SECOND QUARTER 2015 RESULTS

PINNACLE WEST
CAPITAL CORPORATION

July 30, 2015

FORWARD LOOKING STATEMENTS AND NON-GAAP FINANCIAL MEASURES

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" 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: 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, the general economy, customer and sales growth (or decline), and the effects of energy conservation measures and distributed generation; power plant and transmission system performance and outages; competition in retail and wholesale power markets; regulatory and judicial decisions, developments and proceedings; new legislation or regulation, including those relating to environmental requirements, 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, including returns on debt and equity capital; our ability to meet renewable energy and energy efficiency mandates and recover related costs; risks inherent in the operation of nuclear facilities, including spent fuel disposal uncertainty; current and future economic conditions in Arizona, particularly in real estate markets; 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 and other concerns surrounding coal-fired generation; 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 baseload 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, 2014 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.

We present "gross margin" per diluted share of common stock. Gross margin refers to operating revenues less fuel and purchased power expenses. Gross margin is a "non-GAAP financial measure," as defined in accordance with SEC rules. The appendix contains a reconciliation of this non-GAAP financial measure to the referenced revenue and expense line items on our Consolidated Statements of Income, which are the most directly comparable financial measures calculated and presented in accordance with generally accepted accounting principles in the United States of America (GAAP). We view gross margin as an important performance measure of the core profitability of our operations.

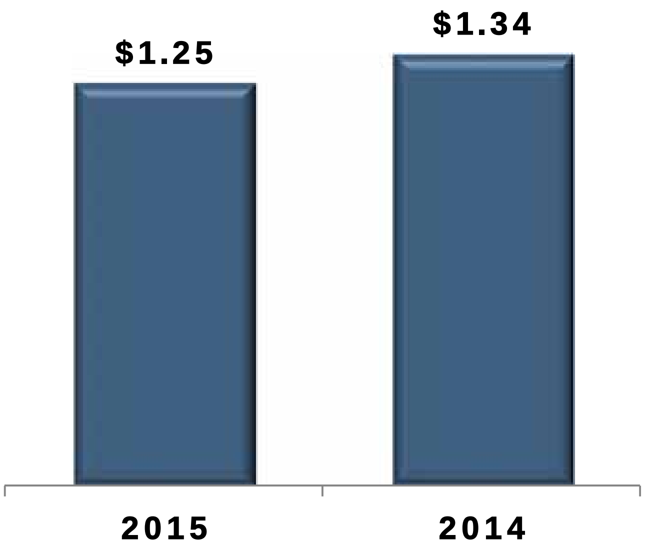
We refer to "on-going earnings" in this presentation, which is also a non-GAAP financial measure. We also provide a reconciliation to show impacts of our noncontrolling interests for the Palo Verde lease extensions. We believe on-going earnings and the information provided in the reconciliation provide investors with useful indicators of our results that are comparable among periods because they exclude the effects of unusual items that may occur on an irregular basis.

Investors should note that these non-GAAP financial measures may involve judgments by management, including whether an item is classified as an unusual item. These measures are key components of our internal financial reporting and are used by our management in analyzing the operations of our business. We believe that investors benefit from having access to the same financial measures that management uses.

