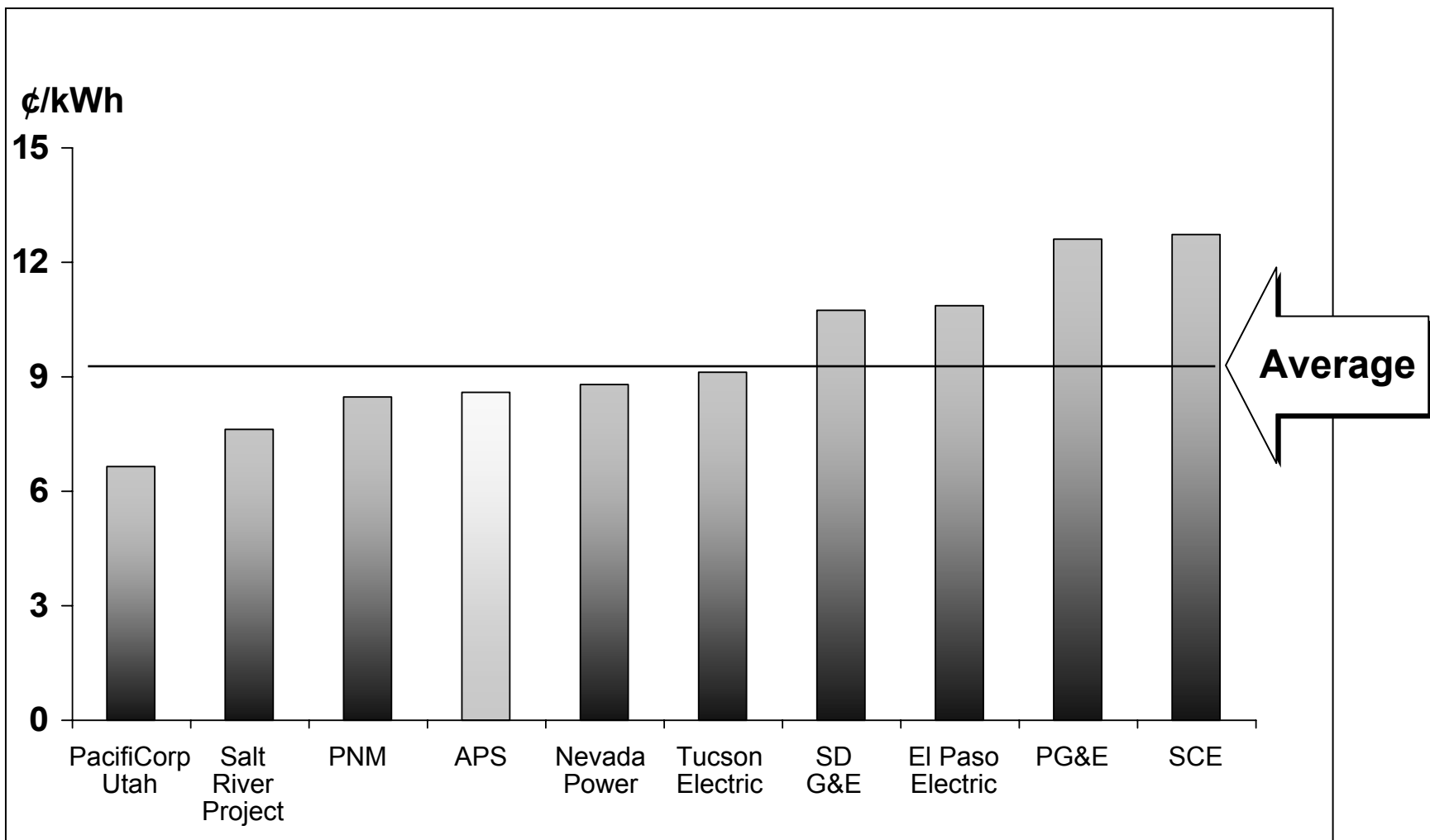
(\$ Millions)

Original APS request	\$175
ROE to 10.25% versus 11.50%	(36)
No recovery of \$234 million write-off	(32)
Lengthen asset depreciable lives	(26)
\$148 million rate base disallowance	(22)
Miscellaneous - net	<u>17</u>
Proposed settlement	<u><u>\$ 76</u></u>

