

**Pinnacle West Capital Corporation**  
**Complete Earnings Release and Analysis Packet**  
**First Quarter 2009**

This packet contains the following documents:

- Earnings Release with Comparative Income Statement
- Non-GAAP Reconciliation for On-Going Loss
- Earnings Variance Explanations
- Quarterly Statistics Summary
- 2009 and 2010 Earnings Outlook (Excerpt from May 5, 2009 Form 8-K)
- 2009 and 2010 Earnings Outlook Reconciliations
- Comparative Financial Statements for Pinnacle West and APS

Copies of individual items are available on our website at [www.pinnaclewest.com](http://www.pinnaclewest.com).

For further analysis, quarterly statistics for 2006-2009 year-to-date are also available on our website.

**FOR IMMEDIATE RELEASE****May 5, 2009**

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**Page 1 of 2****PINNACLE WEST REPORTS 2009 FIRST-QUARTER LOSS**

*Real Estate Charges Drive Consolidated Results;  
Milder Weather and Increased Costs Contribute to Lower APS Results*

PHOENIX – Pinnacle West Capital Corp. (NYSE: PNW) today reported a consolidated net loss attributable to common shareholders for the quarter ended March 31, 2009, of \$156.5 million, or \$1.55 per diluted share of common stock, compared with a net loss attributable to common shareholders of \$4.5 million, or \$0.04 per diluted share, for the same quarter in 2008. The lower results were driven largely by previously announced real estate charges, as well as rising costs incurred by Arizona Public Service (APS) related to its electric system expansion, and the effects of milder weather.

Excluding the real estate charges, Pinnacle West recorded a consolidated on-going loss of \$29.1 million or \$0.29 per share in the 2009 first quarter compared with a consolidated on-going loss of \$4.5 million, or \$0.04 per share, in the comparable 2008 quarter.

APS, the company's principal subsidiary, reported a quarterly net loss of \$15.5 million, compared with a net loss of \$6.4 million for the 2008 first quarter. In addition to the impact of milder weather, the utility's results were negatively impacted by lower market-to-market valuations of fuel and power contracts, and higher costs related to continuing infrastructure additions and improvements. These items more than offset an interim retail electricity price increase implemented at the beginning of this year and transmission rate increases implemented in 2008.

“Even with the current economy, Arizona is still growing. With today's growth and an eventual economic rebound, APS expects to add another 600,000 customers by 2025 – a 55 percent increase over current levels,” said Chairman Don Brandt. “We must continue preparing to meet this demand by investing in new infrastructure and technologies to ensure our customers' energy future continues to be highly reliable, as well as cleaner, more efficient and more responsive than ever before. To accomplish these goals, we will maintain a keen focus on energy efficiency, renewable energy expansion, productivity, customer technologies and financial strength.”

As announced in early April, the Company's real estate subsidiary, SunCor, initiated a plan to dispose of a majority of its real estate assets through a series of strategic transactions. As a result of that decision, Pinnacle West's reported consolidated results for

the 2009 first quarter include real estate charges totaling \$127.4 million after-tax. Execution of the restructuring plan is currently underway and will allow SunCor to maximize the value of its assets, concentrate on the Phoenix market, and substantially eliminate SunCor's outstanding debt. The company currently plans to complete the transactions in 2009.

For more information on Pinnacle West's operating statistics and earnings, please visit [www.pinnaclewest.com/investors](http://www.pinnaclewest.com/investors).

### Conference Call

Pinnacle West invites interested parties to listen to the live web cast of management's conference call to discuss the Company's 2009 first-quarter results and recent developments at 12 noon (ET) today, May 5. The web cast can be accessed at [www.pinnaclewest.com/presentations](http://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 Number 94112207. A replay of the call also will be available until 11:55 p.m. (ET), Tuesday, May 12, 2009, 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.

Pinnacle West is a Phoenix-based company with consolidated assets of about \$11.4 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. It also develops residential, commercial, and industrial real estate projects.

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**PINNACLE WEST CAPITAL CORPORATION**  
**NON-GAAP FINANCIAL MEASURE RECONCILIATION**  
**NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS**  
**(GAAP MEASURE) TO ON-GOING LOSS (NON-GAAP FINANCIAL MEASURE)**

	Three Months Ended March 31, 2009		Three Months Ended March 31, 2008	
	\$ in Millions	Diluted EPS	\$ in Millions	Diluted EPS
Net Loss Attributable to Common Shareholders	\$ (156.5)	\$ (1.55)	\$ (4.5)	\$ (0.04)
Adjustment:				
Real estate impairment and related charges	127.4	1.26	---	---
On-going Loss	<u>\$ (29.1)</u>	<u>\$ (0.29)</u>	<u>\$ (4.5)</u>	<u>\$ (0.04)</u>