CONSOLIDATED EPS COMPARISON
2015 VS. 2014

2nd Quarter
On-Going Earnings

Year-to-Date
On-Going Earnings



2nd Quarter
GAAP Net Income

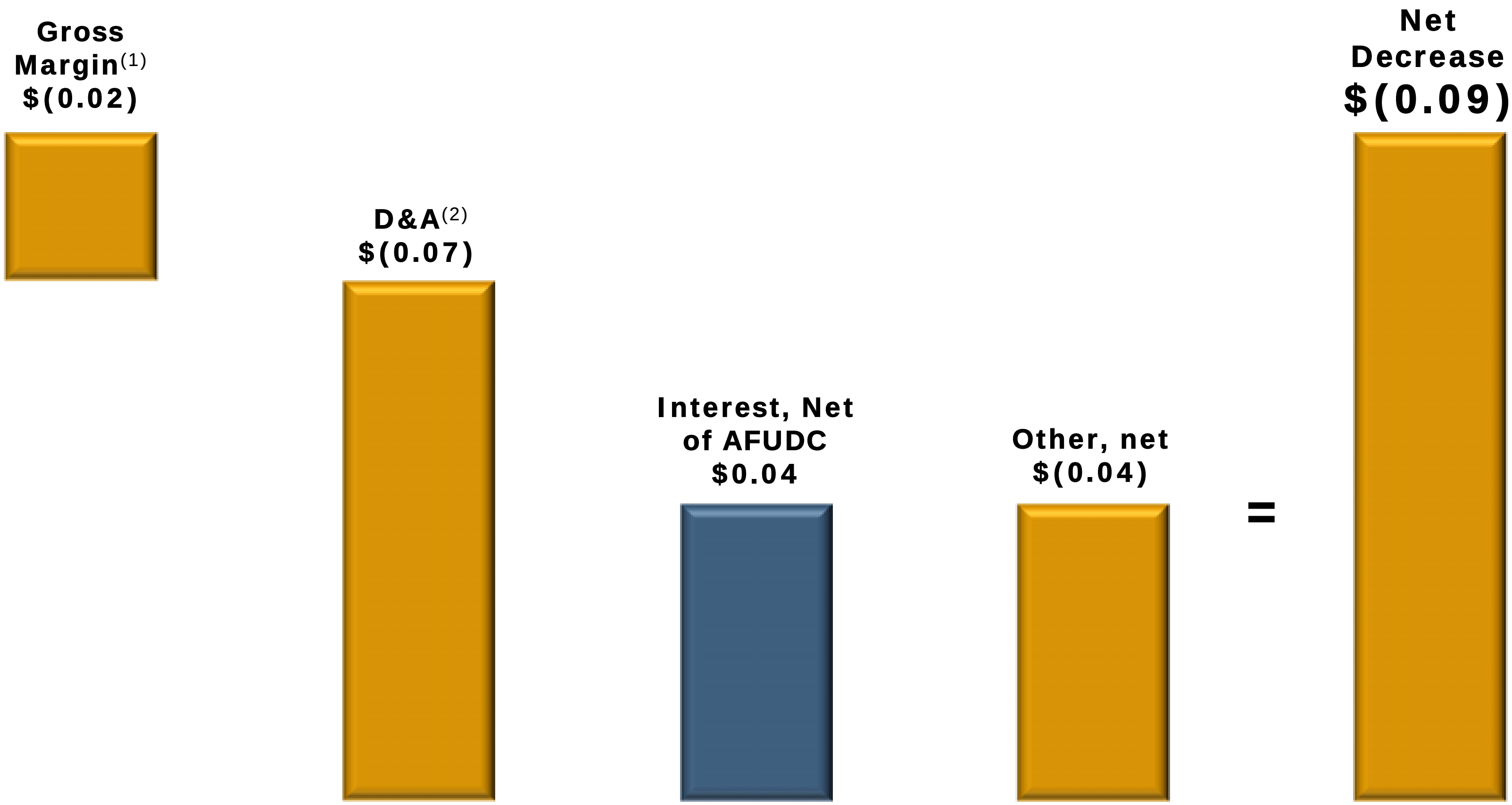
$1.10	$1.19

Year-to-Date
GAAP Net Income

$1.25	$1.34

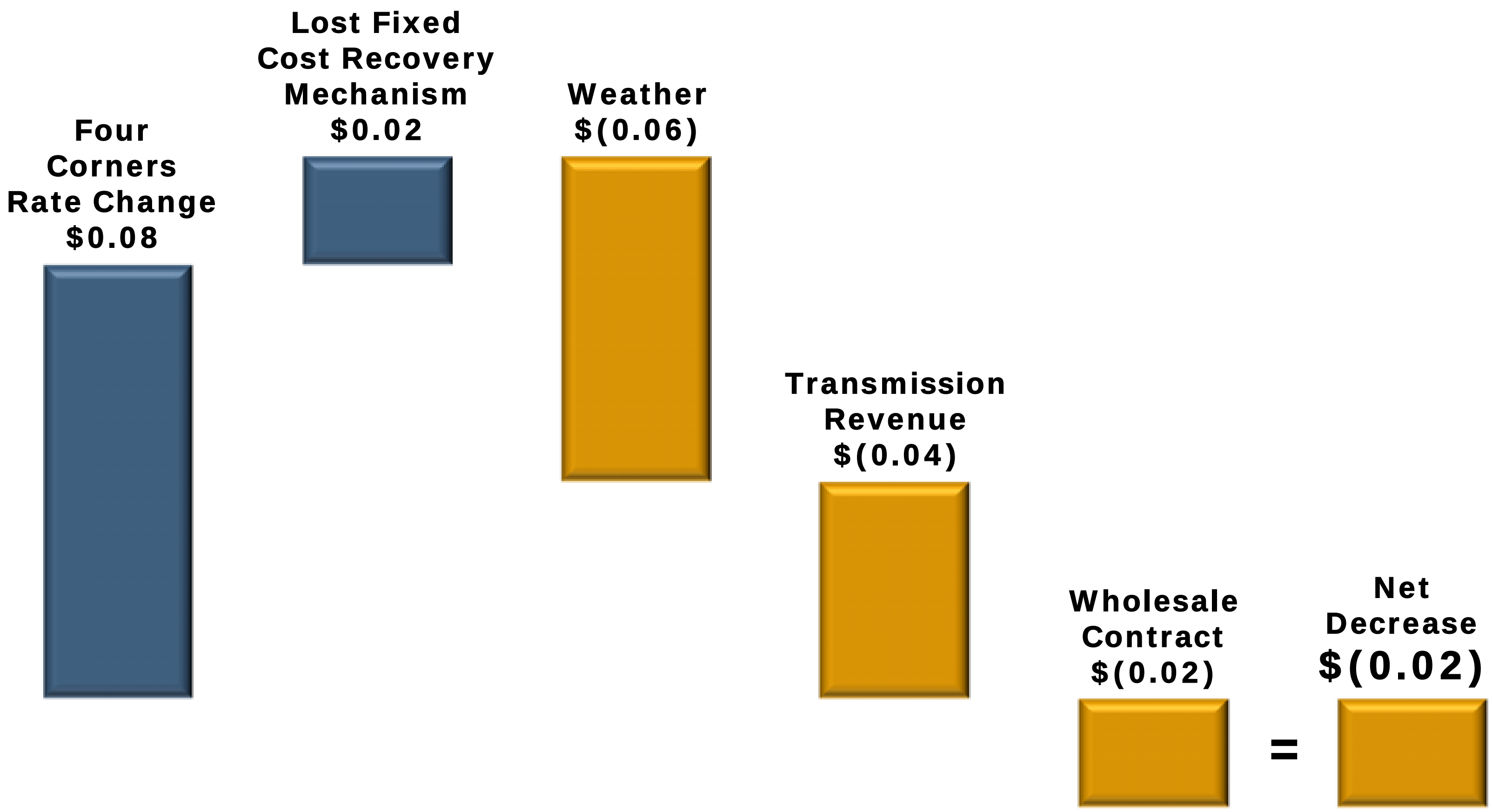
PINNACLE WEST CAPITAL CORPORATION

ON-GOING EPS VARIANCES
2ND QUARTER 2015 VS. 2ND QUARTER 2014



(1) Excludes costs, and offsetting operating revenues, associated with renewable energy (excluding AZ Sun), demand side management and similar regulatory programs.
(2) Adjusted for the impacts of our noncontrolling interests for the Palo Verde lease extensions. See non-GAAP reconciliation in appendix.

GROSS MARGIN EPS DRIVERS
2ND QUARTER 2015 VS. 2ND QUARTER 2014



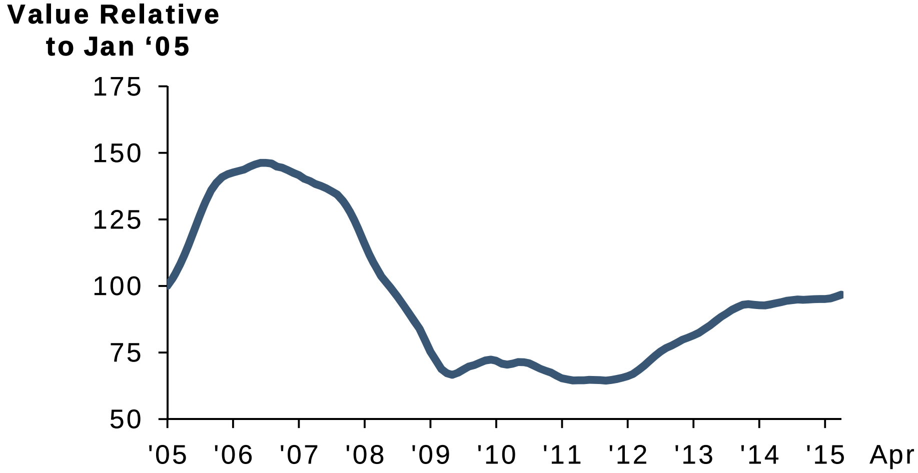
See non-GAAP reconciliation for gross margin in appendix.

