

# PINNACLE WEST

CAPITAL CORPORATION

## 2022 Proxy Engagement



# Forward Looking Statements

This presentation contains forward-looking statements based on current expectations, including statements regarding our earnings guidance and financial outlook and goals. These forward-looking statements are often identified by words such as “estimate,” “predict,” “may,” “believe,” “plan,” “expect,” “require,” “intend,” “assume,” “project,” “anticipate,” “goal,” “seek,” “strategy,” “likely,” “should,” “will,” “could,” and similar words. Because actual results may differ materially from expectations, we caution you not to place undue reliance on these statements. A number of factors could cause future results to differ materially from historical results, or from outcomes currently expected or sought by Pinnacle West or APS. These factors include, but are not limited to: the potential effects of the continued COVID-19 pandemic, including, but not limited to, demand for energy, economic growth, our employees and contractors, vaccine mandates, supply chain, expenses, capital markets, capital projects, operations and maintenance activities, uncollectable accounts, liquidity, cash flows, or other unpredictable events; our ability to manage capital expenditures and operations and maintenance costs while maintaining reliability and customer service levels; variations in demand for electricity, including those due to weather, seasonality (including large increases in ambient temperatures), the general economy or social conditions, customer and sales growth (or decline), the effects of energy conservation measures and distributed generation, and technological advancements; the potential effects of climate change on our electric system, including as a result of weather extremes such as prolonged drought and high temperature variations in the area where APS conducts its business; power plant and transmission system performance and outages; competition in retail and wholesale power markets; regulatory and judicial decisions, developments and proceedings; new legislation, ballot initiatives and regulation or interpretations of existing legislation or regulations, including those relating to environmental requirements, regulatory and energy policy, nuclear plant operations and potential deregulation of retail electric markets; fuel and water supply availability; our ability to achieve timely and adequate rate recovery of our costs through our rates and adjustor recovery mechanisms, including returns on and of debt and equity capital investments; our ability to meet renewable energy and energy efficiency mandates and recover related costs; the ability of APS to achieve its clean energy goals (including a goal by 2050 of 100% clean, carbon-free electricity) and, if these goals are achieved, the impact of such achievement on APS, its customers, and its business, financial condition and results of operations; risks inherent in the operation of nuclear facilities, including spent fuel disposal uncertainty; current and future economic conditions in Arizona, including in real estate markets; the direct or indirect effect on our facilities or business from cybersecurity threats or intrusions, data security breaches, terrorist attack, physical attack, severe storms, or other catastrophic events, such as fires, explosions, pandemic health events, or similar occurrences; the development of new technologies which may affect electric sales or delivery; the cost of debt and equity capital and the ability to access capital markets when required; environmental, economic and other concerns surrounding coal-fired generation, including regulation of greenhouse gas emissions; volatile fuel and purchased power costs; the investment performance of the assets of our nuclear decommissioning trust, pension, and other postretirement benefit plans and the resulting impact on future funding requirements; the liquidity of wholesale power markets and the use of derivative contracts in our business; potential shortfalls in insurance coverage; new accounting requirements or new interpretations of existing requirements; generation, transmission and distribution facility and system conditions and operating costs; the ability to meet the anticipated future need for additional generation and associated transmission facilities in our region; the willingness or ability of our counterparties, power plant participants and power plant land-owners to meet contractual or other obligations or extend the rights for continued power plant operations; and restrictions on dividends or other provisions in our credit agreements and ACC orders. These and other factors are discussed in Risk Factors described in Part I, Item 1A of the Pinnacle West/APS Annual Report on Form 10-K for the fiscal year ended December 31, 2021, which you should review carefully before placing any reliance on our financial statements, disclosures or earnings outlook. Neither Pinnacle West nor APS assumes any obligation to update these statements, even if our internal estimates change, except as required by law.

In this presentation, references to net income and earnings per share (EPS) refer to amounts attributable to common shareholders.