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

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

	THREE MONTHS ENDED		Increase (Decrease)	
	MARCH 31,		Amount	Percent
	2009	2008		
<b>Operating Revenues</b>				
Regulated electricity segment	\$ 602,578	\$ 622,801	\$ (20,223)	3.2% W
Real estate segment	18,366	26,266	(7,900)	30.1% W
Marketing and trading	-	30,452	(30,452)	100.0% W
Other revenues	8,449	8,737	(288)	3.3% W
Total	<u>629,393</u>	<u>688,256</u>	<u>(58,863)</u>	8.6% W
<b>Operating Expenses</b>				
Regulated electricity segment fuel and purchased power	247,388	269,378	(21,990)	8.2% B
Real estate segment operations	30,281	30,957	(676)	2.2% B
Real estate impairment charge	211,306	-	211,306	100.0% W
Marketing and trading fuel and purchased power	-	23,986	(23,986)	100.0% B
Operations and maintenance	207,531	193,023	14,508	7.5% W
Depreciation and amortization	99,921	95,594	4,327	4.5% W
Taxes other than income taxes	34,128	33,152	976	2.9% W
Other expenses	6,467	5,938	529	8.9% W
Total	<u>837,022</u>	<u>652,028</u>	<u>184,994</u>	28.4% W
<b>Operating Income (Loss)</b>	<u>(207,629)</u>	<u>36,228</u>	<u>(243,857)</u>	673.1% W
<b>Other</b>				
Allowance for equity funds used during construction	4,992	6,124	(1,132)	18.5% W
Other income	380	3,839	(3,459)	90.1% W
Other expense	(9,741)	(4,896)	(4,845)	99.0% W
Total	<u>(4,369)</u>	<u>5,067</u>	<u>(9,436)</u>	186.2% W
<b>Interest Expense</b>				
Interest charges	55,806	54,702	1,104	2.0% W
Capitalized interest	(3,834)	(5,679)	1,845	32.5% W
Total	<u>51,972</u>	<u>49,023</u>	<u>2,949</u>	6.0% W
<b>Loss From Continuing Operations Before Income Taxes</b>	<u>(263,970)</u>	<u>(7,728)</u>	<u>(256,242)</u>	3315.8% W
<b>Income Taxes</b>	<u>(96,174)</u>	<u>(1,541)</u>	<u>(94,633)</u>	6141.0% B
<b>Loss From Continuing Operations</b>	<u>(167,796)</u>	<u>(6,187)</u>	<u>(161,609)</u>	2612.1% W
<b>Income (Loss) From Discontinued Operations</b>				
Net of Income Taxes	<u>(2,924)</u>	<u>1,714</u>	<u>(4,638)</u>	270.6% W
<b>Net Loss</b>	<u>(170,720)</u>	<u>(4,473)</u>	<u>(166,247)</u>	3716.7% W
Less: Net loss attributable to noncontrolling interests	(14,210)	-	(14,210)	100.0% W
<b>Net Loss Attributable To Common Shareholders</b>	<u>\$ (156,510)</u>	<u>\$ (4,473)</u>	<u>\$ (152,037)</u>	3399.0% W
<b>Weighted-Average Common Shares Outstanding - Basic</b>	100,986	100,521	465	0.5%
<b>Weighted-Average Common Shares Outstanding - Diluted</b>	100,986	100,521	465	0.5%
<b>Earnings Per Weighted-Average Common Share Outstanding</b>				
Loss from continuing operations attributable to common shareholders - basic	\$ (1.52)	\$ (0.06)	\$ (1.46)	2433.3% W
Net loss attributable to common shareholders - basic	\$ (1.55)	\$ (0.04)	\$ (1.51)	3775.0% W
Loss from continuing operations attributable to common shareholders - diluted	\$ (1.52)	\$ (0.06)	\$ (1.46)	2433.3% W
Net loss attributable to common shareholders - diluted	\$ (1.55)	\$ (0.04)	\$ (1.51)	3775.0% W
<b>Amounts Attributable To Common Shareholders</b>				
Loss from continuing operations, net of tax	\$ (153,586)	\$ (6,187)	\$ (147,399)	2382.4% W
Discontinued operations, net of tax	(2,924)	1,714	(4,638)	270.6% W
Net loss attributable to common shareholders	<u>\$ (156,510)</u>	<u>\$ (4,473)</u>	<u>\$ (152,037)</u>	3399.0% W

B -- Better  
W -- Worse

**PINNACLE WEST CAPITAL CORPORATION**  
**NON-GAAP FINANCIAL MEASURE RECONCILIATION**  
**NET INCOME (GAAP MEASURE TO)**  
**ON-GOING EARNINGS (NON-GAAP FINANCIAL MEASURE)**

	<b>Three Months Ended</b>		<b>Three Months Ended</b>	
	<b>March 31, 2009</b>		<b>March 31, 2008</b>	
	<b>\$ Millions</b>	<b>Diluted</b>	<b>\$ Millions</b>	<b>Diluted</b>
	<b>After Tax</b>	<b>EPS</b>	<b>After Tax</b>	<b>EPS</b>
Net income (loss) attributable to common shareholders	\$ (156.5)	\$ (1.55)	\$ (4.5)	\$ (0.04)
Adjustments:				
Real estate impairment and related charges	127.4	1.26	-	-
On-going earnings	<u>\$ (29.1)</u>	<u>\$ (0.29)</u>	<u>\$ (4.5)</u>	<u>\$ (0.04)</u>

**Pinnacle West Capital Corporation**  
**Earnings Variance Explanations**  
**For Three-Month Periods Ended March 31, 2009 and 2008**

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 March 31, 2009 (the “March 2009 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, 2008 and the March 2009 Form 10-Q. Additional operating and financial statistics and a glossary of terms are available on our website ([www.pinnaclewest.com](http://www.pinnaclewest.com)).

**EARNINGS CONTRIBUTION BY BUSINESS SEGMENT**

Pinnacle West’s two reportable business segments are:

- our regulated electricity segment, which consists of traditional regulated retail and wholesale electricity businesses (primarily electric service to 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.

The following table presents loss from continuing operations for our regulated electricity and real estate segments and reconciles those amounts to our consolidated net income (loss) (dollars in millions):

	Three Months Ended March 31,	
	2009	2008
Regulated electricity segment	\$ (20)	\$ (6)
Real estate segment (a)	(143)	(4)
All other (b)	(5)	4
Loss from continuing operations	(168)	(6)
Income (loss) from discontinued operations – net of tax:		
Real estate segment (a)	(3)	3
All other (b)	-	(1)
Net Loss	(171)	(4)
Less: Net loss attributable to noncontrolling interests – real estate segment (a) (c)	(14)	-
Net loss attributable to common shareholders	<u>\$ (157)</u>	<u>\$ (4)</u>

- (a) We recorded an after-tax real estate impairment charge in the first quarter of 2009 of \$123 million on a Pinnacle West consolidated basis.
- (b) Includes activities related to marketing and trading, APSES and El Dorado. None of these segments is a reportable segment.
- (c) See Note 19 regarding the adoption of SFAS No. 160.

