

Credit Suisse

2007 Energy Summit

February 6, 2007



PINNACLE WEST
CAPITAL CORPORATION

Forward-Looking Statements

This presentation contains forward-looking statements. Neither the Company 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, 2005, these factors include, but are not limited to, state and federal regulatory and legislative decisions and actions, including the outcome and timing of APS' retail rate proceedings pending before the ACC; the timely recovery of PSA deferrals, including such deferrals in 2005 and 2006 associated with unplanned Palo Verde outages and reduced power operations that are the subject of ACC prudence reviews; 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, both current and future, relating to the restructuring; market prices for electricity and natural gas; power plant performance and outages; 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 fuel and purchased power 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; current credit ratings remaining 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 value of the assets in the trusts holding our nuclear decommissioning, pension, and other postretirement benefit plans 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; 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; and other uncertainties, all of which are difficult to predict and many of which are beyond the control of Pinnacle West and APS.

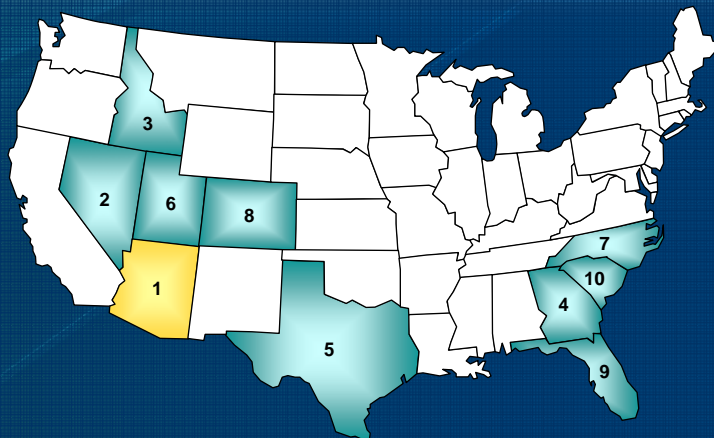
Strategic Objectives



- Focus on vertically integrated utility
- Capitalize on strong intrinsic growth
- Maintain solid operating performance
- Attain constructive regulatory outcomes
- Optimize real estate assets
- Create long-term value

2

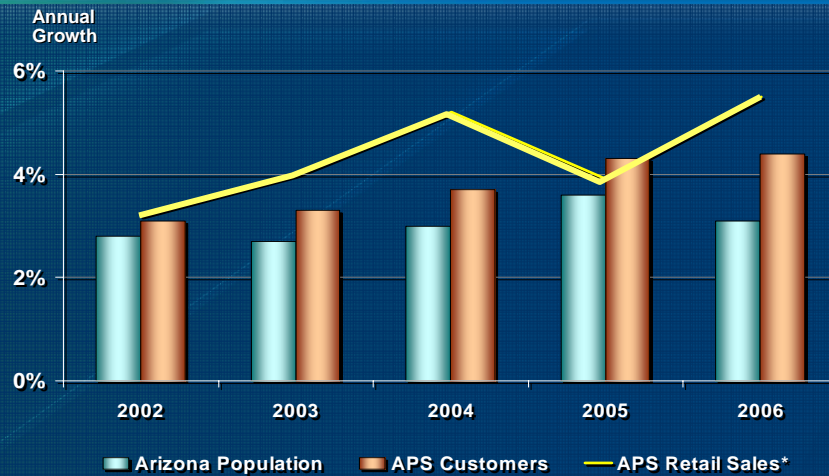
Arizona Leads U.S. in Population Growth



Annual percent change 2005 – 2006, U.S. Census Bureau

3

Solid Economic Foundation for Sales Growth



* Weather normalized

4

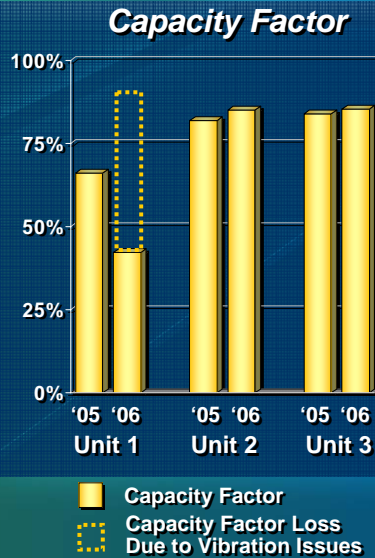
APS Resource Requirements for Native Load