PINNACLE WEST CAPITAL CORPORATION

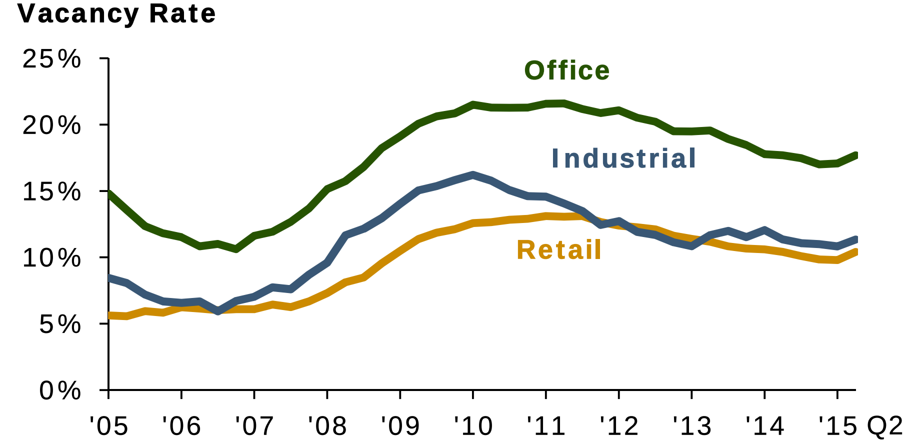
ARIZONA ECONOMIC INDICATORS

Business services, healthcare, tourism, and consumer services leading job recovery – each growing 3-7% YoY

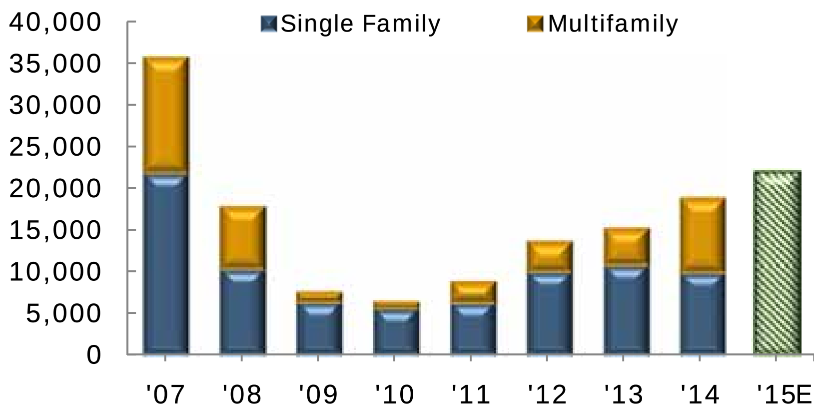
Home Prices – Metro Phoenix



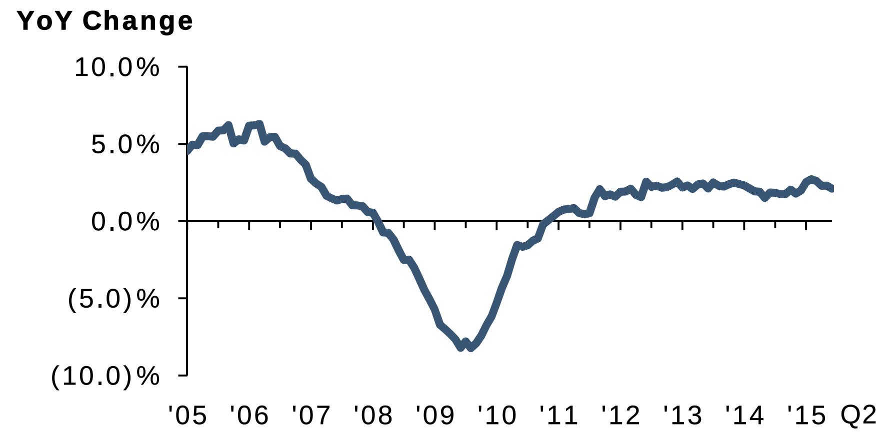
Nonresidential Building Vacancy – Metro Phoenix



Single Family & Multifamily Housing Permits
Maricopa County



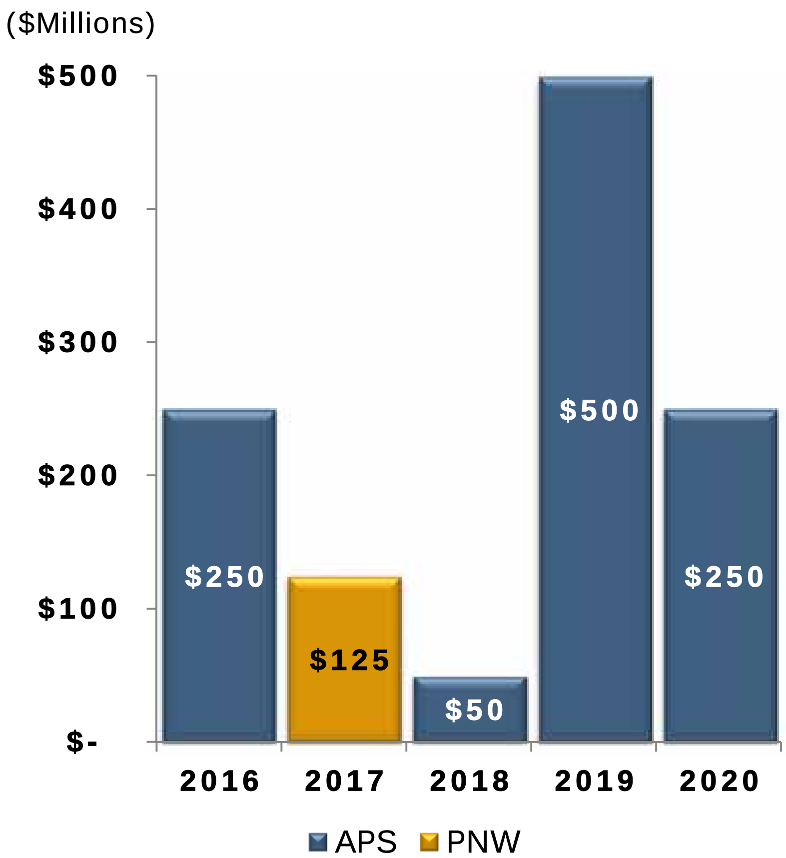
Job Growth (Total Nonfarm) - Arizona



PINNACLE WEST CAPITAL CORPORATION

BALANCE SHEET STRENGTH

Debt Maturity Schedule



Credit Ratings

- A- rating or better at S&P, Moody's and Fitch
- Moody's and Fitch upgraded APS and PNW in Q2

2015 Major Financing Activities

- $250 million 5-year 2.20% APS senior unsecured notes issued in January 2015
- $300 million 10-year 3.15% APS senior unsecured notes issued in May 2015 - proceeds used to refinance $300 million of 4.65% notes that matured May 15, 2015
- Currently expect up to an additional $300 million of new long-term debt

PINNACLE WEST CAPITAL CORPORATION

2015 ON-GOING EPS GUIDANCE

Key Factors & Assumptions as of July 30, 2015

	2015
Electricity gross margin* (operating revenues, net of fuel and purchased power expenses)	**$2.27 – $2.32 billion**
• Retail customer growth about 1.5-2.5%	
• Weather-normalized retail electricity sales volume about 0-1.0% to prior year taking into account effects of customer conservation, energy efficiency and distributed renewable generation initiatives	
• Assumes normal weather	
Operating and maintenance*	**$775 - $795 million**
Other operating expenses (depreciation and amortization, and taxes other than income taxes)	**$650 - $670 million**
Interest expense, net of allowance for borrowed and equity funds used during construction (Total AFUDC $45 million)	**$150 - $160 million**
Net income attributable to noncontrolling interests	**~$20 million**
Effective tax rate	**35%**
Average diluted common shares outstanding	**~111.0 million**
On-Going EPS Guidance	***$3.75 - $3.95***

* Excludes O&M of $109 million, and offsetting revenues, associated with renewable energy and demand side management programs.