THE PINNACLE WEST STORY

# Navigating Short-Term Challenges. Longer-Term, A Powerful Growth Story

**1**

**ESG leadership**

**2**

**Shift to clean**

**3**

**Substantive social  
impact**

**4**

**Strong governance**

**5**

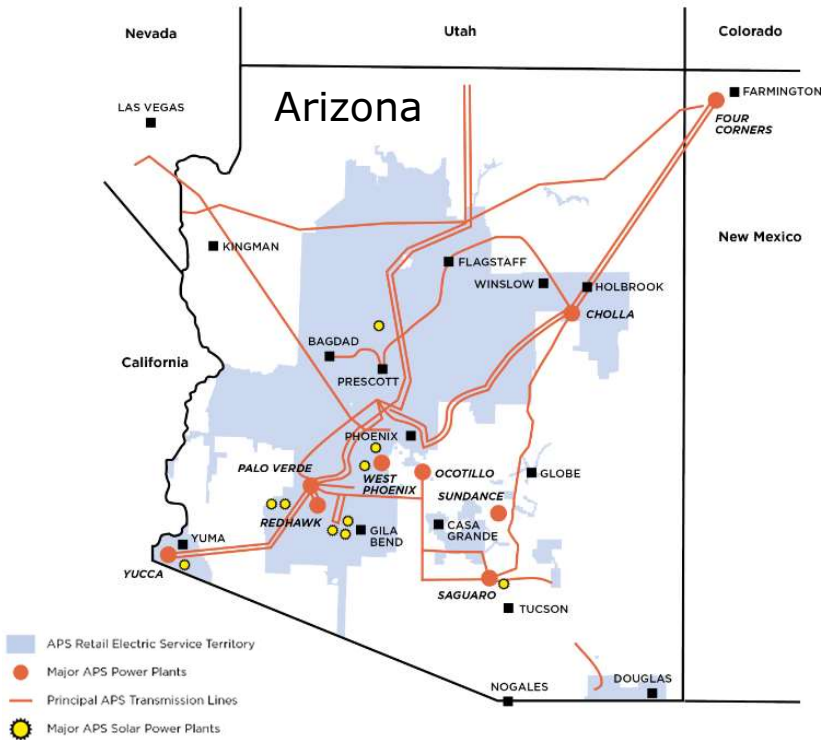
**Voting items**



AT A GLANCE

# Arizona's Largest Electric Company

## Service Territory<sup>1</sup>



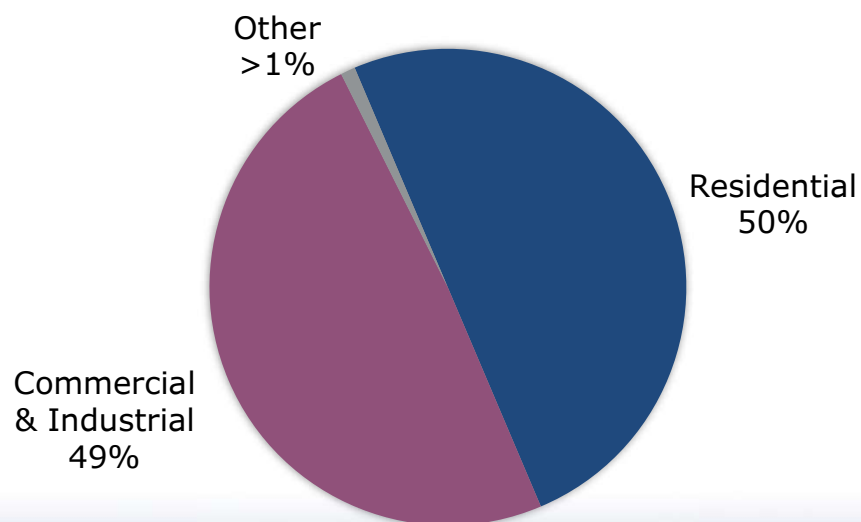
## Key Facts as of Dec. 31, 2021

Consolidated assets	\$22B
Revenues	\$3.8B
Market cap	~\$8B
Generating capacity owned or leased – year end	~6.3 GW
Customers	1.3M
Current % from clean energy	~50%
Nuclear plant in U.S.	Largest