2005 - 2009 Average Annual Growth 4.3%



5

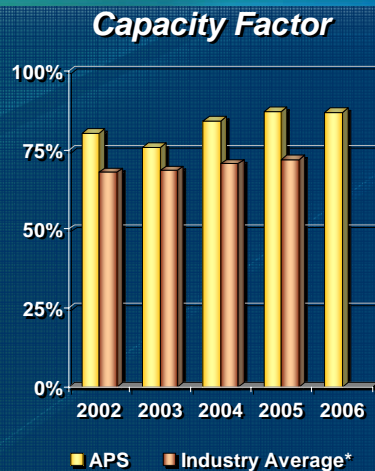
Nuclear Overview



- Top U.S. power producer past 14 years
- Recent operating issues
 - Unit 1 vibration
 - Pressurizer replacements
- NRC concerns
- Performance improvement plan underway
- Randy Edington, new chief nuclear officer

6

2006 Coal Generation Highlights



- Record-breaking coal capacity factor for third straight year
- Four Corners
 - Set new production record 15.9+ million MWh
 - Capacity factor 87%
- Cholla
 - Set new production record 4.7+ million MWh
 - Capacity factor 87%
- Strong operating performance saved \$42 million

* Latest available

7

Superior Customer Satisfaction vs. Western Investor-Owned Electrics

Business Customers



**APS ranked
#1 among IOUs
in West**

Residential Customers



**APS ranked
#2 among IOUs
in West**

J.D. Power 2006 survey results

8

Regulatory Issues

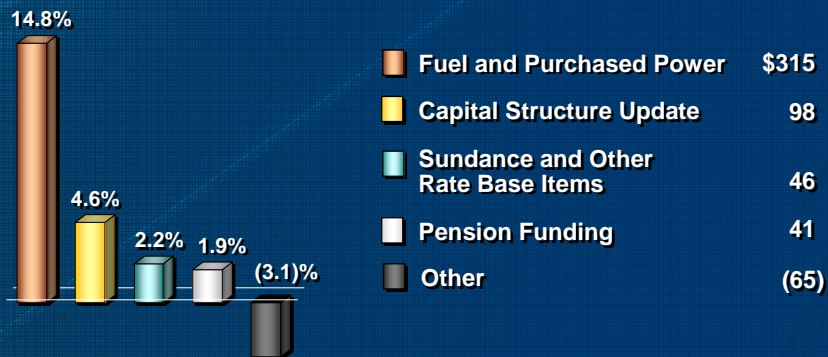
- Retail rate case
- 7-mill interim PSA adjustor extension
- 2007 annual adjustor reset

9

APS Retail Rate Request Components

20.4% Increase

\$ 435 Million



10

Regulatory Calendar

Retail rate case

- Post-hearing briefs due January 22 and February 16
- ALJ recommendation
- "Exception" comment period
- ACC decision target 2nd quarter 2007

7-mill interim PSA adjustor extension

- Until rates become effective under rate case
- Approved December 2006

2007 annual adjustor reset

- 3.99-mill adjustor for 12 months effective February 1, 2007

11

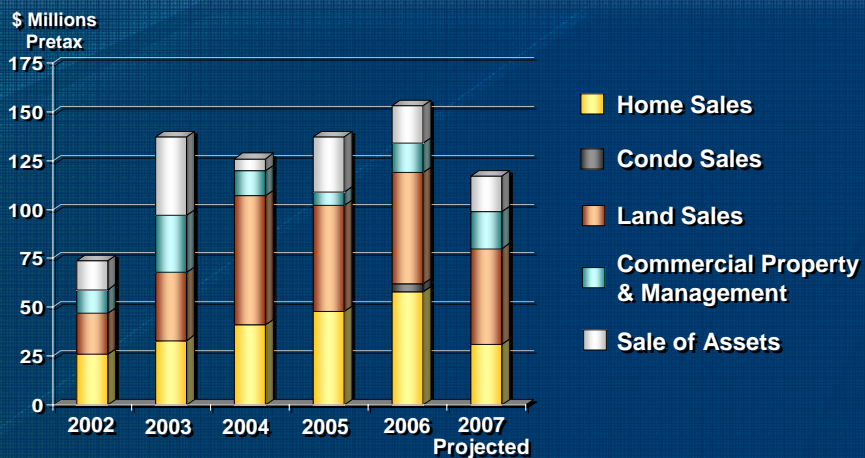
SunCor Objectives



- Capitalize on assets and expertise
- Deploy capital efficiently
- Maintain strong financial discipline