PINNACLE WEST CAPITAL CORPORATION

APPENDIX

PINNACLE WEST
CAPITAL CORPORATION

2015 KEY DATES

ACC Key Dates	Docket #	Q1	Q2	Q3	Q4
Key Recurring Regulatory Filings					
Lost Fixed Cost Recovery	E-01345A-11-0224	Jan 15			
Net Metering – Quarterly Installation Filings	E-01345A-13-0248	Jan 15	Apr 15	Jul 15	Oct 15
Transmission Cost Adjustor	E-01345A-11-0224		May 15		
Renewable Energy Surcharge	E-01345A-15-0241			Jul 1	
2014 Integrated Resource Plan (Biennial) and Cholla Unit 2 Retirement Proposal	E-00000V-13-0070		Apr 14: ACC Review		
Resource Planning and Procurement in 2015 and 2016	E-00000V-15-0094			Comments due on proposed process change	
Grid Access Charge Filing	E-01345A-13-0248		Apr 2	ALJ Recommended Opinion and Order	
ACC Open Meetings	-	*ACC Open Meetings Held Monthly*			

Other Key Dockets	Docket #
Ocotillo Modernization Project	L-00000D-14-0292-00169
Inquiry into Solar DG business models and practices (Generic Docket)	E-00000J-14-0415

CREDIT RATINGS

Investment Grade Credit Ratings

	APS	Parent
Corporate Credit Ratings		
Moody's	A2	A3
S&P	A-	A-
Fitch	A-	A-
Senior Unsecured		
Moody's	A2	-
S&P	A-	-
Fitch	A	-
Outlook		
Moody's	Stable	Stable
S&P	Stable	Stable
Fitch	Stable	Stable

We are disclosing credit ratings to enhance understanding of our sources of liquidity and the effects of our ratings on our costs of funds.

RETAIL SALES IMPACT FROM ENERGY EFFICIENCY AND DISTRIBUTED GENERATION

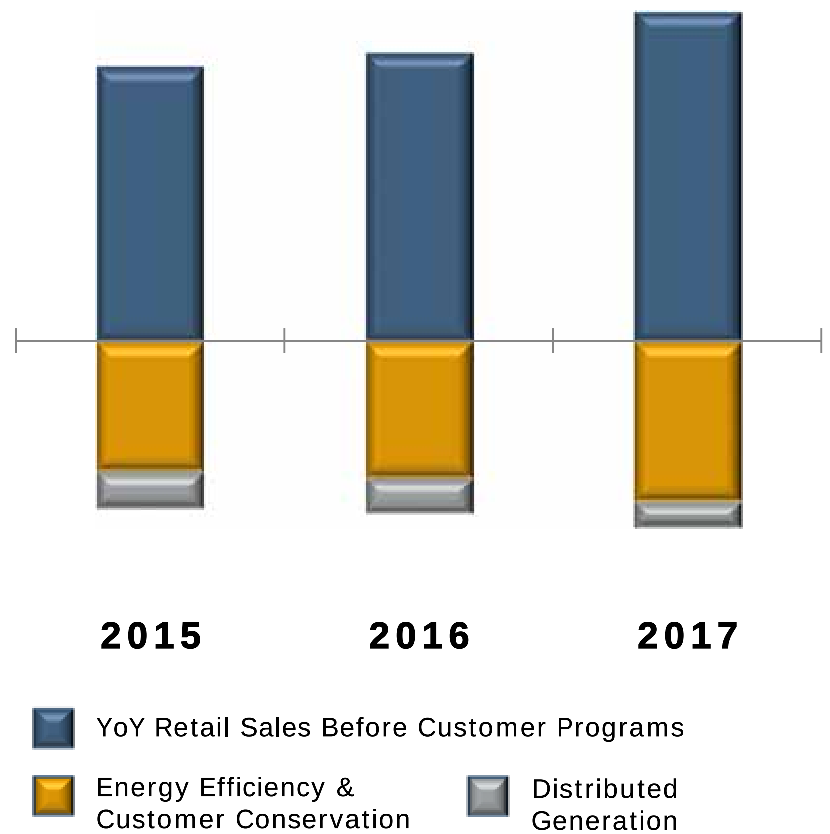
The difference between customer growth and weather-normalized retail sales, mostly driven by EE and DG, has ranged from (1)-(2)%, in line with guidance, despite some larger quarterly variances.