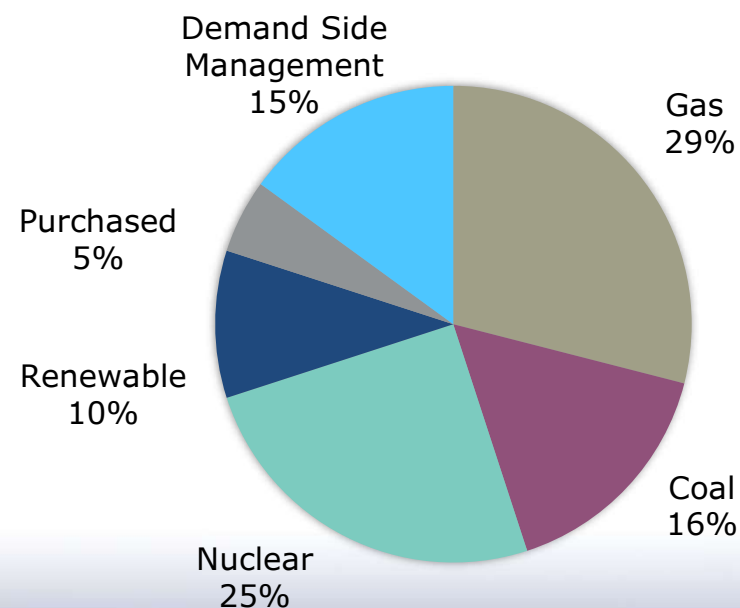


# Attractive Customer Mix and Shifting Generation Profile

**Retail Sales Mix<sup>1</sup>**



**Energy Mix  
– Will Shift Going Forward<sup>1</sup>**



<sup>1</sup> As of December 31, 2021.



# Leading ESG Practices Guide Our Approach – Snapshot

## Environmental



- ✓ One of two North American electric utility to achieve CDP Leadership scores for Water and Climate<sup>1</sup>
- ✓ MSCI ESG “AA” rating<sup>2</sup>
- ✓ Reduced carbon by 26% since 2005 and retired over 1,000 MW of coal

## Social



- ✓ Launched new diversity, equity and inclusion strategy
- ✓ 44% of new hires ethnically or racially diverse
- ✓ Commitment to support Coal Community Transition Plan

## Governance



- ✓ 36% of independent directors gender or ethnically diverse
- ✓ ESG executive council
- ✓ Board oversight of strategy and risk

<sup>1</sup>Pinnacle West is only one of two North American electric utility companies to achieve leadership scores in both climate change and water security out of the 140-plus electric utilities that were scored through CDP’s questionnaires in 2021, with nearly 12,000 companies being scored in total.

<sup>2</sup> Report dated April 27, 2021.

# ESG Leadership – 2021 Recognitions



**A- Score for Climate Change and Water Security**

**MSCI**  
ESG RATINGS



CCC	B	BB	BBB	A	AA	AAA
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**MSCI Upgrades Pinnacle West's ESG Rating to AA<sup>1</sup>**