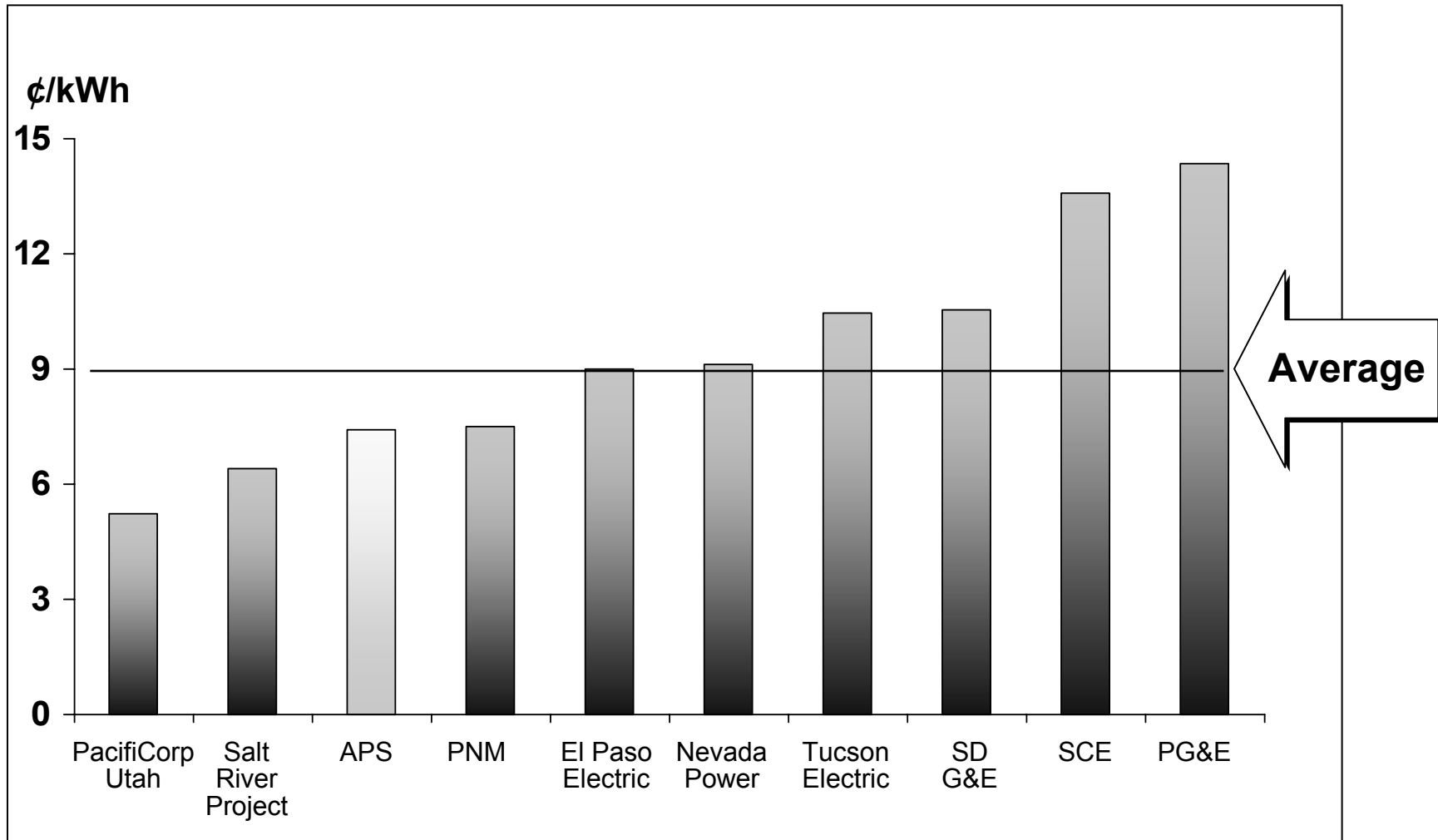
APS Track B Procurement Contracts Awarded May 2003