- 2015 YTD: (1.4)%
- 2014: (1.4)%
- 2013: (1.8)%
- 2012: (1.0)%

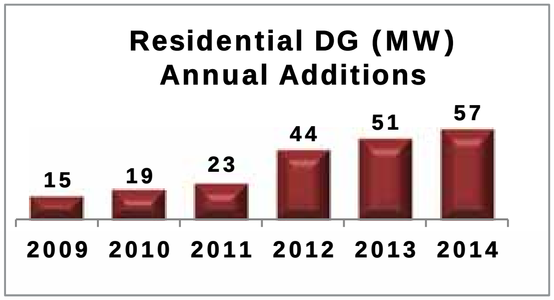
Distributed Generation (DG) Impact

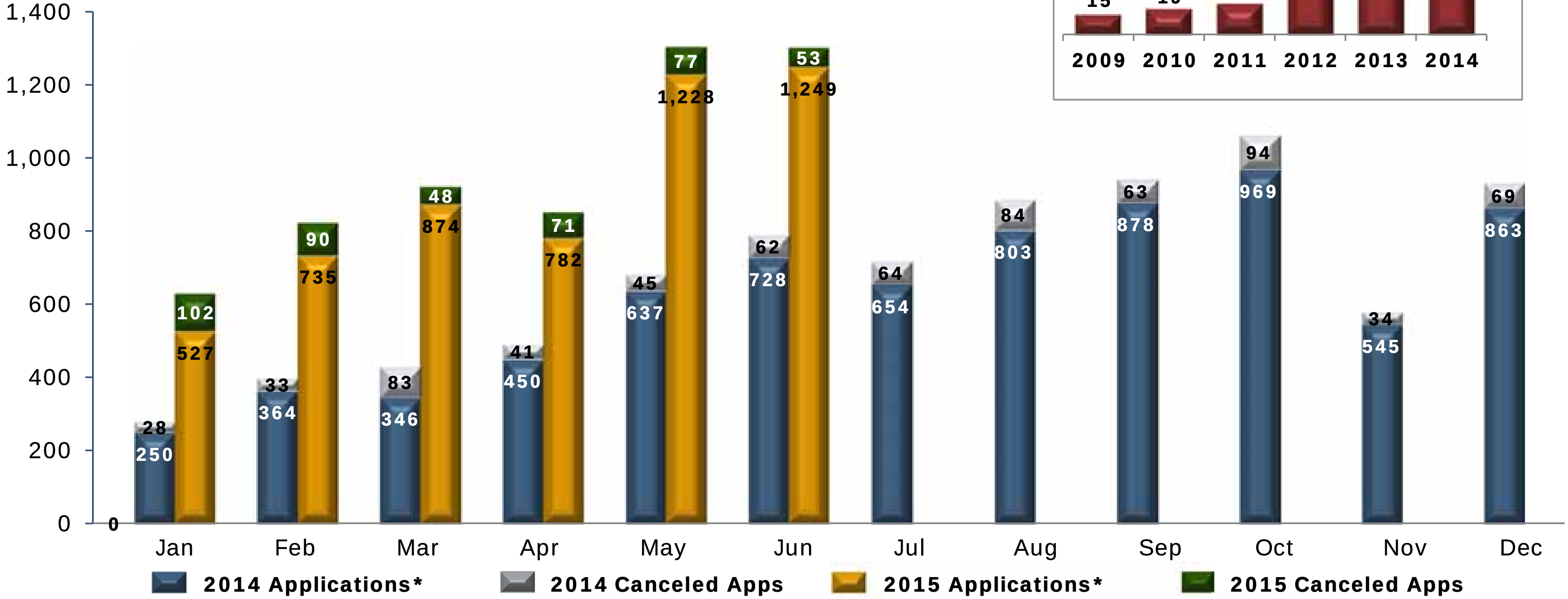
- DG makes up 0.5% or less of the negative impact to retail sales growth as shown in the chart
- Average residential rooftop solar system produces 10,000 – 12,000 KWh per year (average metro-Phoenix customer's usage is nearly 15,000 KWh)

Annual Retail Sales Growth



RESIDENTIAL PV APPLICATIONS





As of June 30, 2015, nearly 34,000 residential grid-tied solar photovoltaic (PV) systems have been installed in APS's service territory, equivalent to 239 MW.

*Note: www.arizonagoessolar.org logs total residential application volume, including cancellations. Solar water heaters can also be found on the site, but are not included in the above chart.

FINANCIAL OUTLOOK

Key Factors & Assumptions as of July 30, 2015

Gross Margin – Customer Growth and Weather (2015-2017)

Assumption	Impact
Retail customer growth	• Expected to average about 2-3% annually • Modestly improving Arizona and U.S. economic conditions
Weather-normalized retail electricity sales volume growth	• About 0.5-1.5% after customer conservation and energy efficiency and distributed renewable generation initiatives

Gross Margin – Related to 2012 Retail Rate Settlement

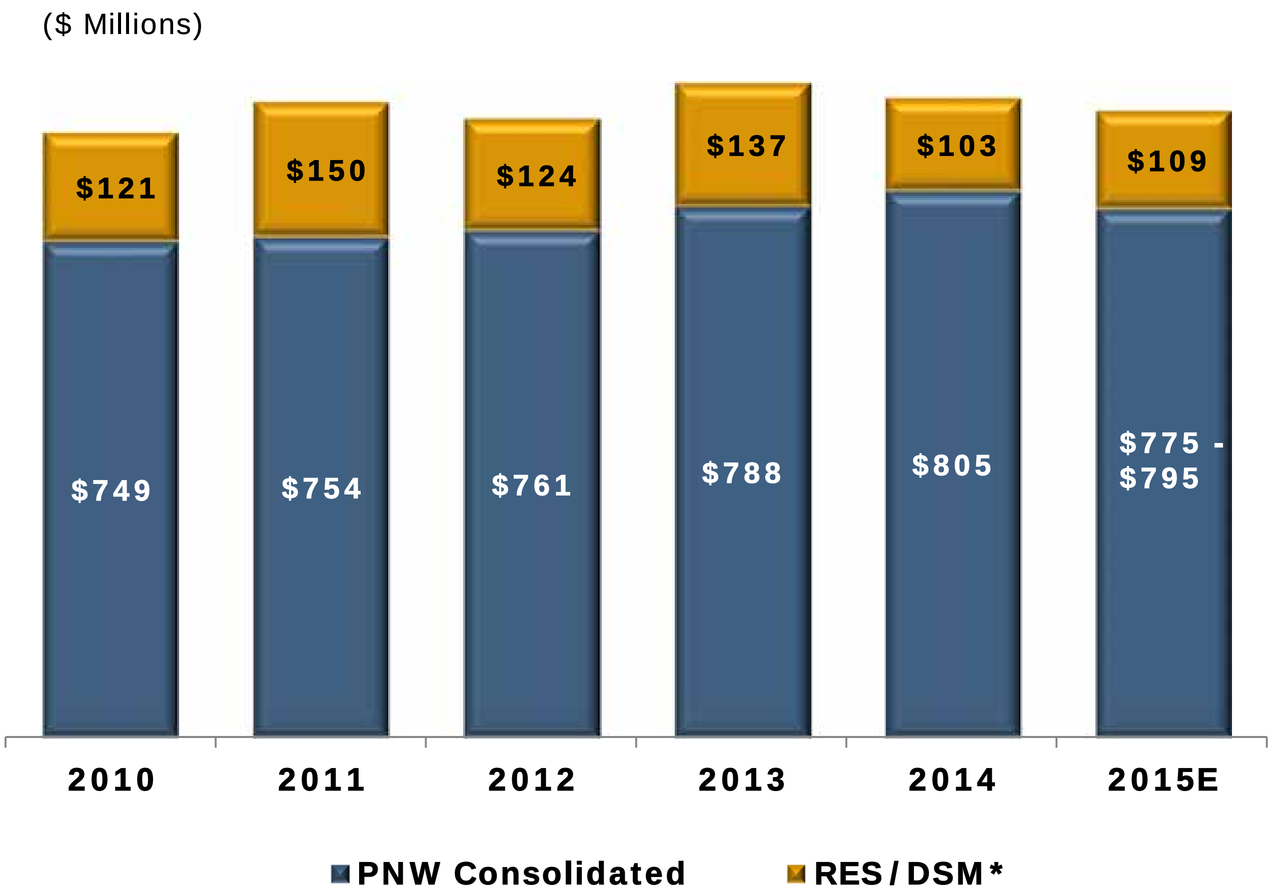
Assumption	Impact
AZ Sun Program	• Additions to flow through RES until next base rate case • First 50 MW of AZ Sun is recovered through base rates
Lost Fixed Cost Recovery (LFCR)	• Offsets 30-40% of revenues lost due to ACC-mandated energy efficiency and distributed renewable generation initiatives
Environmental Improvement Surcharge (EIS)	• Assumed to recover up to $5 million annually of carrying costs for government-mandated environmental capital expenditures
Power Supply Adjustor (PSA)	• 100% recovery as of July 1, 2012
Transmission Cost Adjustor (TCA)	• TCA is filed each May and automatically goes into rates effective June 1 • Beginning July 1, 2012 following conclusion of the regulatory settlement, transmission revenue is accrued each month as it is earned.
Four Corners Acquisition	• Four Corners rate increase effective January 1, 2015