12

SunCor Gross Margin Contribution by Business Line



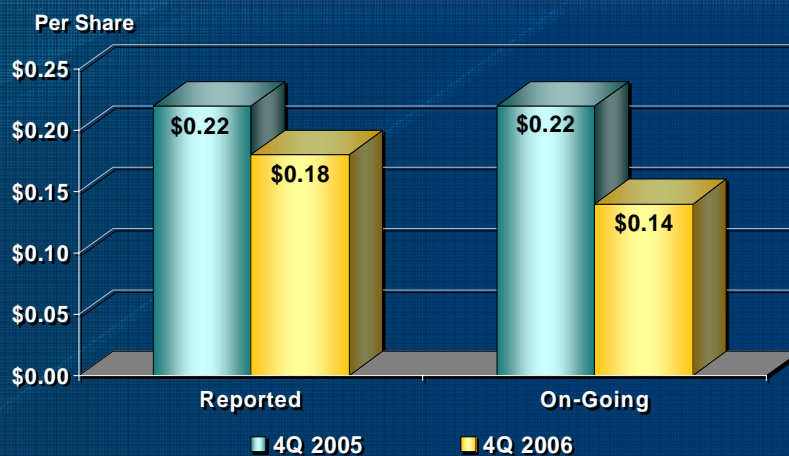
13

Financial Objectives

- Strong financial discipline
- Ample liquidity and access to capital markets
- Solid balance sheet strength
- Active management of costs and business risks
- Long-term value for shareholders

14

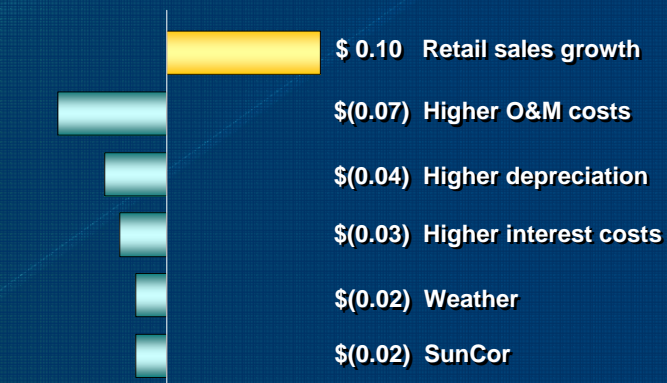
Consolidated EPS Summary 4th Quarter 2006 and 2005



15

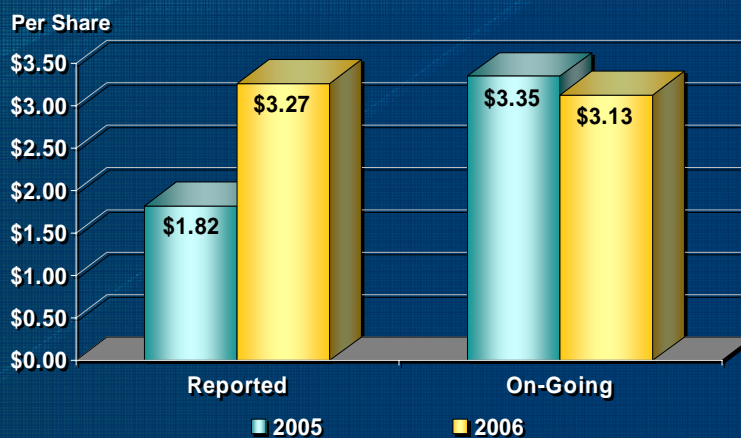
Consolidated On-Going EPS Summary of Major Variances

4th Quarter 2006 vs 4th Quarter 2005



16

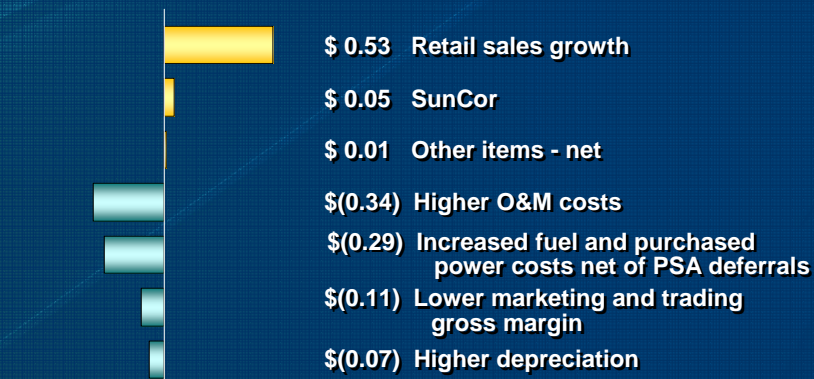
Consolidated EPS Summary Year 2006 and 2005



17

Consolidated On-Going EPS Summary of Major Variances

Year 2006 vs Year 2005



18

2007 Earnings Outlook

Base level of consolidated earnings expected to be within reasonable range around \$2.45 per share

- Before effects of APS retail rate case decision
- SunCor earnings of \$0.30 - \$0.35 per share