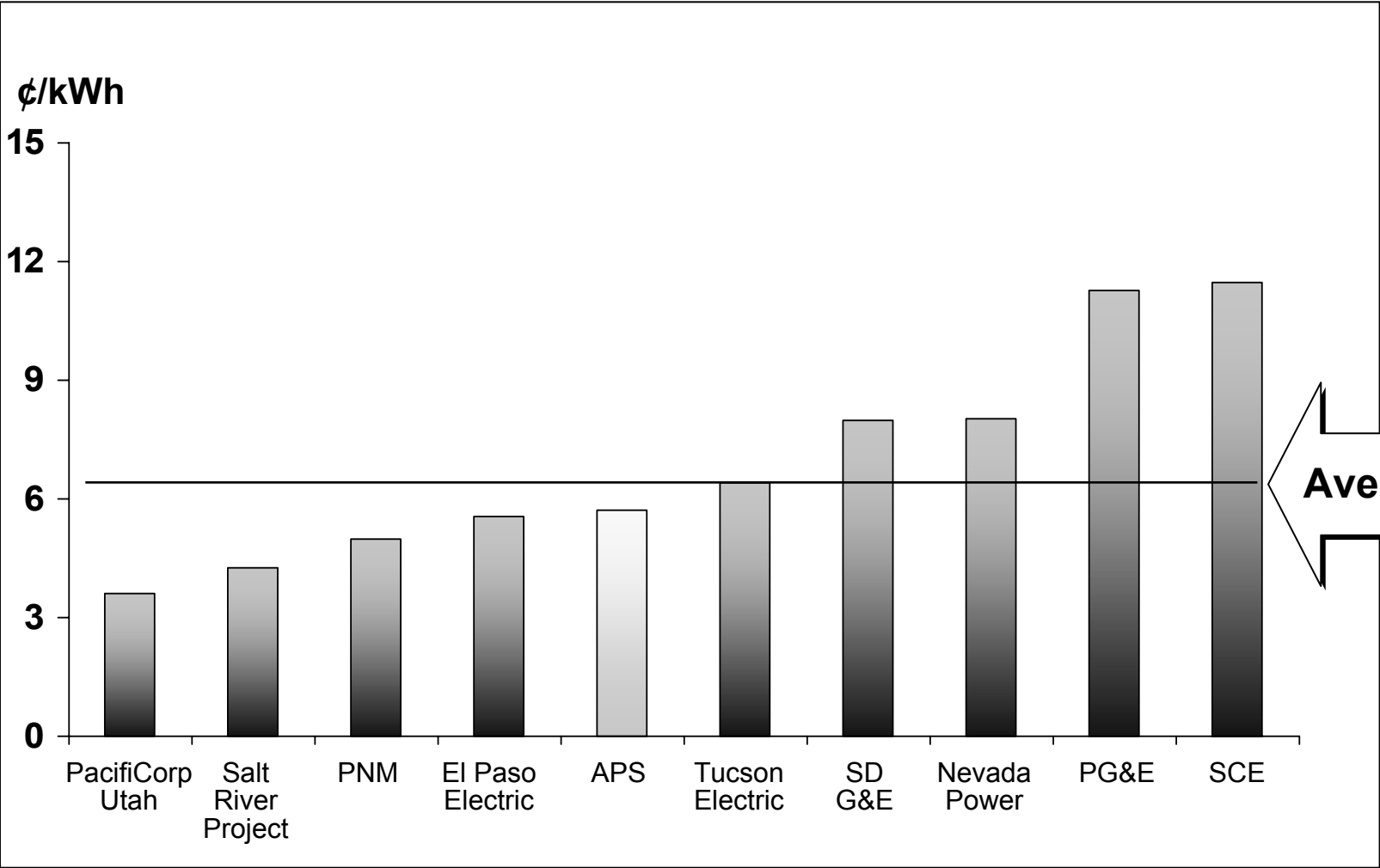
2003 Average Residential Retail Price Ranking Southwestern U.S.