Potential Property Tax Deferrals (2012 retail rate settlement): Assume 60% of property tax increases relate to tax rates, therefore, will be eligible for deferrals (Deferral rates: 50% in 2013; 75% in 2014 and thereafter)

Outlook Through 2016: Goal of earning more than 9.5% Return on Equity (earned Return on Equity based on average Total Shareholder's Equity for PNW consolidated, weather-normalized)

OPERATIONS & MAINTENANCE OUTLOOK

Targeting to be top quartile in peer benchmarking for staffing



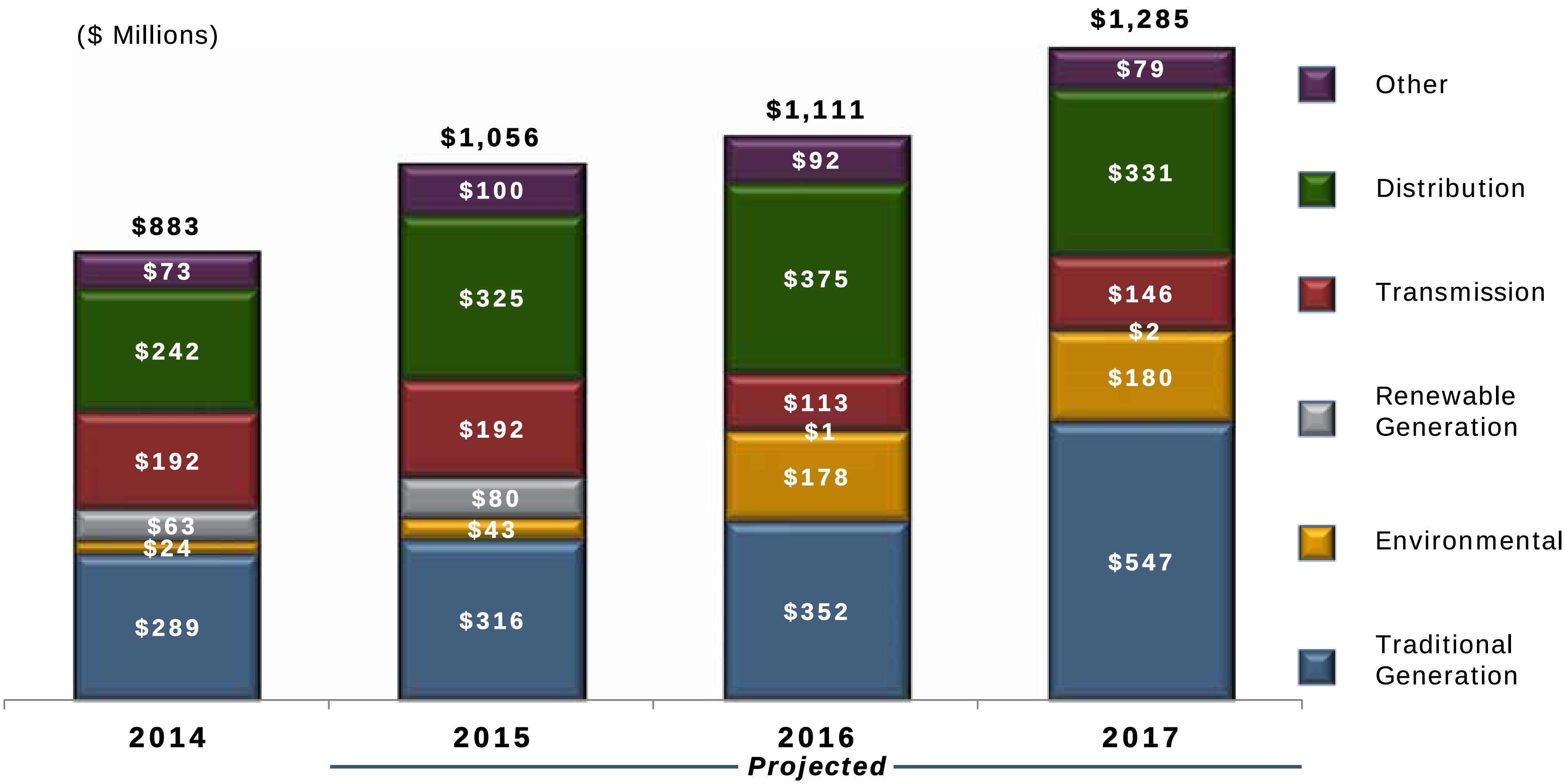
2015+ Outlook

- Goal is to keep O&M per kWh flat
- Complete documentation of over 1,800 policies, processes and procedures, including more than 275 process improvements to drive additional efficiencies
- Execute targeted initiatives to address specific gaps and inefficiencies

*Renewable energy and demand side management expenses are offset by adjustor mechanisms.

CAPITAL EXPENDITURES

70% of capital expenditures are recovered through rate adjustors (30%) and depreciation cash flow (40%)



- The table does not include capital expenditures related to El Paso's 7% interest in Four Corners Units 4 and 5 of $3 million in 2015, $21 million in 2016 and $26 million in 2017.
- 2015 – 2017 as disclosed in Second Quarter 2015 Form 10-Q.