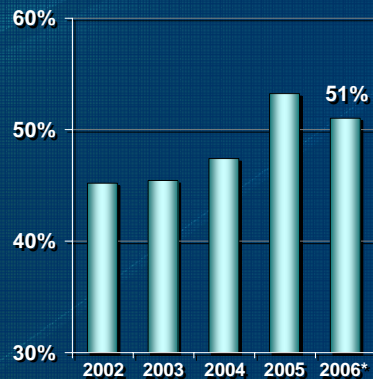
With rate relief, consolidated earnings expected to be within reasonable range around \$3.00 per share

- Base-level earnings plus \$0.55 per share rate case effects
- Assumes APS' full retail rate request granted effective May 1, 2007
- APS earnings approximately \$2.70 per share (8% ROE)

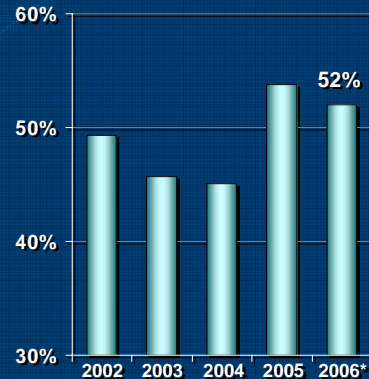
19

Solid Equity Ratios to Support Growth

Consolidated



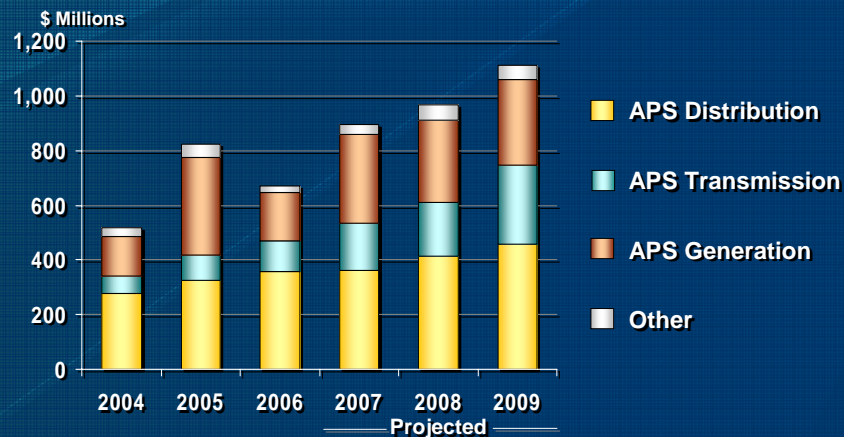
APS



Excludes off-balance sheet adjustments
* Unaudited

20

Significant Capital Investment to Support Growth

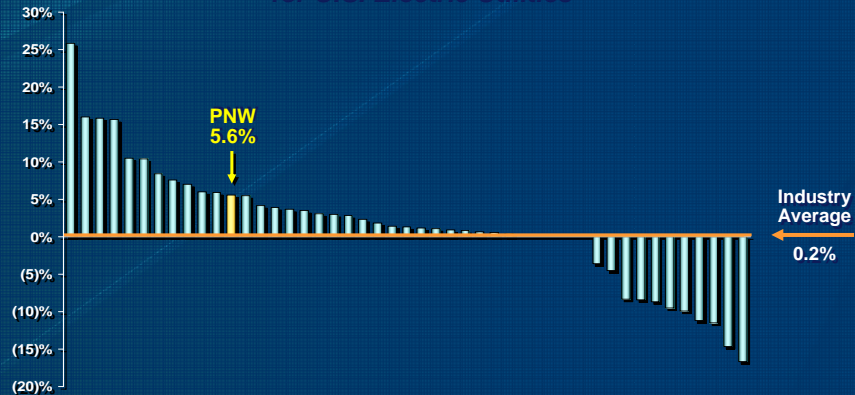


Excluding SunCor

21

Top Quartile Five-Year Dividend Growth

2001 – 2006 Compound Annual Growth Rates
for U.S. Electric Utilities

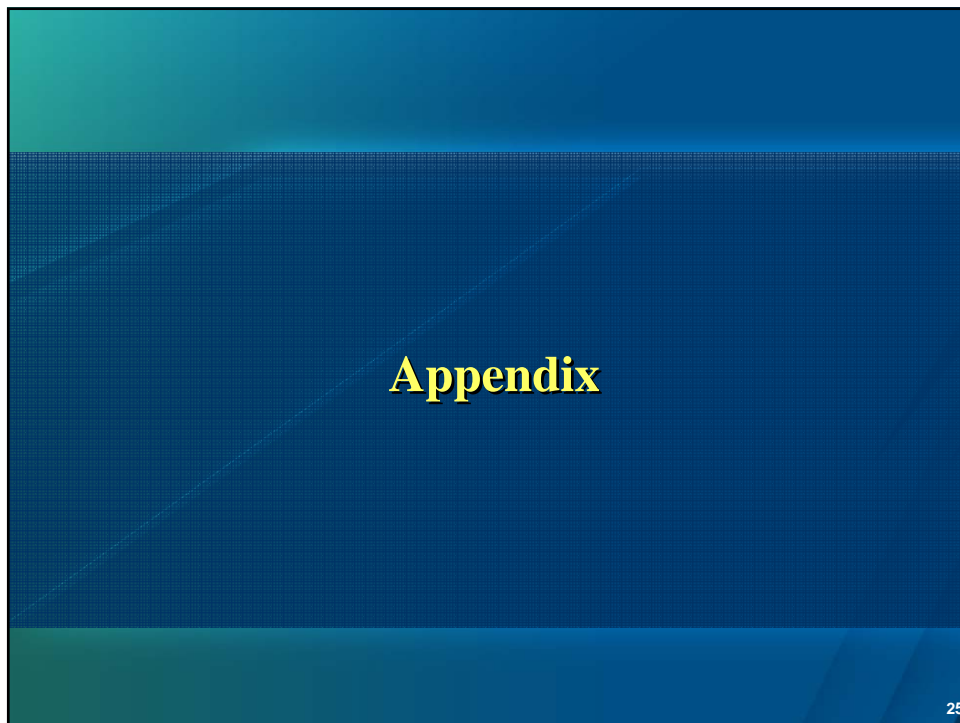


22

Strategic Summary

- Focus on vertically integrated utility
- Capitalize on strong intrinsic growth
- Maintain solid operating performance
- Attain constructive regulatory outcomes
- Optimize real estate assets
- Create long-term value

23



Earnings Summary

4th Quarter 2006 vs 4th Quarter 2005

\$ Millions, except EPS

	<u>2006</u>	<u>2005</u>	<u>Change</u>
APS	\$ 12.9	\$ 18.3	\$ (5.4)
SunCor (including disc ops)	11.4	13.5	(2.1)
Other	(5.8)	(10.5)	4.7
Net income as reported	<u>\$ 18.5</u>	<u>\$ 21.3</u>	<u>\$ (2.8)</u>
EPS as reported	<u>\$ 0.18</u>	<u>\$ 0.22</u>	<u>\$ (0.04)</u>
On-going EPS	<u>\$ 0.14</u>	<u>\$ 0.22</u>	<u>\$ (0.08)</u>

26

On-Going Earnings Reconciliation

4th Quarter 2006 vs 4th Quarter 2005