## **PINNACLE WEST CONSOLIDATED – RESULTS OF OPERATIONS**

### **Operating Results – Three-month period ended March 31, 2009 compared with three-month period ended March 31, 2008**

Our consolidated net loss attributable to common shareholders for the three months ended March 31, 2009 was \$157 million, compared with a net loss of \$4 million for the comparable prior-year period. The major factors that increased or decreased the net loss attributable to common shareholders for the three-month comparison are summarized in the following table (dollars in millions):

	Increase (Decrease)	
	Pretax	After Tax
Regulated electricity segment:		
Interim retail rate increase effective January 1, 2009	\$ 13	\$ 8
Transmission rate increases effective July 1, 2008 (including related retail rates)	6	4
Lower mark-to-market valuations of fuel and purchased power contracts related to changes in market prices, net of related PSA deferrals	(19)	(12)
Effects of milder weather on retail sales	(13)	(8)
Higher depreciation and amortization primarily due to increased utility plant in service	(4)	(2)
Higher interest expense, net of capitalized financing costs, primarily due to higher debt balances	(4)	(3)
Miscellaneous items, net	(1)	(1)
Increase in regulated electricity segment net loss	<u>(22)</u>	<u>(14)</u>
Real estate segment:		
Real estate impairment charge (Note 21)	(211)	(134)
Higher real estate segment costs primarily related to employee severance and other disposition costs	(9)	(5)
All other:		
Lower marketing and trading contributions primarily due to lower sales volumes	(7)	(4)
Increase in other expense, net of other income, primarily due to higher investment losses	(6)	(4)
Other miscellaneous items, net	(1)	(1)
Increase in loss from continuing operations	<u>\$ (256)</u>	<u>(162)</u>
Decrease in discontinued operations primarily related to the impairment of certain real estate properties (Note 21)		<u>(5)</u>
Increase in net loss		(167)
Less: Net loss attributable to real estate noncontrolling interests primarily due to real estate impairment		(14)
Increase in net loss attributable to common shareholders		<u>\$ (153)</u>

### Regulated Electricity Segment Revenues

Regulated electricity segment revenues were \$20 million lower for the three months ended March 31, 2009 compared with the prior-year period primarily because of:

- a \$22 million decrease in retail revenues due to the effects of weather;
- a \$22 million decrease in retail revenues related to recovery of PSA deferrals, which had no earnings effect because of amortization of the same amount recorded as fuel and purchased power expense (see Note 5);
- a \$7 million decrease in retail revenues primarily related to lower average usage per customer, excluding weather effects;

- a \$19 million increase in retail revenues due to an interim rate increase effective January 2009 and transmission rate increases in 2008 (including related retail rates);
- a \$16 million increase in renewable energy surcharges, which had no earnings effect because of amortization of the same amount recorded as operations and maintenance expense; and
- a \$4 million net decrease due to miscellaneous factors.

### **Real Estate Segment Revenues**

Real estate segment revenues were \$8 million lower for the three months ended March 31, 2009 compared with the prior-year period primarily because of lower residential property sales as a result of the distressed real estate markets.

### **All Other Revenues**

Other revenues were \$31 million lower for the three months ended March 31, 2009 compared with the prior-year period because of planned reductions of marketing and trading activities.

**Pinnacle West Capital Corporation**  
**Quarterly Consolidated Statistical Summary**  
**Periods Ended March 31, 2009 and 2008**

**List of Contents**

**This file contains financial and operating statistics for the  
three-month periods ended March 31, 2009 and 2008**

**The same statistics by quarter for 2006 through 2008 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 March 31, 2009 and 2008**

Line	3 Mo. Ended March			
	2009	2008	Incr (Decr)	
<b>EARNINGS CONTRIBUTION BY SUBSIDIARY (\$ Millions)</b>				
1	Arizona Public Service	\$ (15)	\$ (6)	\$ (9)
2	APS Energy Services	(1)	1	(2)
3	SunCor	(224)	(4)	(220)
4	El Dorado	(6)	(1)	(5)
5	Parent Company	78	4	74
6	Income (Loss) From Continuing Operations	(168)	(6)	(162)
	Income (Loss) From Discontinued Operations - Net of Tax			
7	SunCor	(5)	3	(8)
8	Other	2	(1)	3
9	Total	(3)	2	(5)
10	Net Income (Loss)	(171)	(4)	(167)
11	Less: Net Income (Loss) Attributable to Noncontrolling Interests	(14)	-	(14)
12	Net Income (Loss) Attributable to Common Shareholders	<u>\$ (157)</u>	<u>\$ (4)</u>	<u>\$ (153)</u>
<b>EARNINGS PER SHARE BY SUBSIDIARY - DILUTED</b>				
13	Arizona Public Service	\$ (0.15)	\$ (0.06)	\$ (0.09)
14	APS Energy Services	(0.01)	0.01	(0.02)
15	SunCor	(2.22)	(0.03)	(2.19)
16	El Dorado	(0.06)	(0.02)	(0.04)
17	Parent Company	0.78	0.04	0.74
18	Income (Loss) From Continuing Operations	(1.66)	(0.06)	(1.60)
	Income (Loss) From Discontinued Operations - Net of Tax			
19	SunCor	(0.05)	0.03	(0.08)
20	Other	0.02	(0.01)	0.03
21	Total	(0.03)	0.02	(0.05)
22	Net Income (Loss)	(1.69)	(0.04)	(1.65)
23	Less: Net Income (Loss) Attributable to Noncontrolling Interests	(0.14)	-	(0.14)
24	Net Income (Loss) Attributable to Common Shareholders	<u>\$ (1.55)</u>	<u>\$ (0.04)</u>	<u>\$ (1.51)</u>
25	<b>BOOK VALUE PER SHARE</b>	\$ 31.29	\$ 35.22	\$ (3.93)
<b>COMMON SHARES OUTSTANDING (Thousands)</b>				
26	Average - Diluted	100,986	100,521	465
27	End of Period	101,074	100,625	449