**Training Magazine**

**2021 Top 100 Learning and Development Organization**



**DIVERSITY**  
LEADERSHIP + ALLIANCE

**2021 Inclusive Workplace Award**

Named to the annual ranking of the world's  
**Top 100 Green Utilities** by



**US Women in Nuclear Leadership Award**

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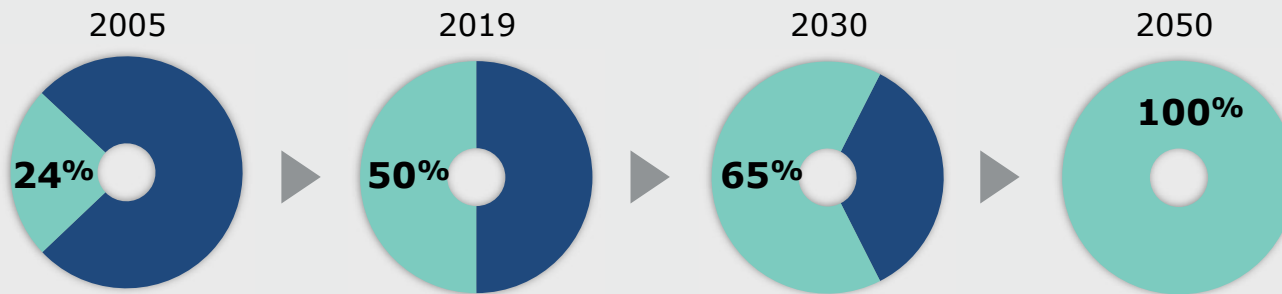
# A Clear Plan for Clean Energy Transition-100% clean, carbon-free electricity by 2050

## Progress Towards Meeting Clean Energy Commitment<sup>1</sup>

- ➡ Announced seasonal operations of Four Corners beginning 2023
- ➡ Contracted for nearly 1,400 MWs of clean energy and storage to be in service for APS customers by 2024
- ➡ Charted course for healthy mix of APS-owned and third party-owned assets, to be continued through future planned RFPs