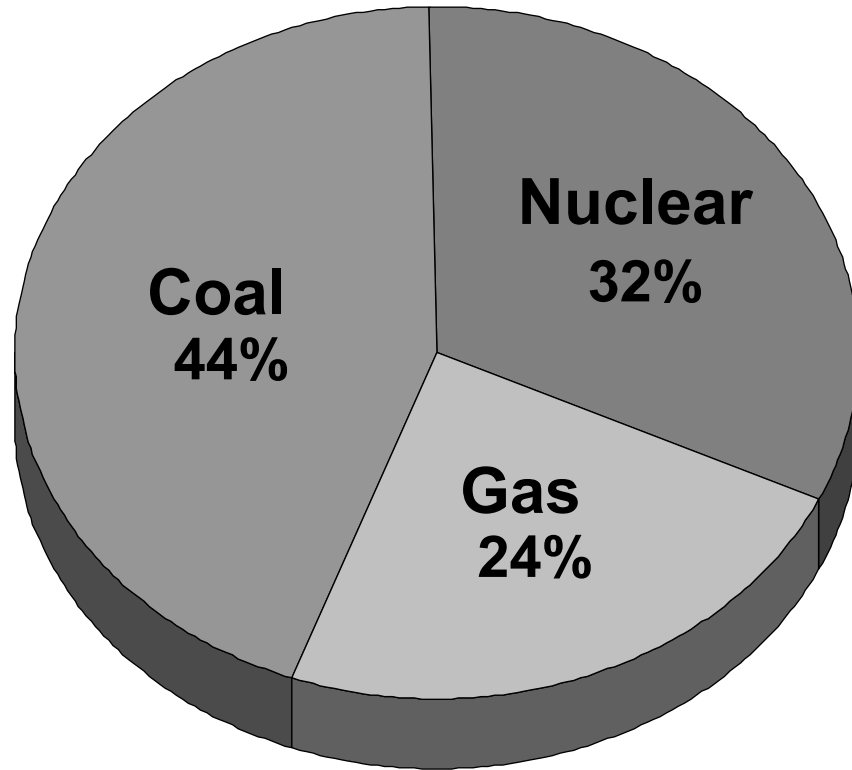
2003 Average Commercial Retail Price Ranking Southwestern U.S.



2003 Average Industrial Retail Price Ranking Southwestern U.S.



Pinnacle West Fuel Mix



2003

Based on MWh of generation

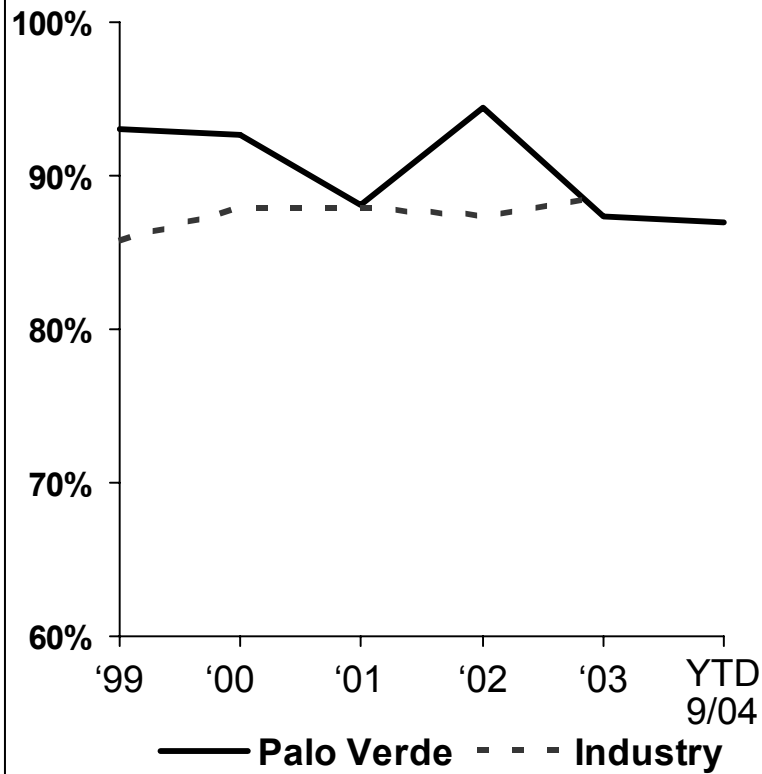
Pinnacle West Energy Power Plants

<u>Commercial Operation</u>	<u>New Facilities</u>	<u>MWs</u>	<u>Location</u>
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	
May 2004	Silverhawk	428*	Las Vegas, NV
	Totals	<u><u>2,218</u></u>	