\$ Millions, except EPS

	<u>4th Quarter 2006</u>		<u>4th Quarter 2005</u>	
	<u>Earnings</u>	<u>Diluted EPS</u>	<u>Earnings</u>	<u>Diluted EPS</u>
Net income	\$ 18.5	\$ 0.18	\$ 21.3	\$ 0.22
Adjustments:				
Regulatory disallowance	-	-	(2.8)	(0.03)
Silverhawk disc ops	-	-	2.8	0.03
Income tax credits related to prior years	(3.7)	(0.04)	-	-
On-going earnings	<u>\$ 14.8</u>	<u>\$ 0.14</u>	<u>\$ 21.3</u>	<u>\$ 0.22</u>

27

Earnings Summary

Year Ended December 31, 2006 vs 2005

\$ Millions, except EPS

	2006	2005	Change
APS	\$ 269.7	\$ 170.5	\$ 99.2
SunCor (including disc ops)	60.5	55.6	4.9
Other	(2.9)	(49.8)	46.9
Net income as reported	<u>\$ 327.3</u>	<u>\$ 176.3</u>	<u>\$ 151.0</u>
EPS as reported	<u>\$ 3.27</u>	<u>\$ 1.82</u>	<u>\$ 1.45</u>
On-going EPS	<u>\$ 3.13</u>	<u>\$ 3.35</u>	<u>\$ (0.22)</u>

28

On-Going Earnings Reconciliation

Year Ended December 31, 2006 vs 2005

\$ Millions, except EPS

	2006		2005	
	<u>Earnings</u>	<u>Diluted EPS</u>	<u>Earnings</u>	<u>Diluted EPS</u>
Net income	\$ 327.3	\$ 3.27	\$ 176.3	\$ 1.82
Adjustments:				
Income tax credits related to prior years	(14.0)	(0.14)	-	-
Regulatory disallowance	-	-	84.5	0.87
Silverhawk sale	-	-	67.4	0.69
NAC sale	-	-	(3.7)	(0.03)
On-going earnings	<u>\$ 313.3</u>	<u>\$ 3.13</u>	<u>\$ 324.5</u>	<u>\$ 3.35</u>

29

Current Credit Ratings Profile

	S&P	Moody's	Fitch
<i>Pinnacle West (Parent)</i>			
Senior Unsecured Debt	BB+	Baa3	BBB-
Outlook	Stable	Negative	Stable
<i>APS</i>			
Senior Unsecured Debt	BBB-	Baa2	BBB
Outlook	Stable	Negative	Stable