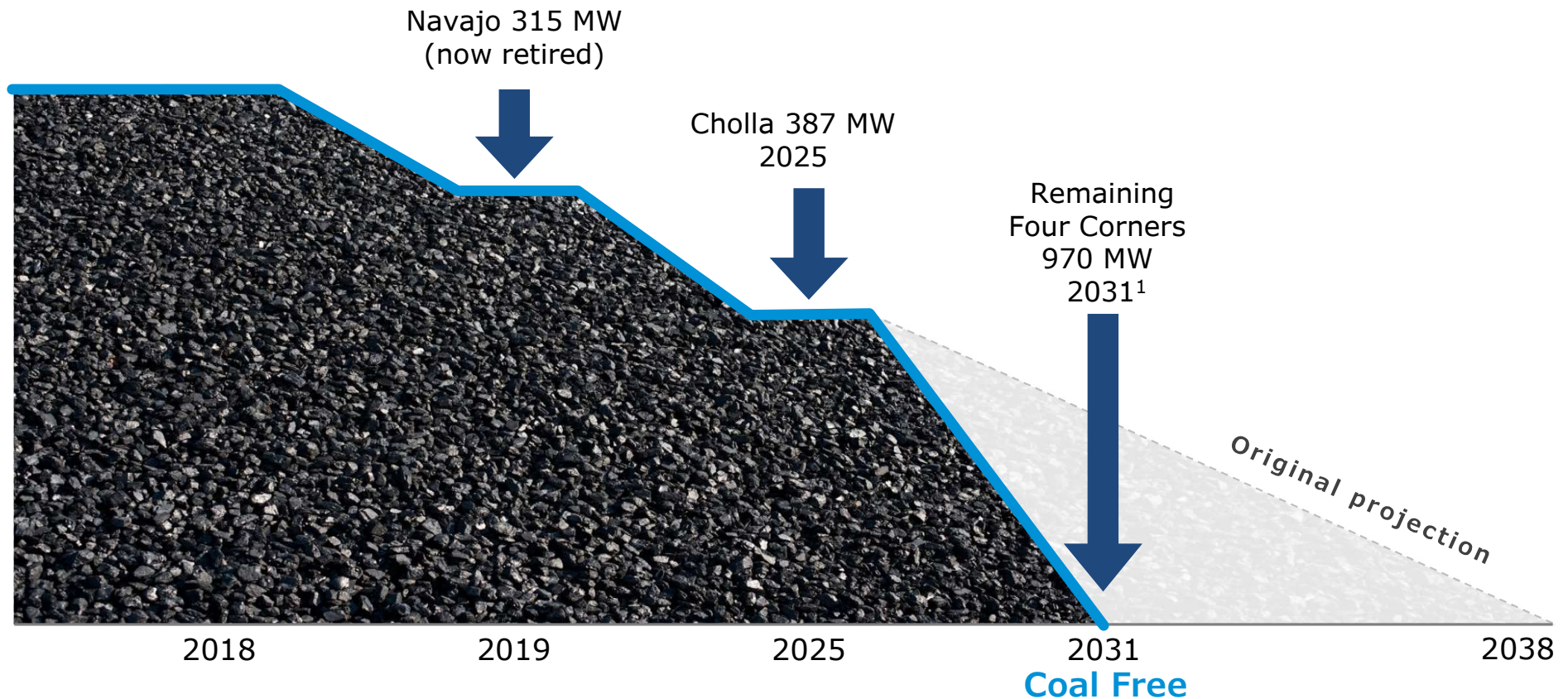


## Pathway



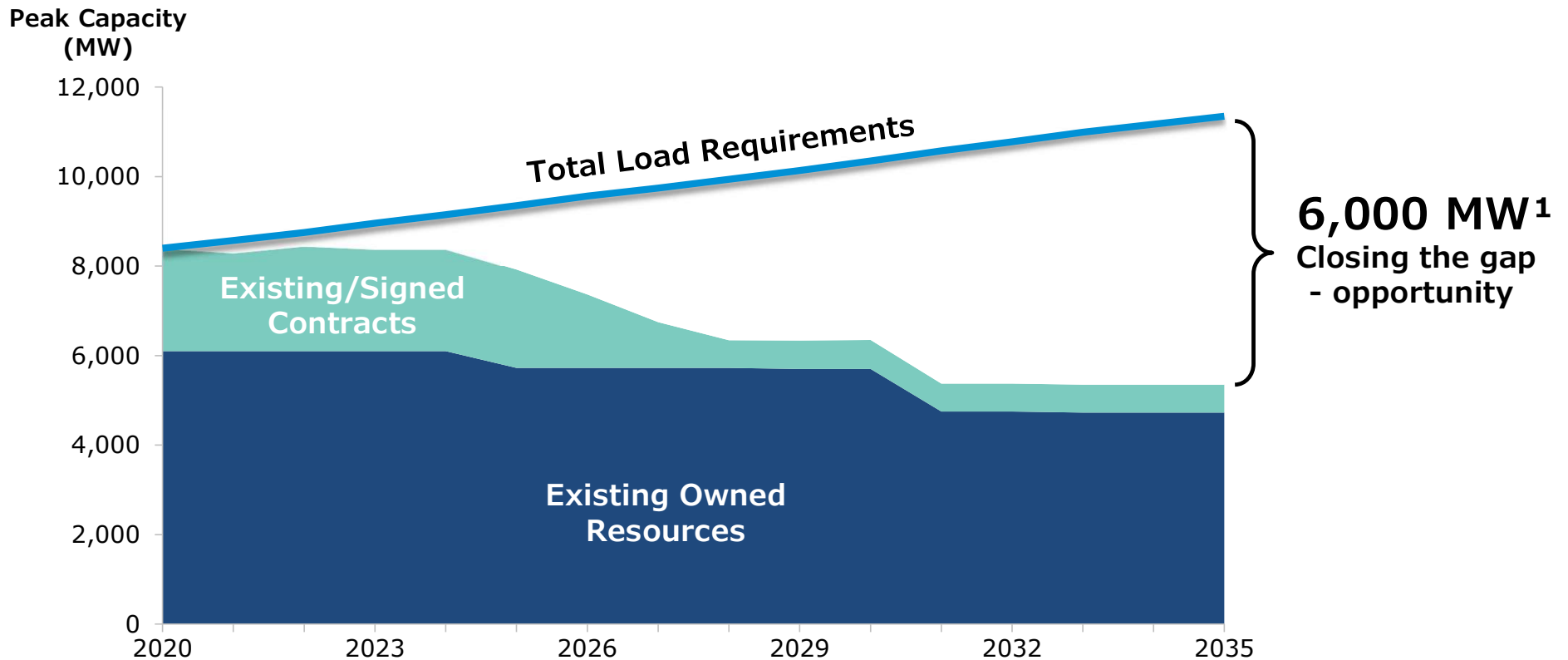
<sup>1</sup> Since January 2020

# Coal Exit Strategy – 7 Years Earlier than Originally Projected



<sup>1</sup>Starting in 2023 and subject to the necessary approvals, Four Corners will move to a seasonal operating schedule that will further reduce annual carbon emissions at Four Corners by an estimated 20-25%.

# Coal Exit and Expiring Purchase Contracts Will Create a 6,000 MW Supply-Demand Gap by 2035



<sup>1</sup> Will need more additions than 6,000 MW due to new resources being paired to meet reliability requirements (i.e. solar with storage requires 100 MW solar plus 100 MW of storage).

# Key New Energy Sources to Achieve Goals

## Initiatives

- Solar generation
- Wind generation
- Gas as a bridge fuel
- Demand-side management
- Energy storage solutions
- Innovation



## Resource Mix Change<sup>1</sup>

	Today		2035
Coal	16%	➡	0%
Gas	29%	➡	6%-17%
Nuclear	25%	➡	16%
Purchased	5%	➡	11%
Renewable/ DSM	25%	➡	56%-67%