**Pinnacle West Capital Corporation**  
**Quarterly Consolidated Statistical Summary**  
**Periods Ended March 31, 2009 and 2008**

Line	3 Mo. Ended March		
	2009	2008	Incr (Decr)
<b>ELECTRIC OPERATING REVENUES (Dollars in Millions)</b>			
<b>REGULATED ELECTRICITY SEGMENT</b>			
<b>Retail</b>			
28	\$ 256	\$ 271	\$ (15)
29	298	300	(2)
30	<u>554</u>	<u>571</u>	<u>(17)</u>
<b>Wholesale revenue on delivered electricity</b>			
31	11	12	(1)
32	22	24	(2)
33	7	7	-
34	9	9	-
35	<u>603</u>	<u>623</u>	<u>(20)</u>
<b>MARKETING AND TRADING</b>			
36	-	30	(30)
37	<u>\$ 603</u>	<u>\$ 653</u>	<u>\$ (50)</u>
<b>ELECTRIC SALES (GWH)</b>			
<b>REGULATED ELECTRICITY SEGMENT</b>			
<b>Retail sales</b>			
38	2,499	2,774	(275)
39	3,260	3,338	(78)
40	<u>5,759</u>	<u>6,112</u>	<u>(353)</u>
<b>Wholesale electricity delivered</b>			
41	165	222	(57)
42	697	416	281
43	152	162	(10)
44	<u>6,773</u>	<u>6,912</u>	<u>(139)</u>
<b>MARKETING AND TRADING</b>			
45	-	911	(911)
46	<u>6,773</u>	<u>7,823</u>	<u>(1,050)</u>
<b>POWER SUPPLY ADJUSTOR ("PSA")</b>			
<b>- REGULATED ELECTRICITY SEGMENT (Dollars in Millions)</b>			
47	\$ 8	\$ 111	\$ (103)
48	(28)	(11)	(17)
49	-	1	(1)
50	<u>(29)</u>	<u>(51)</u>	<u>22</u>
51	<u>\$ (49)</u>	<u>\$ 50</u>	<u>\$ (99)</u>

**Pinnacle West Capital Corporation**  
**Quarterly Consolidated Statistical Summary**  
**Periods Ended March 31, 2009 and 2008**

Line		3 Mo. Ended March		
		2009	2008	Incr (Decr)
<b>AVERAGE ELECTRIC CUSTOMERS</b>				
<b>Retail customers</b>				
52	Residential	988,675	982,459	6,216
53	Business	125,111	122,833	2,278
54	Total	<u>1,113,786</u>	<u>1,105,292</u>	8,494
55	Wholesale customers	50	50	-
56	Total customers	<u>1,113,836</u>	<u>1,105,342</u>	8,494
57	Customer growth (% over prior year)	0.8%	2.0%	(1.2)%
<b>RETAIL SALES (GWH) - WEATHER NORMALIZED</b>				
58	Residential	2,609	2,694	(85)
59	Business	3,286	3,300	(14)
60	Total	<u>5,895</u>	<u>5,994</u>	(99)
<b>RETAIL USAGE (KWh/Average Customer)</b>				
61	Residential	2,527	2,824	(297)
62	Business	26,057	27,175	(1,118)
<b>RETAIL USAGE - WEATHER NORMALIZED (KWh/Average Customer)</b>				
63	Residential	2,639	2,742	(103)
64	Business	26,266	26,865	(599)
<b>ELECTRICITY DEMAND (MW)</b>				
65	Native load peak demand	4,023	4,404	(381)
<b>WEATHER INDICATORS</b>				
<b>Actual</b>				
66	Cooling degree-days	104	105	(1)
67	Heating degree-days	383	583	(200)
68	Average humidity	35%	40%	(5)%
<b>10-Year Averages</b>				
69	Cooling degree-days	71	96	(25)
70	Heating degree-days	571	517	54
71	Average humidity	41%	42%	(1)%

**Pinnacle West Capital Corporation**  
**Quarterly Consolidated Statistical Summary**  
**Periods Ended March 31, 2009 and 2008**

Line	3 Mo. Ended March		
	2009	2008	Incr (Decr)
<b>ENERGY SOURCES (GWH)</b>			
<b>Generation production</b>			
72	2,493	2,315	178
73	2,951	2,906	45
74	1,025	1,148	(123)
75	<u>6,469</u>	<u>6,369</u>	<u>100</u>
<b>Purchased power</b>			
76	508	740	(232)
77	260	1,196	(936)
78	<u>768</u>	<u>1,936</u>	<u>(1,168)</u>
79	<u>7,237</u>	<u>8,305</u>	<u>(1,068)</u>
<b>POWER PLANT PERFORMANCE</b>			
<b>Capacity Factors</b>			
80	101%	92%	9%
81	78%	76%	2%
82	14%	16%	(2)%
83	48%	47%	1%
<b>ECONOMIC INDICATORS</b>			
<b>Building Permits - Metro Phoenix (a) (c)</b>			
84	505	1,967	(1,462)
85	308	1,425	(1,117)
86	<u>813</u>	<u>3,392</u>	<u>(2,579)</u>
<b>Arizona Job Growth (b) (c)</b>			
87	(6.2)%	0.1%	(6.3)%
88	7.2%	4.5%	2.7%

Sources:

- (a) Arizona Real Estate Center, Arizona State University W.P. Carey College of Business  
(b) Arizona Department of Economic Security  
(c) Economic indicators reflect periods ended February 28, 2009 (latest available data) and February 28, 2008.

The following information on earnings outlook was excerpted from Pinnacle West's and APS' Form 8-K, which was filed May 5, 2009.