REGULATORY MECHANISMS (TCA)

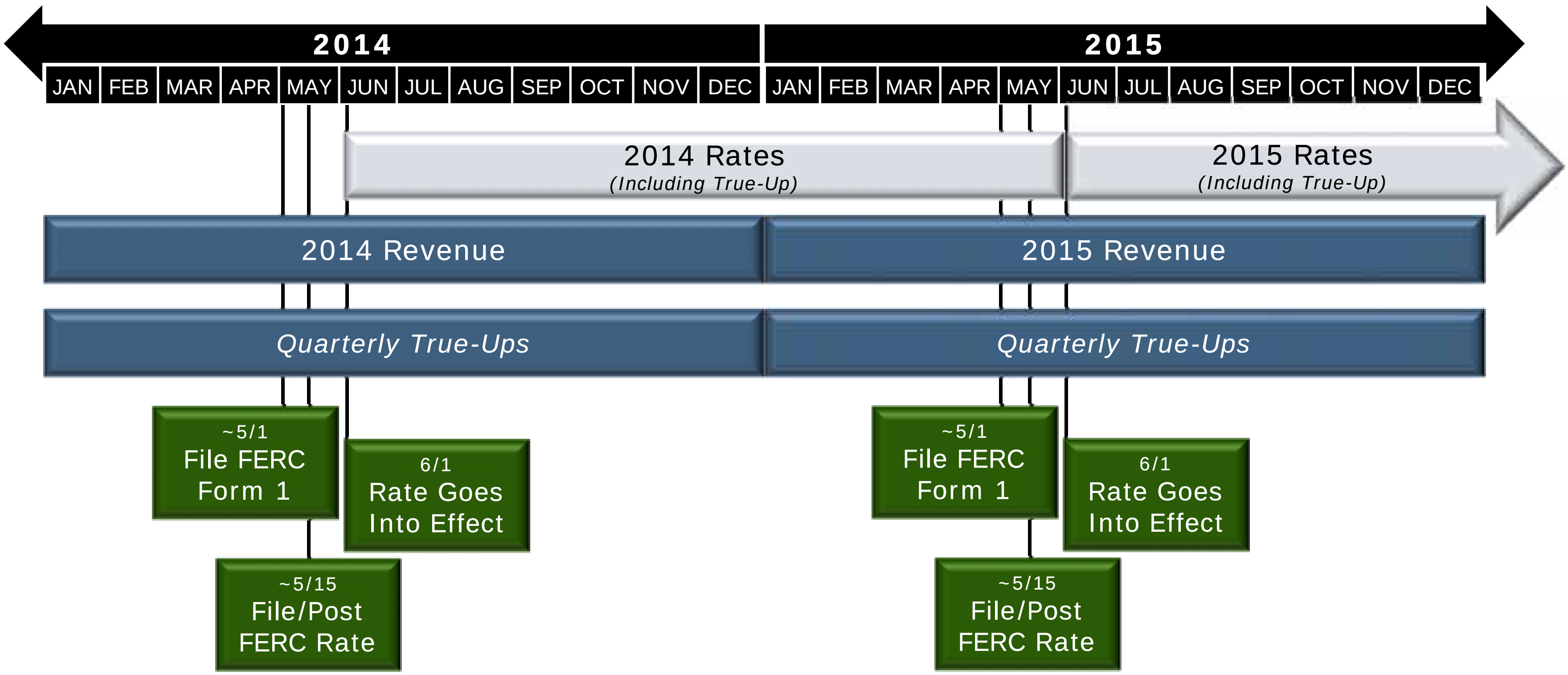
We have achieved constructive transmission rate treatment with annual adjustments

- FERC Formula Rates adopted in 2008
- Adjusted annually with 10.75% allowed ROE
- Based on FERC Form 1 and projected closings
  - Update filed each May
  - Annual rate true-up compares projected revenue requirement to actual, with variance incorporated into next annual update
- Retail portion flows through ACC Transmission Cost Adjustor (TCA)

As Filed	2015		2014		2013	
	Annual Rate Increase	Rate Effective Date	Annual Rate Increase	Rate Effective Date	Annual Rate Increase	Rate Effective Date
Retail Portion (TCA)	$(7)M	6/1/2015	$5 M	6/1/2014	$21 M	6/1/2013
Wholesale Portion	$(11)M	6/1/2015	$1 M	6/1/2014	$5 M	6/1/2013
Total Increase (Decrease)	$(18)M		$6 M		$26 M	
Equity Ratio	58%		58%		57%	
Rate Base (Year-End)	$1.3B		$1.3 B		$1.2 B	
Test Year	2014		2013		2012	

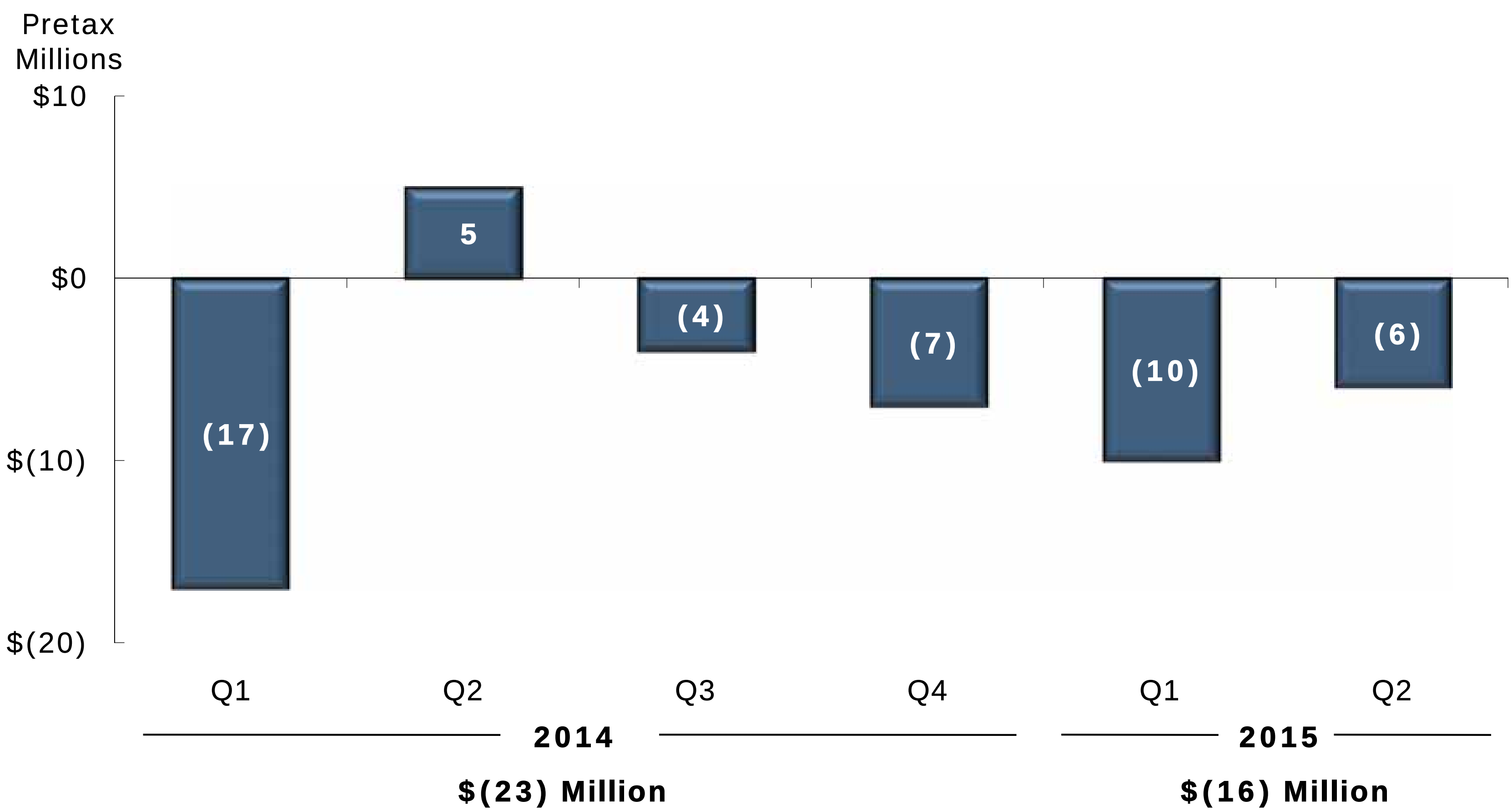
REGULATORY MECHANISMS (TCA)