# Pilot Project Exploring Hydrogen as Potential Solution for Long Duration Storage

## Profile of Project

### Collaborators

- Palo Verde Generating Station and Idaho National Laboratory

### Pilot Program

- Examine long-term cost effectiveness of hydrogen production at utility scale

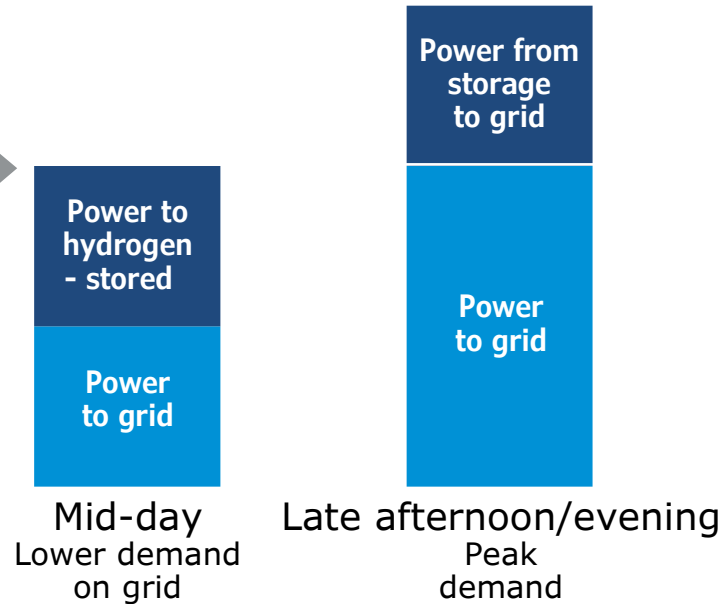
### Goal

- Use of hydrogen for long term storage of energy

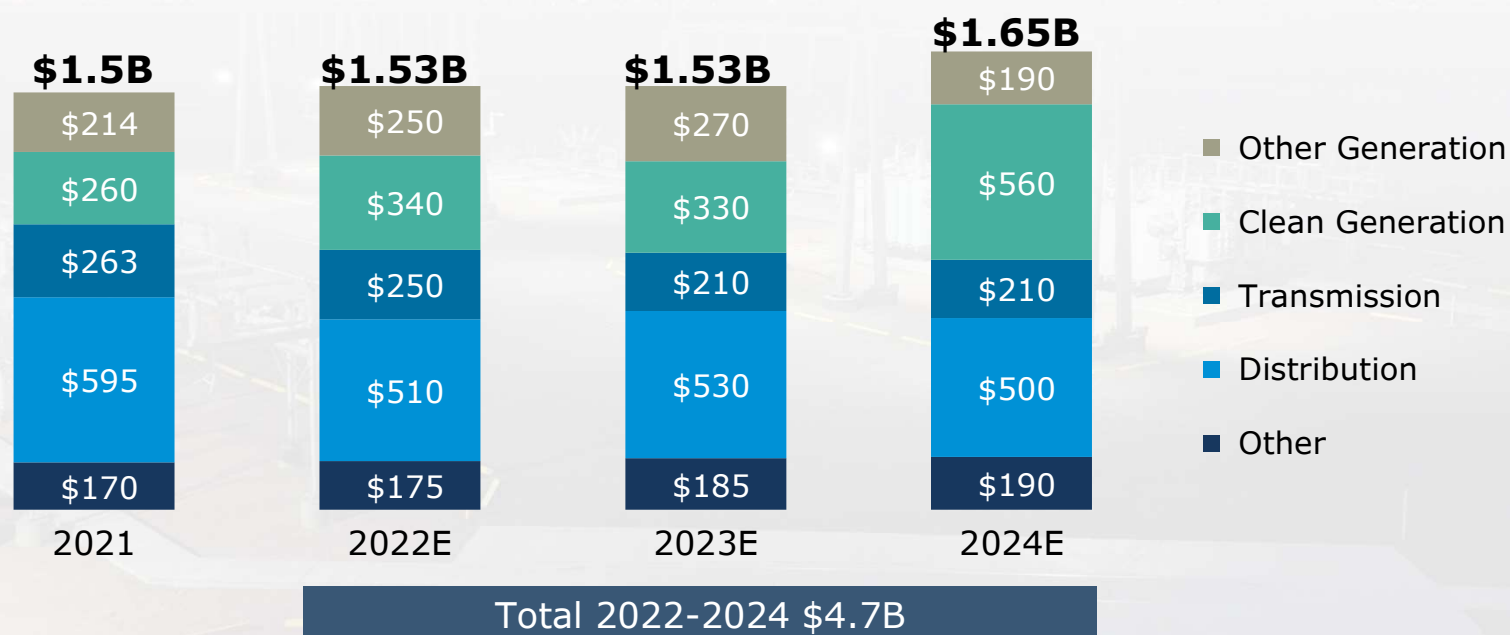


## Possible Scenario for Palo Verde Generating Station

100%  
Plant  
Output



# Advancing On Path to 100% Clean Energy – Three-Year Capital Plan of \$4.7B



2022–2024 as disclosed in the 2021 Annual Report on Form 10-K.

# Shift to Clean Energy is a Win, Win, Win, Win

## WIN for clean air



- Lower carbon



## WIN for customers



- Maintain affordability



## WIN for relations with regulators



- Aligned goals



## WIN for EPS growth



- Expanded capital base

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# Helping our Communities Thrive Creates Lasting Benefits for our Company

**\$12.9  
Million**



We **donated** more than **\$12.9 million** in 2021

**Community-  
Minded  
Employees**



Employees pledged **\$2 million** to United Way and spent an estimated **91,000 hours** **volunteering**

**24/7  
Customer  
Care Center**



Answered **76% of more than 1 million calls** within 30 seconds or less

**Customer  
Assistance**



Provide qualified limited income customers a **25% discount** on their bill each month

**Heat Relief  
Strategy**



Partnered with local nonprofits to **expand assistance to vulnerable individuals** during Arizona's hot summer months