### **2009 Earnings Outlook**

In this discussion, earnings per share amounts are after income taxes and are based on diluted common shares outstanding. The earnings guidance in this Form 8-K supersedes all previous earnings guidance provided by Pinnacle West.

Our earnings forecasts are subject to numerous risks, including those described under "Forward-Looking Statements" below and under "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2008.

We estimate that our consolidated earnings for 2009 will be within a reasonable range around \$2.30 per share, excluding the impact of SunCor Development Company ("SunCor"). This guidance takes into account the effects of milder weather in the first quarter, as well as the 2009 portion of the annualized pretax cost savings identified in our March 2009 report to the Arizona Corporation Commission (the "ACC"), as required by the ACC's interim rate decision in December 2008.

We estimate that Arizona Public Service Company's ("APS") earnings contribution included in such consolidated earnings will be within a reasonable range around \$2.35 per share (equivalent to a return on APS' average common equity of about 7%). This estimate assumes that the interim base rate surcharge will remain in effect throughout 2009. We currently estimate that holding company expenses and other items, net, will be a net loss within a reasonable range around \$0.05 per share. For additional details regarding the major factors affecting our consolidated earnings outlook for 2009, see Exhibit 99.4 attached hereto.

### **2010 Earnings Outlook**

Assuming APS' proposed general retail rate settlement is approved as proposed and is effective for the entire year, we estimate that our consolidated earnings for 2010, with negligible impact from SunCor, if any, will be within a reasonable range around \$3.00 per share. We estimate that APS' earnings contribution included in such 2010 consolidated earnings will be within a reasonable range around \$3.00 per share (equivalent to a return on APS' average common equity of about 9%). We currently estimate that holding company expenses and other items, net, will not have any meaningful impact on our 2010 consolidated financial results. For additional details regarding major factors affecting our consolidated earnings outlook for 2010, see Exhibit 99.5 attached hereto.

### **Forward-Looking Statements**

This Form 8-K contains forward-looking statements regarding our 2009 and 2010 earnings outlook. 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 Item 1A of the Pinnacle West/APS Annual Report on Form 10-K for the fiscal year ended December 31, 2008, these factors include, but are not limited to, state and federal regulatory and legislative decisions and actions, including the outcome or timing of the pending

rate case of APS; increases in our capital expenditures and operating costs and our ability to achieve timely and adequate rate recovery of these increased costs; our ability to reduce capital expenditures and other costs while maintaining reliability and customer service levels, and unexpected developments that would limit us from achieving all or some of our planned capital expenditure reductions; volatile fuel and purchased power costs, including fluctuations in market prices for natural gas, coal, uranium and other fuels used in our generating facilities, availability of supplies of such commodities, and our ability to recover the costs of such commodities; the outcome and resulting costs of regulatory, legislative and judicial proceedings, both current and future, including those related to environmental matters and climate change; the availability of sufficient water supplies to operate our generation facilities, including as the result of drought conditions; the potential for additional restructuring of the electric industry, including decisions impacting wholesale competition and the introduction of retail electric competition in Arizona; regional, national and international economic and market conditions, including the strength of the real estate, credit and financial markets; the potential adverse impact of current economic conditions on our results of operations; the cost of debt and equity capital and access to capital markets; changes in the market price of our common stock; restrictions on dividends or other burdensome provisions in new or existing credit agreements; our ability, or the ability of our subsidiaries, to meet debt service obligations; current credit ratings remaining in effect for any given period of time; the performance of the stock market and the changing interest rate environment, which affect the value of our nuclear decommissioning trust, pension, and other postretirement benefit plan assets, the amount of required contributions to Pinnacle West's pension plan and contributions to APS' nuclear decommissioning trust funds, as well as the reported costs of providing pension and other postretirement benefits and our ability to recover such costs; volatile market liquidity, 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, the interpretation of those principles and the impact of the adoption of new accounting standards; customer growth and energy usage; weather variations affecting local and regional customer energy usage; power plant performance and outages; transmission outages and constraints; the completion of generation and transmission construction in the region, which could affect customer growth and the cost of power supplies; risks inherent in the operation of nuclear facilities, such as environmental, regulatory, health and financial risks, risk of terrorist attack, planned and unplanned outages, and unfunded decommissioning costs; the ability of our power plant participants to meet contractual or other obligations; technological developments in the electric industry; the results of litigation and other proceedings resulting from the California and Pacific Northwest energy situations; the performance of Pinnacle West's subsidiaries and any resulting effects on its cash flow; the strength of the real estate and credit markets and economic and other conditions affecting the real estate and credit markets 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.

**Pinnacle West Capital Corporation**

**Major Factors Affecting Consolidated Earnings Outlook  
for Year Ending December 31, 2009  
Compared with Year Ended December 31, 2008  
(Earnings Per Diluted Share Outstanding)**

2008 net income	\$	2.40
Adjustments:		
SunCor real estate impairment charge		0.32
Income tax credits related to prior years		(0.30)
Severance costs related to workforce reductions		0.08
Income from discontinued operations for resolution of a tax issue related to 2005 Silverhawk plant sale		<u>(0.08)</u>
2008 on-going earnings		2.42
Projected increases (decreases) in 2009:		
Regulated electricity segment gross margin (revenues net of fuel and purchased power costs, excluding Renewable Energy Surcharge), including: retail interim rate increase for full year, transmission revenue increases, higher fuel and purchased power costs (net of deferrals), lower usage due to first quarter 2009 mild weather and customer conservation and minimal weather-normalized retail sales growth		0.20 - 0.30
Lower marketing and trading gross margin (revenues net of fuel and purchased power costs)		(0.14)
Increased operations and maintenance expense (excluding Renewable Energy Standard and severance costs) related primarily to fossil plant maintenance and outages, pension and other post- retirement benefits, partially offset by cost efficiency efforts, including cost reductions reported to ACC		(0.10) - (0.20)
Costs related to utility capital expenditures (such as depreciation, property taxes and interest expense, net of capitalized financing costs)		(0.30) - (0.35)
Miscellaneous other items - net		0.10 - 0.15
Estimated 2009 earnings -- a reasonable range around (excluding potential real estate results)	\$	2.30