30

Liquidity Resources

APS

- \$400 million revolver through December 2010
- \$500 million revolver through September 2011
- Next long-term debt maturity 2011
- Year-end 2006 invested position of approximately \$100 million

Pinnacle West (parent)

- \$300 million revolver through December 2010
- Commercial paper balance of approximately \$30 million as of December 31, 2006
- Next long-term debt maturity 2011

31

APS Retail Service Territory



■ APS Retail Service Territory

32

Arizona Population Highlights

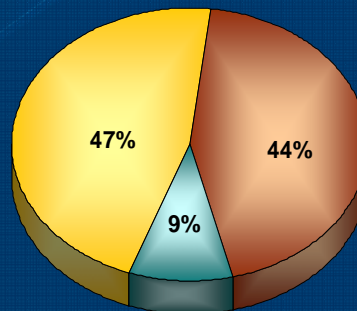
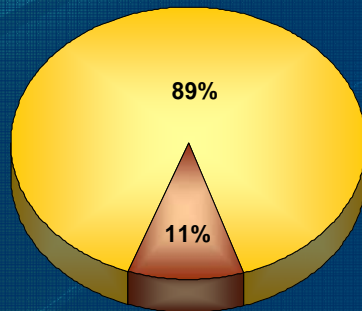
- Arizona's population 6.2 million
- Arizona 16th largest state
- Arizona 16.3% population change since 2001
- Arizona's population expected to reach 10.7 million by 2030
- Phoenix 5th largest city in U.S.

33

APS 2006 Retail Customer and Sales Mix

1.1 Million Customers

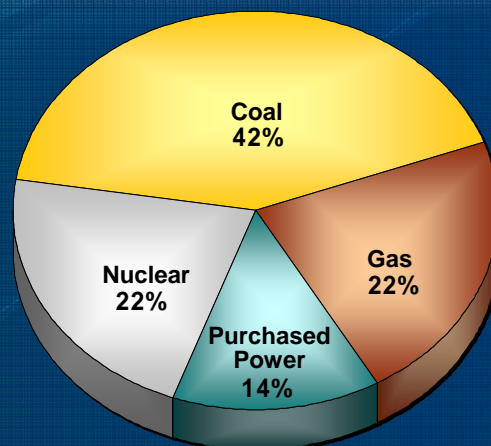
27,970 GWh Sales



■ Residential ■ Commercial ■ Industrial

34

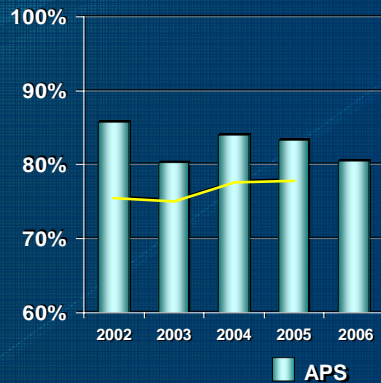
APS 2006 Native Load Energy Fuel Mix



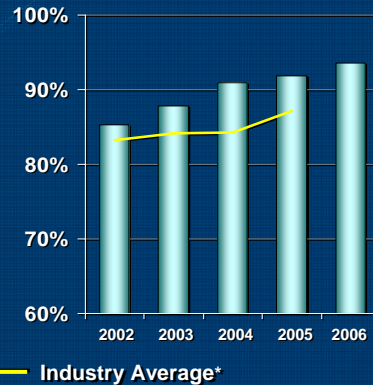
35

Generation Operating History

*Nuclear and Coal Combined
Capacity Factors*



*Gas
Equivalent Availability Factors*



* Latest available

36

APS Baseload Capacity RFP

Requirements

- Delivery as early as 2009 but no later than 2014
- Equity ownership or purchase power agreement
- 100 - 500 MW of capacity per proposal
- Ability to operate at or above 85% capacity factor

Schedule

- Proposals received July 2006
- Shortlist notification October 2006
- Completion expected in 2007

37

2006 Social Responsibility Awards



- Innovest's highest rating (AAA) and ranked #2 electric utility
- Dow Jones Sustainability Index industry leader
- Global 100 Most Sustainable Corporations in World by Corporate Knights
- Storebrand's Social Responsibility Index "best in class" distinction
- EPA Climate Protection Award