**Arizona  
Teachers  
K-12**



Gave at total of **\$250,000 to 500 Arizona K-12 teachers** to purchase classroom supplies

# Customer Driven Initiatives Underway – A Few Examples

## Take Charge AZ



- Pilot program to encourage electric vehicle adoption by installing charging stations
- Installed more than 250 chargers in 2021

## Customer Advisory Board








- Gathers direct insight from residential customers
- Identify customer concerns to shape solutions

## Energy Efficiency



- Demand response programs to reward shift of energy usage to lower-cost times
  - smart thermostats
  - residential battery systems
  - grid-interactive water heaters

# Supporting our People to Strengthen our Company

-  Virtually hosted **69 summer interns** with a diversity rate of **68%** in 2021
-  **Robust employee engagement**, including **10 Employee Network Groups**
-  Average **employee tenure of approx. 13 years in 2021** due to strong talent strategy
-  Total **turnover for 2021 was 9.8%** (4.1% of which were related to retirements)
-  **Annual** and focused **quarterly pulse surveys** allow us to gather employee feedback, identify opportunities for improvement and compare our performance to other companies

# Enhanced Diversity, Equity and Inclusion Unites Our Team

## Employee Diversity in 2021



- **33%** are ethnically or racially diverse
- **25%** are female
- **16%** are veterans

## New Hires in 2021



- **44%** were ethnically or racially diverse
- **37%** were female
- **10%** were veterans

## Female Officers In 2021



- **40%** of all officers are female
- **First** female Chief Nuclear Officer at Palo Verde

## DEI Strategy

In 2021, we launched our **DEI Strategy**. Key activities in 2021:

- Four-part **leadership education series** for all officers
- Company-wide **Inclusion Calendar**
- APS was honored with the **2021 Inclusive Workplace Award**



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# Robust Shareholder Rights Reflect Investor Feedback

- ✓ **Threshold to call a special meeting of shareholders set at 15%**
- ✓ **Annual elections** of all directors with cumulative voting
- ✓ **No poison pill plan** or similar anti-takeover provision in place
- ✓ **No supermajority provisions** in our Articles of Incorporation or Bylaws
- ✓ **Proxy access rights** allowing up to 20 shareholders owning 3% of our outstanding stock for at least 3 years to nominate up to 25% of the Board

# Our Strong Governance Enables Successful Execution

## Board Independence



- Ten of our eleven director nominees are **independent**
- **Robust Board refreshment**, with director retirement policy

## Board Oversight



- Defined **oversight of environmental, social and governance practices** by the Corporate Governance and Public Responsibility Committee
- Robust management **succession planning**
- Board oversight of **strategy and risk**

# Diverse Board Representation

- **36%** of independent directors **gender or ethnically diverse**
- Diversity in skills, knowledge and expertise
- **Average tenure will be 8.0<sup>1</sup> years**

<sup>1</sup> As of May 18, 2022



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# Executive Compensation Linked to Shareholder Priorities

- ✓ Substantial proportion of target compensation **is at risk**
- ✓ **Earnings per share performance** and **clean megawatts installed** metrics added to 2022 Performance Share grants replacing relative operational metrics
- ✓ **Anti-hedging** and **anti-pledging policies**
- ✓ **Stock ownership guidelines** for all Named Executive Officers
- ✓ **Clawback policy** for executive officers



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# Voting Items and Board Recommendations

- 1** To elect eleven directors to serve until the 2023 Annual Meeting of Shareholders.  
– **FOR each director nominee**
- 2** To hold an advisory vote to approve executive compensation.  
– **FOR**
- 3** To ratify the appointment of our independent accountant for the year ending December 31, 2022.  
– **FOR**
- 4** To approve a shareholder proposal asking the Company to amend its governing documents to reduce the ownership threshold to 10% to call special shareholder meetings, if properly presented at the meeting  
– **AGAINST**