**Pinnacle West Capital Corporation**

**Major Factors Affecting Consolidated Earnings Outlook  
for Year Ending December 31, 2010  
Compared with Year Ending December 31, 2009  
(Earnings Per Diluted Share Outstanding)**

Estimated 2009 earnings -- a reasonable range around (excluding potential real estate results)	\$	2.30
Projected increases (decreases) in 2010:		
Retail revenue increase from general rate case settlement in excess of interim revenues		1.10
Other regulated electricity segment gross margin (revenues net of fuel and purchased power costs excluding Renewable Energy Surcharge), including: transmission revenue increases, higher fuel and purchased power costs (net of deferrals) and minimal weather-normalized retail sales growth		0.15 - 0.25
Increased operations and maintenance expense (excluding Renewable Energy Standard costs) primarily due to inflation partially offset by cost efficiency efforts, including cost reductions reported to ACC		(0.05) - (0.15)
Costs related to utility capital expenditures (such as depreciation, property taxes and interest expense, net of capitalized financing costs)		(0.30) - (0.35)
Miscellaneous other items - net		(0.10) - (0.15)
Estimated 2010 earnings -- a reasonable range around (excluding potential real estate results)	\$	3.00

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

	Three Months Ended March 31,	
	2009	2008
<b>OPERATING REVENUES</b>		
Regulated electricity segment	\$ 602,578	\$ 622,801
Real estate segment	18,366	26,266
Marketing and trading	--	30,452
Other revenues	8,449	8,737
Total	<u>629,393</u>	<u>688,256</u>
<b>OPERATING EXPENSES</b>		
Regulated electricity segment fuel and purchased power	247,388	269,378
Real estate segment operations	30,281	30,957
Real estate impairment charge	211,306	--
Marketing and trading fuel and purchased power	--	23,986
Operations and maintenance	207,531	193,023
Depreciation and amortization	99,921	95,594
Taxes other than income taxes	34,128	33,152
Other expenses	6,467	5,938
Total	<u>837,022</u>	<u>652,028</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(207,629)</u>	<u>36,228</u>
<b>OTHER</b>		
Allowance for equity funds used during construction	4,992	6,124
Other income	380	3,839
Other expense	(9,741)	(4,896)
Total	<u>(4,369)</u>	<u>5,067</u>
<b>INTEREST EXPENSE</b>		
Interest charges	55,806	54,702
Capitalized interest	(3,834)	(5,679)
Total	<u>51,972</u>	<u>49,023</u>
<b>LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES</b>	<u>(263,970)</u>	<u>(7,728)</u>
<b>INCOME TAXES</b>	<u>(96,174)</u>	<u>(1,541)</u>
<b>LOSS FROM CONTINUING OPERATIONS</b>	<u>(167,796)</u>	<u>(6,187)</u>
<b>INCOME (LOSS) FROM DISCONTINUED OPERATIONS</b>		
Net of income tax expense (benefit) of \$(1,892) and \$1,103	(2,924)	1,714
<b>NET LOSS</b>	<u>(170,720)</u>	<u>(4,473)</u>
Less: Net loss attributable to noncontrolling interests	(14,210)	--
<b>NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS</b>	<u>\$ (156,510)</u>	<u>\$ (4,473)</u>
<b>WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING – BASIC</b>	100,986	100,521
<b>WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING – DILUTED</b>	100,986	100,521
<b>EARNINGS PER WEIGHTED-AVERAGE COMMON SHARE OUTSTANDING</b>		
Loss from continuing operations attributable to common shareholders – basic	\$ (1.52)	\$ (0.06)
Net loss attributable to common shareholders – basic	\$ (1.55)	\$ (0.04)
Loss from continuing operations attributable to common shareholders – diluted	\$ (1.52)	\$ (0.06)
Net loss attributable to common shareholders – diluted	\$ (1.55)	\$ (0.04)
<b>DIVIDENDS DECLARED PER SHARE</b>	\$ 0.525	\$ 0.525
<b>AMOUNTS ATTRIBUTABLE TO COMMON SHAREHOLDERS:</b>		
Loss from continuing operations, net of tax	\$ (153,586)	\$ (6,187)
Discontinued operations, net of tax	(2,924)	1,714
Net loss attributable to common shareholders	<u>\$ (156,510)</u>	<u>\$ (4,473)</u>

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

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

	March 31, 2009	December 31, 2008
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 32,804	\$ 105,245
Customer and other receivables	217,238	292,682
Accrued utility revenues	84,724	100,089
Allowance for doubtful accounts	(2,667)	(3,383)
Materials and supplies (at average cost)	182,961	173,252
Fossil fuel (at average cost)	31,839	29,752
Deferred income taxes	119,694	79,729
Home inventory	15,185	50,688
Assets held for sale	32,015	--
Assets from risk management and trading activities	63,969	32,581
Other current assets	23,802	21,847
Total current assets	801,564	882,482
<b>INVESTMENTS AND OTHER ASSETS</b>		
Real estate investments – net	213,478	415,296
Assets from long-term risk management and trading activities	34,194	33,675
Nuclear decommissioning trust	336,091	343,052
Other assets	96,081	117,935
Total investments and other assets	679,844	909,958
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Plant in service and held for future use	12,329,865	12,264,805
Less accumulated depreciation and amortization	4,205,068	4,141,546
Net	8,124,797	8,123,259
Construction work in progress	622,186	572,354
Intangible assets, net of accumulated amortization	143,138	131,722
Nuclear fuel, net of accumulated amortization	99,304	89,323
Total property, plant and equipment	8,989,425	8,916,658
<b>DEFERRED DEBITS</b>		
Deferred fuel and purchased power regulatory asset	--	7,984
Other regulatory assets	825,069	787,506
Other deferred debits	121,864	115,505
Total deferred debits	946,933	910,995
<b>TOTAL ASSETS</b>	<b>\$ 11,417,766</b>	<b>\$ 11,620,093</b>