38

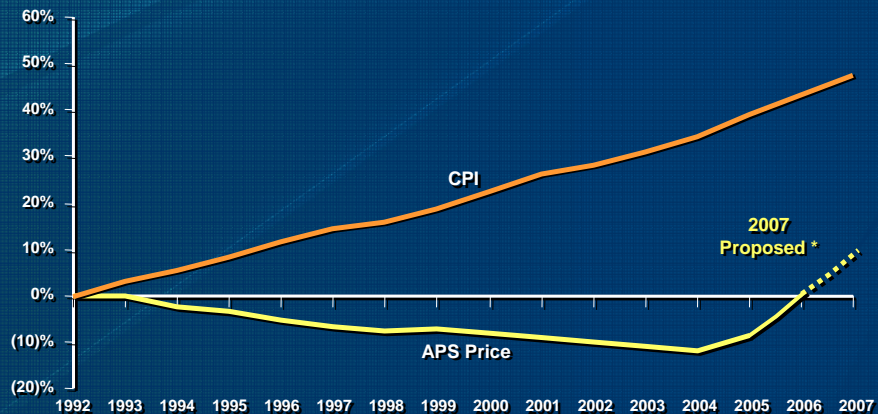


Arizona Corporation Commissioners

Commissioner	Party Affiliation	Commissioner Since	Term Expires
Jeff Hatch-Miller, Chairman	Republican	Jan. 2003	Jan. 2009
Michael Gleason	Republican	Jan. 2003	Jan. 2009
Kristin Mayes	Republican	Oct. 2003	Jan. 2011
William Mundell	Republican	June 1999	Jan. 2009
Gary Pierce	Republican	Jan. 2007	Jan. 2011

39

APS Retail Price Compared with Consumer Price Index



* Reflects approval of pending general rate request Spring 2007

40

APS Retail Rate Case ACC Staff and RUCO Recommendations

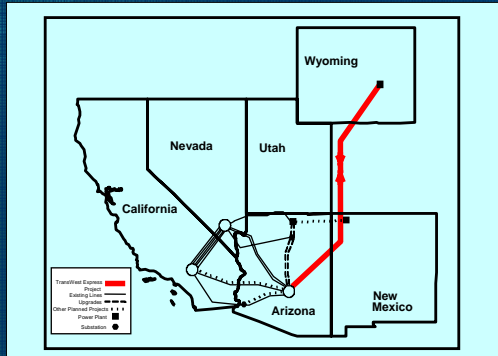
*Annual Revenue Increases (Decreases)
\$ Millions*

	Staff	RUCO
Fuel-related	\$ 194	\$ 280
Non-fuel	(1)	(68)
Total	\$ 193	\$ 212
Percent increase	9.1%	10%
Return on equity	10.25%	9.25%
Capital structure		
Long-term debt	45%	50%
Common equity	55%	50%

41

Potential Major Transmission Project Wyoming to Arizona

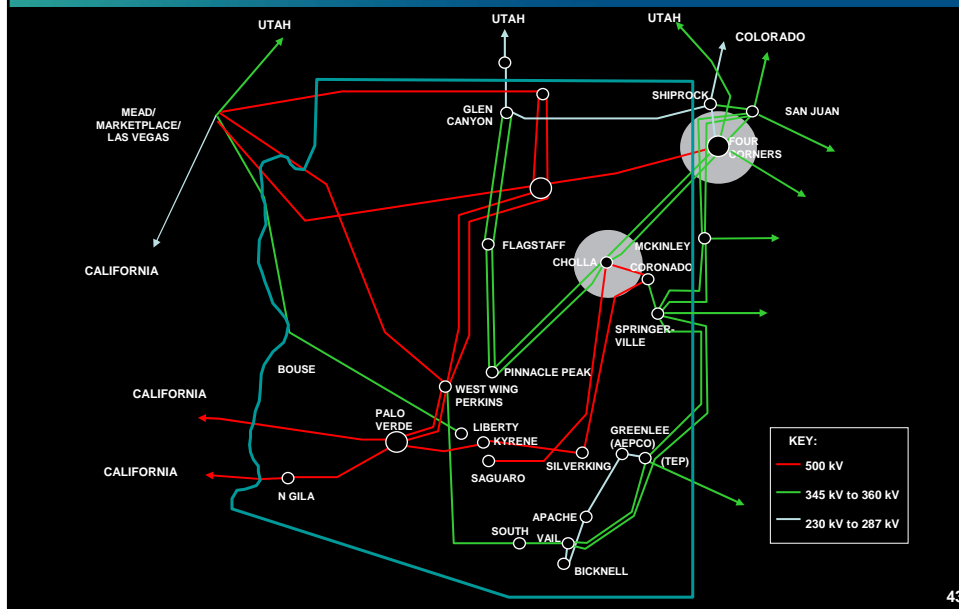
TransWest Express



- Expand resources to meet rapid load growth
- Enhance resource portfolio reliability and economics
- Increase system import capability
- Improve fuel diversity
- Access renewable wind and clean coal resources