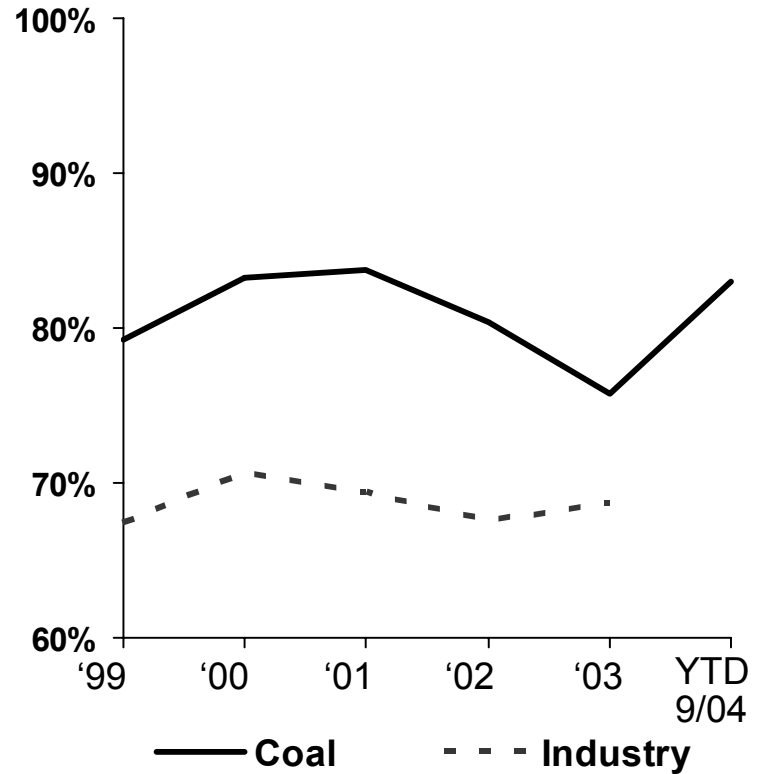
* Excludes 142 MW owned by Southern Nevada Water Authority