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

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

	March 31, 2009	December 31, 2008
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 170,057	\$ 261,029
Accrued taxes	27,952	109,798
Accrued interest	45,282	40,741
Short-term borrowings	407,005	670,469
Current maturities of long-term debt	166,931	177,646
Customer deposits	78,181	78,745
Liabilities from risk management and trading activities	63,954	69,585
Other current liabilities	73,194	97,915
Total current liabilities	1,032,556	1,505,928
<b>LONG-TERM DEBT LESS CURRENT MATURITIES</b>	3,529,109	3,031,603
<b>DEFERRED CREDITS AND OTHER</b>		
Deferred income taxes	1,393,921	1,403,318
Deferred fuel and purchased power regulatory liability	49,215	--
Other regulatory liabilities	591,601	587,586
Liability for asset retirements	280,615	275,970
Liabilities for pension and other postretirement benefits	688,803	675,788
Liabilities from risk management and trading activities	136,068	126,532
Other	518,610	520,000
Total deferred credits and other	3,658,833	3,589,194
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>EQUITY</b>		
Common stock, no par value	2,147,245	2,151,323
Treasury stock	(4,405)	(2,854)
Total common stock	2,142,840	2,148,469
Retained earnings	1,234,688	1,444,208
Accumulated other comprehensive loss:		
Pension and other postretirement benefits	(46,762)	(47,547)
Derivative instruments	(167,864)	(99,151)
Total accumulated other comprehensive loss	(214,626)	(146,698)
Total Pinnacle West shareholders' equity	3,162,902	3,445,979
Noncontrolling real estate interests	34,366	47,389
Total equity	3,197,268	3,493,368
<b>TOTAL LIABILITIES AND EQUITY</b>	\$ 11,417,766	\$ 11,620,093

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

**PINNACLE WEST CAPITAL CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(unaudited)  
(dollars in thousands)

	Three Months Ended March 31,	
	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (170,720)	\$ (4,473)
Adjustments to reconcile net loss to net cash (used for) provided by operating activities:		
Depreciation and amortization including nuclear fuel	110,073	104,418
Deferred fuel and purchased power	28,238	9,722
Deferred fuel and purchased power amortization	28,961	50,709
Allowance for equity funds used during construction	(4,992)	(6,124)
Real estate impairment charge	215,869	--
Deferred income taxes	(3,901)	(44,781)
Change in mark-to-market valuations	3,822	(14,709)
Changes in current assets and liabilities:		
Customer and other receivables	76,390	50,521
Accrued utility revenues	15,365	12,764
Materials, supplies and fossil fuel	(11,796)	(11,418)
Other current assets	(711)	(511)
Accounts payable	(78,090)	(84,556)
Accrued taxes	(81,846)	47,025
Other current liabilities	(20,744)	(16,968)
Expenditures for real estate investments	(1,459)	(10,967)
Other changes in real estate assets	(264)	23,678
Change in margin and collateral accounts – assets	(23,476)	93,449
Change in margin and collateral accounts – liabilities	(162,013)	6,647
Change in unrecognized tax benefits	(1,050)	13,223
Change in other long-term assets	8,897	16,145
Change in other long-term liabilities	17,281	12,060
Net cash flow (used for) provided by operating activities	(56,166)	245,854
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditures	(193,014)	(248,264)
Contributions in aid of construction	18,762	10,040
Capitalized interest	(3,834)	(5,679)
Proceeds from nuclear decommissioning trust sales	129,816	67,177
Investment in nuclear decommissioning trust	(135,264)	(72,362)
Other	1,501	970
Net cash flow used for investing activities	(182,033)	(248,118)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of long-term debt	499,683	43,690
Repayment and reacquisition of long-term debt	(16,386)	(29,295)
Short-term borrowings and payments – net	(263,464)	1,965
Dividends paid on common stock	(51,196)	(52,759)
Common stock equity issuance	815	2,815
Other	(3,694)	(2,940)
Net cash flow provided by (used for) financing activities	165,758	(36,524)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(72,441)	(38,788)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	105,245	56,321
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	\$ 32,804	\$ 17,533
<b>Supplemental disclosure of cash flow information</b>		
Cash paid during the period for:		
Income taxes, net of refunds	\$ 17,602	\$ 9,860
Interest, net of amounts capitalized	\$ 46,040	\$ 45,949

See Notes to Pinnacle West's Condensed Consolidated Financial Statements

**ARIZONA PUBLIC SERVICE COMPANY**  
**CONDENSED STATEMENTS OF INCOME**

(unaudited)  
(dollars in thousands)

	Three Months Ended	
	March 31,	
	2009	2008
ELECTRIC OPERATING REVENUES	\$ 602,660	\$ 625,576
OPERATING EXPENSES		
Fuel and purchased power	247,388	272,053
Operations and maintenance	201,100	188,135
Depreciation and amortization	98,011	93,885
Income taxes	(6,744)	5,157
Other taxes	33,780	32,718
Total	573,535	591,948
OPERATING INCOME	29,125	33,628
OTHER INCOME (DEDUCTIONS)		
Income taxes	1,182	1,115
Allowance for equity funds used during construction	4,992	6,124
Other income	415	2,064
Other expense	(4,358)	(5,888)
Total	2,231	3,415
INTEREST DEDUCTIONS		
Interest on long-term debt	46,395	42,173
Interest on short-term borrowings	2,975	3,849
Debt discount, premium and expense	1,189	1,160
Allowance for borrowed funds used during construction	(3,724)	(3,775)
Total	46,835	43,407
NET LOSS	\$ (15,479)	\$ (6,364)