We have achieved constructive transmission rate treatment with annual adjustments



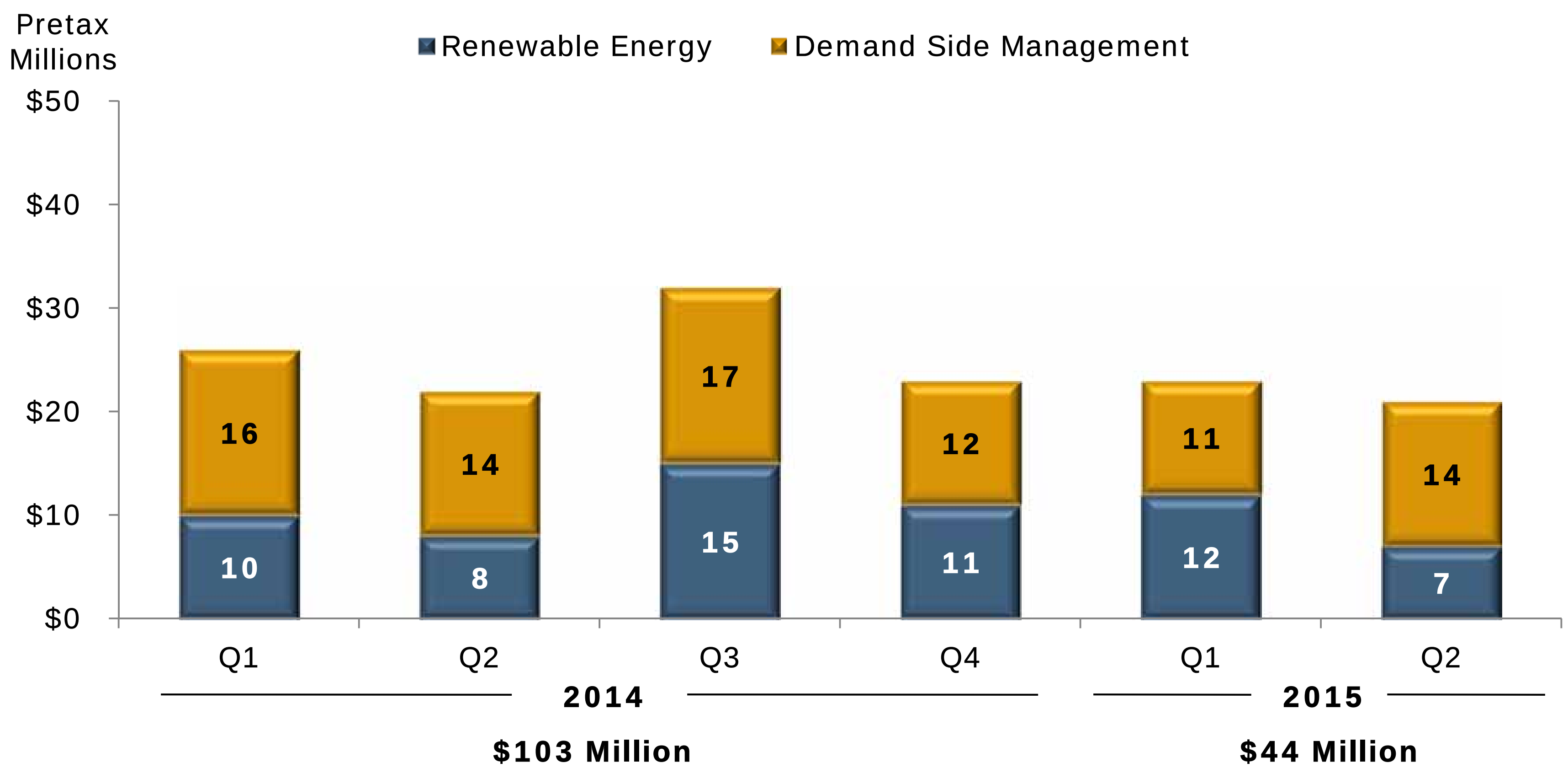
- New accounting treatment began July 1, 2012, effective with 2012 Settlement Agreement
- Quarterly true-ups can occur throughout the year (2015 included adjustments of 2014 revenue)

GROSS MARGIN EFFECTS OF WEATHER
VARIANCES VS. NORMAL



All periods recalculated to current 10-year rolling average (2004-2013).

RENEWABLE ENERGY AND DEMAND SIDE MANAGEMENT EXPENSES*



* O&M expenses related to renewable energy, demand side management and similar regulatory programs are offset by comparable revenue amounts.

PINNACLE WEST CAPITAL CORPORATION

NON-GAAP MEASURE RECONCILIATION
GROSS MARGIN

$ millions pretax, except per share amounts	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	EPS Impact
Operating revenues*	$ 890	$ 906	
Fuel and purchased power expenses*	(281)	(291)	
Gross margin	609	615	$ (0.03)
Adjustments:			
Renewable energy (excluding AZ Sun), demand side management and similar regulatory programs	(17)	(19)	0.01
Gross margin - adjusted	$ 592	$ 596	$ (0.02)

* Line items from Consolidated Statements of Income

NON-GAAP MEASURE RECONCILIATION
OTHER NON-GAAP

$ millions pretax, except per share amounts	Three Months Ended June 30, 2015	Palo Verde Lease Extensions[2]	2015 Adjusted	2014	EPS Impact
Depreciation and amortization[1]	123	(5)	118	105	$(0.07)
Net income attributable to noncontrolling interests[1]	4	5	9	9	N/A

[1] Line items from Consolidated Statements of Income

[2] Not tax effected

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