Solid Operational Performance Generation

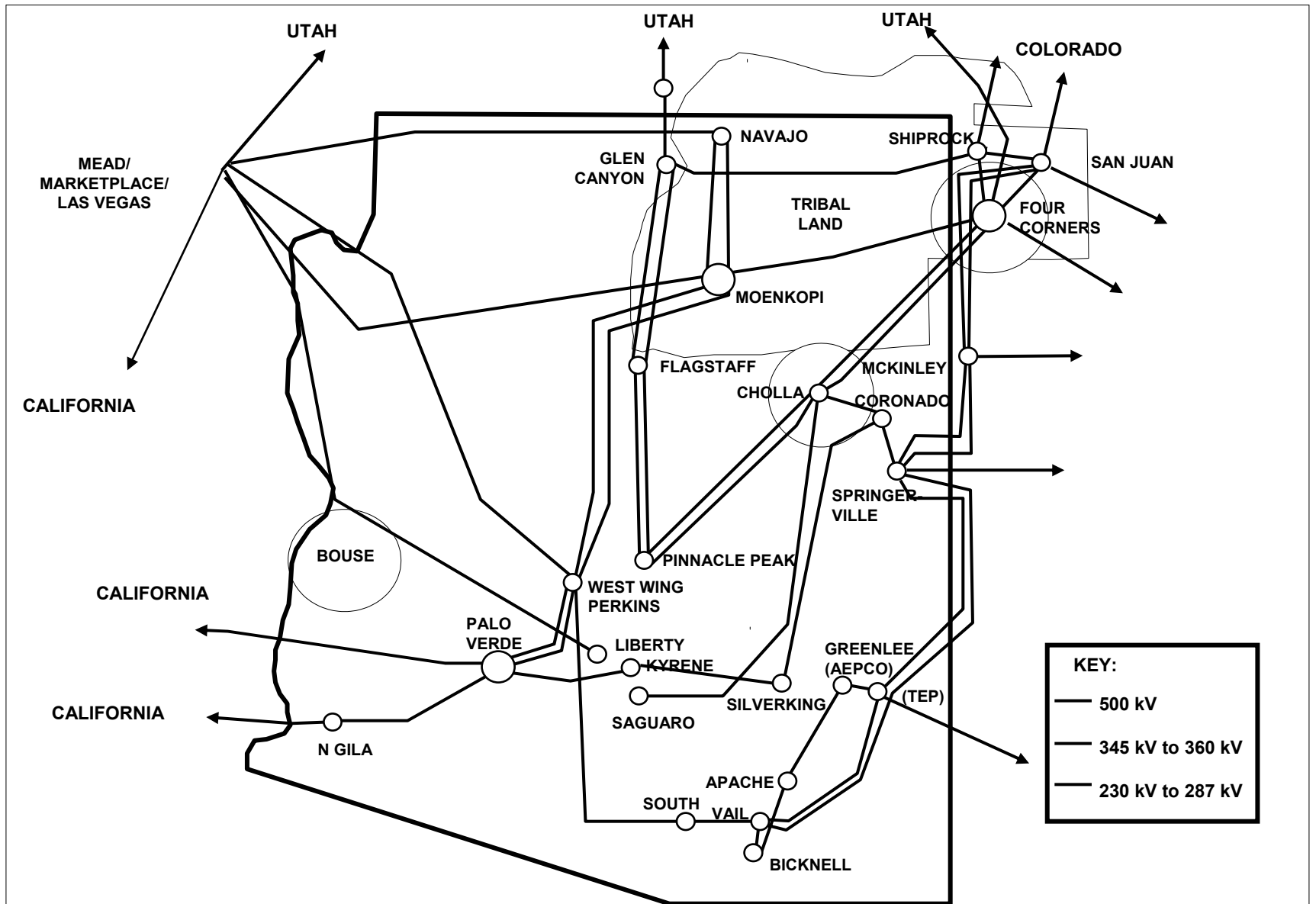
Palo Verde Site Average



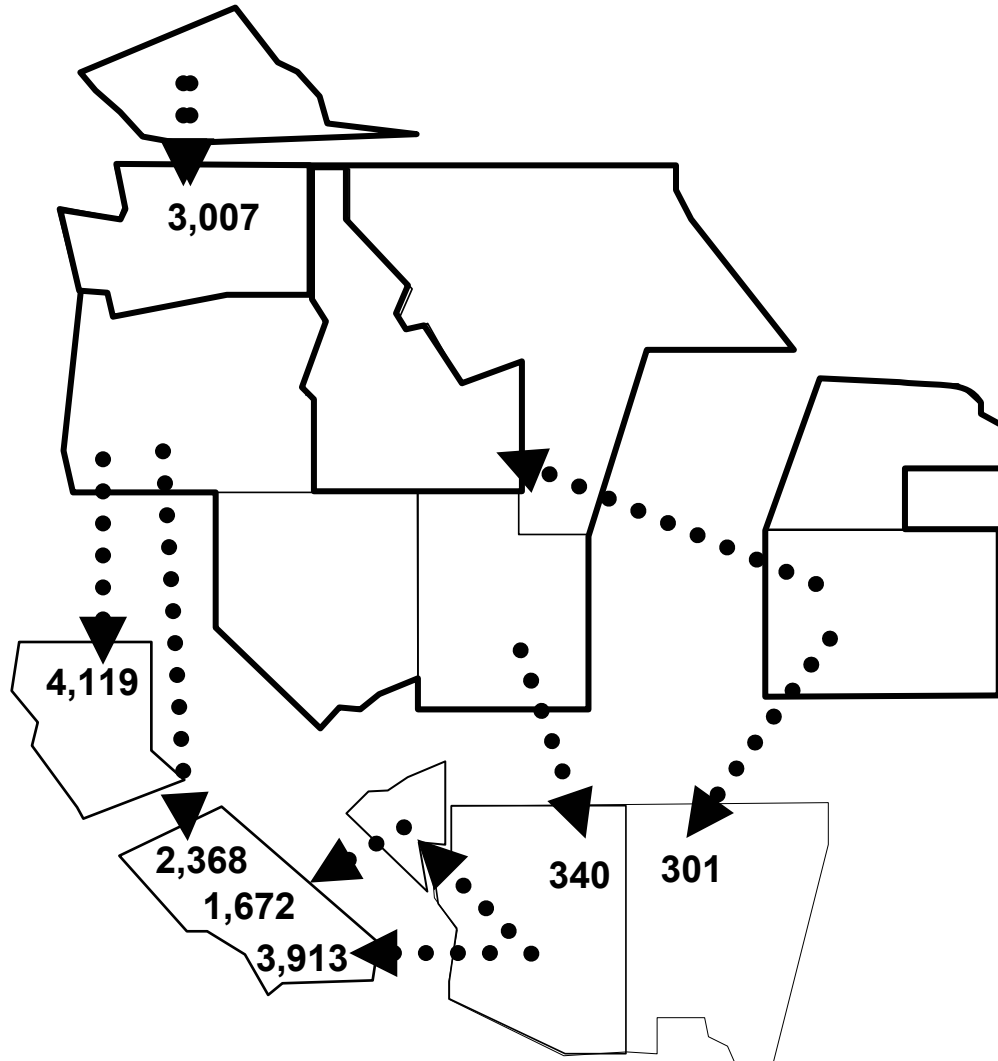
Coal Average



Arizona Transmission System



WECC Available Transmission Capability



Summer 2006 estimate (MW)