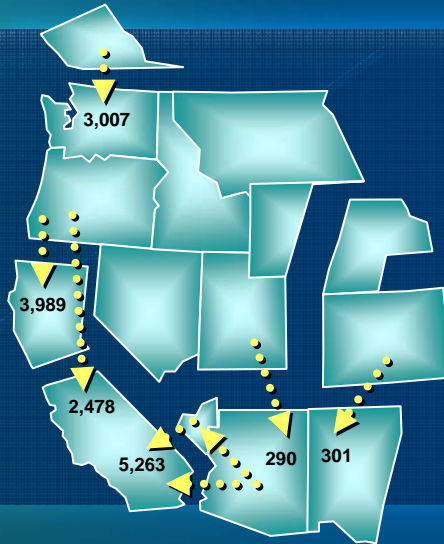
42

Arizona Transmission System



43

WECC Available Transmission Capability



Summer 2006 estimates (MW)

44

SunCor Overview



- Commercial and residential real estate developer in Western U.S.
- Total assets \$608 million
- Stockholder's equity \$274 million
- Projects under development
 - 8 master-planned communities
 - 6 major commercial projects
 - 500,000 square feet of mixed-use urban infill

As of September 30, 2006

45

SunCor Balance Sheet Summary

\$ Millions

Legacy Properties	\$ 183
Post-1990 Properties	<u>357</u>
Total Properties	540
Other	<u>68</u>
Total Assets	<u>\$ 608</u>

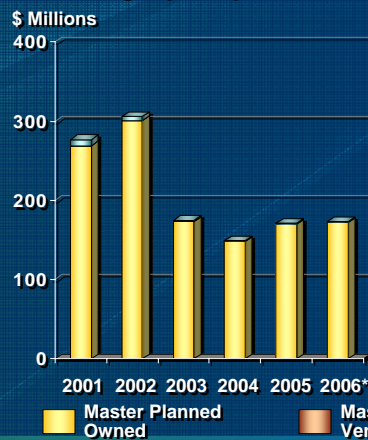
Liabilities	\$ 284
Minority Interest	50
Stockholder's Equity	<u>274</u>
Total Liabilities & Equity	<u>\$ 608</u>

As of September 30, 2006

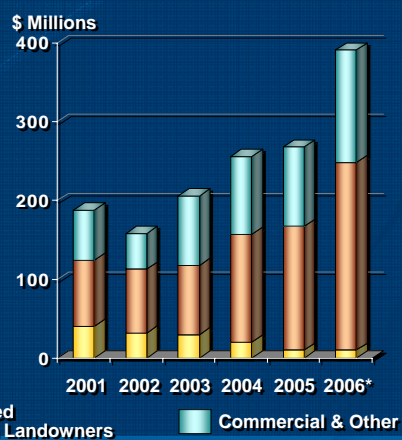
46

SunCor Project Diversity by Type

Legacy Properties



Post-1990 Properties



* Unaudited

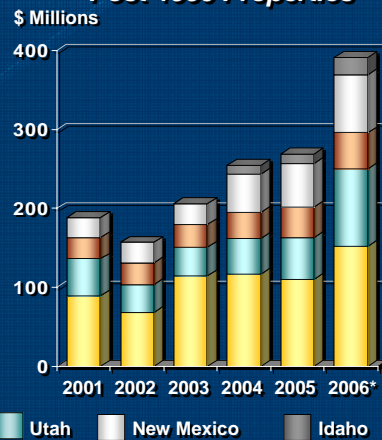
47

SunCor Geographic Project Diversity

Legacy Properties



Post-1990 Properties



* Unaudited

48

SunCor Project Summaries Master-Planned Communities

	Year Acquired	Original Acreage	Estimated 9/30/06 Acreage
Palm Valley (Phoenix, AZ)	1987	11,300	2,700
Rancho Viejo Phase I (Santa Fe, NM)*	1996	2,500	1,500
Coral Canyon (St. George, UT)*	1998	2,500	750
StoneRidge (Northern AZ)*	2001	1,840	1,100
Avimor (Boise, ID)*	2003	12,500	12,500
Prescott Lakes (Northern AZ)*	2004	175	175
Campbell Ranch (Albuquerque, NM)*	2006	2,600	2,600
Yavapai Ranch (Northern AZ)*	2006	25,000	25,000

* Venture with landowner

49

SunCor Project Summaries Major Commercial Projects

	<u>Year Acquired</u>	<u>Original Acreage</u>	<u>Estimated 9/30/06 Acreage</u>
Talavi	1987	140	7
Centrepont	1989	80	3
Hayden Ferry Lakeside Office & Condos	2000	17	15
Rio West Business Park	2004	25	25
Alameda Crossing (Palm Valley)	2006	21	17
Palm Valley Office Park Phase 3	2006	4	4