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

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

	<u>March 31,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
<b>ASSETS</b>		
<b>UTILITY PLANT</b>		
Electric plant in service and held for future use	\$ 12,263,329	\$ 12,198,010
Less accumulated depreciation and amortization	<u>4,192,971</u>	<u>4,129,958</u>
Net	8,070,358	8,068,052
Construction work in progress	619,142	571,977
Intangible assets, net of accumulated amortization	142,743	131,243
Nuclear fuel, net of accumulated amortization	99,304	89,323
Total utility plant	<u>8,931,547</u>	<u>8,860,595</u>
<b>INVESTMENTS AND OTHER ASSETS</b>		
Nuclear decommissioning trust	336,091	343,052
Assets from long-term risk management and trading activities	34,194	33,675
Other assets	<u>59,758</u>	<u>60,604</u>
Total investments and other assets	<u>430,043</u>	<u>437,331</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	18,454	71,544
Customer and other receivables	191,574	262,177
Accrued utility revenues	84,724	100,089
Allowance for doubtful accounts	(2,503)	(3,155)
Materials and supplies (at average cost)	182,961	173,252
Fossil fuel (at average cost)	31,839	29,752
Assets from risk management and trading activities	63,969	32,181
Deferred income taxes	119,920	79,694
Other current assets	<u>21,254</u>	<u>19,866</u>
Total current assets	<u>712,192</u>	<u>765,400</u>
<b>DEFERRED DEBITS</b>		
Deferred fuel and purchased power regulatory asset	--	7,984
Other regulatory assets	825,069	787,506
Unamortized debt issue costs	25,466	22,026
Other	88,166	82,735
Total deferred debits	<u>938,701</u>	<u>900,251</u>
<b>TOTAL ASSETS</b>	<u>\$ 11,012,483</u>	<u>\$ 10,963,577</u>

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

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

	<u>March 31,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
<b>LIABILITIES AND EQUITY</b>		
<b>CAPITALIZATION</b>		
Common stock	\$ 178,162	\$ 178,162
Additional paid-in capital	2,122,292	2,117,789
Retained earnings	1,110,922	1,168,901
Accumulated other comprehensive loss:		
Pension and other postretirement benefits	(26,362)	(26,960)
Derivative instruments	(167,173)	(98,742)
Common stock equity	<u>3,217,841</u>	<u>3,339,150</u>
Long-term debt less current maturities	<u>3,349,912</u>	<u>2,850,242</u>
Total capitalization	<u>6,567,753</u>	<u>6,189,392</u>
<b>CURRENT LIABILITIES</b>		
Short-term borrowings	236,176	521,684
Current maturities of long-term debt	942	874
Accounts payable	145,316	233,529
Accrued taxes	236,500	219,129
Accrued interest	44,639	39,860
Customer deposits	77,093	77,452
Liabilities from risk management and trading activities	63,954	69,585
Other current liabilities	66,184	105,655
Total current liabilities	<u>870,804</u>	<u>1,267,768</u>
<b>DEFERRED CREDITS AND OTHER</b>		
Deferred income taxes	1,389,483	1,401,412
Regulatory liabilities	591,601	587,586
Deferred fuel and purchased power regulatory liability	49,215	--
Liability for asset retirements	280,615	275,970
Liabilities for pension and other postretirement benefits	647,831	635,327
Customer advances for construction	138,100	132,023
Liabilities from long-term risk management and trading activities	136,068	126,532
Other	341,013	347,567
Total deferred credits and other	<u>3,573,926</u>	<u>3,506,417</u>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>\$ 11,012,483</u>	<u>\$ 10,963,577</u>

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

**ARIZONA PUBLIC SERVICE COMPANY**  
**CONDENSED STATEMENTS OF CASH FLOWS**

(unaudited)  
(dollars in thousands)

	Three Months Ended	
	March 31,	
	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Loss	\$ (15,479)	\$ (6,364)
Adjustments to reconcile net loss to net cash (used for) provided by operating activities:		
Depreciation and amortization including nuclear fuel	108,163	102,696
Deferred fuel and purchased power	28,238	9,721
Deferred fuel and purchased power amortization	28,961	50,709
Allowance for equity funds used during construction	(4,992)	(6,124)
Deferred income taxes	(6,335)	(34,793)
Change in mark-to-market valuations	3,823	(13,458)
Changes in current assets and liabilities:		
Customer and other receivables	71,551	43,922
Accrued utility revenues	15,365	12,764
Materials, supplies and fossil fuel	(11,796)	(11,418)
Other current assets	(2,042)	163
Accounts payable	(70,828)	(63,888)
Other current liabilities	(17,680)	44,391
Change in margin and collateral accounts – assets	(23,876)	93,449
Change in margin and collateral accounts – liabilities	(162,012)	6,648
Change in unrecognized tax benefits	(797)	13,129
Change in other long-term assets	(1,165)	13,200
Change in other long-term liabilities	17,460	10,858
Net cash flow provided by (used for) operating activities	(43,441)	265,605
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditures	(188,973)	(239,808)
Contributions in aid of construction	18,762	10,040
Allowance for borrowed funds used during construction	(3,724)	(3,775)
Proceeds from nuclear decommissioning trust sales	129,816	67,177
Investment in nuclear decommissioning trust	(135,264)	(72,362)
Other	1,500	(1,489)
Net cash flow used for investing activities	(177,883)	(240,217)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of long-term debt	496,475	--
Repayment of long-term debt	(233)	(246)
Short-term borrowings and payments-net	(285,508)	(27,056)
Dividends paid on common stock	(42,500)	(42,500)
Net cash flow provided by (used for) financing activities	168,234	(69,802)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(53,090)	(44,414)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	71,544	52,151
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	\$ 18,454	\$ 7,737
<b>Supplemental disclosure of cash flow information</b>		
Cash paid during the period for:		
Income taxes, net of refunds	\$ 13,704	\$ 5,704
Interest, net of amounts capitalized	\$ 40,867	\$ 39,946

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