PINNACLE WEST
CAPITAL CORPORATION

Investor Meetings
October 5-8, 2010

Forward-Looking Statements and Non-GAAP Financial Measures

Forward –Looking Statements

This presentation contains forward-looking statements based on our current expectations, and neither Pinnacle West nor APS assumes any obligation to update these statements, even if our internal estimates change, except as required by applicable law. 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. 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, 2009, these factors include, but are not limited to: regulatory and judicial decisions, developments and proceedings; our ability to achieve timely and adequate rate recovery of our costs; our ability to reduce capital expenditures and other 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; power plant performance and outages; volatile fuel and purchased power costs; fuel and water supply availability; new legislation or regulation relating to greenhouse gas emissions, renewable energy mandates and energy efficiency standards; our ability to meet renewable energy requirements and recover related costs, including returns on debt and equity capital; risks inherent in the operation of nuclear facilities, including spent fuel disposal uncertainty; competition in retail and wholesale power markets; the duration and severity of the economic decline in Arizona and current credit, financial and real estate market conditions; the cost of debt and equity capital and the ability to access capital markets when required; restrictions on dividends or other burdensome provisions in our credit agreements and Arizona Corporation Commission orders; our ability, or the ability of our subsidiaries, to meet debt service obligations; changes to our credit ratings; 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; transmission and distribution 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 ability of our counterparties and power plant participants to meet contractual or other obligations; technological developments in the electric industry; and economic and other conditions affecting SunCor Development Company's ability to dispose of its remaining assets and satisfy its debt obligations.

Non-GAAP Financial Measures

In this presentation, we refer to "on-going earnings," which is a "non-GAAP financial measure," as defined in accordance with SEC rules. We view on-going earnings as an important performance measure of the core profitability of our operations. We believe on-going earnings provide investors with a useful indicator of our results that is comparable among periods because it excludes the effects of unusual items that may occur on an irregular basis.

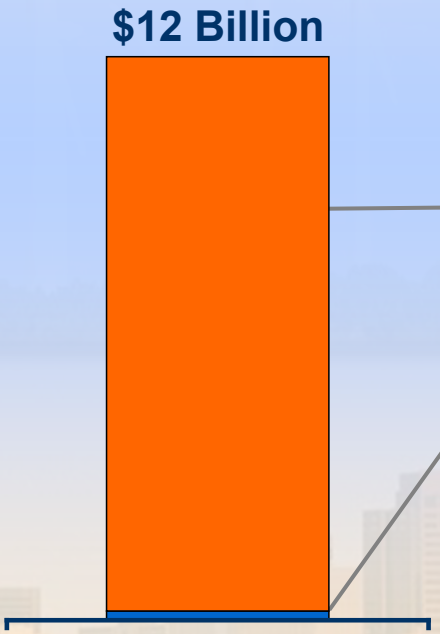
Investors should note that this non-GAAP financial measure may involve judgments by management, including whether an item is classified as an unusual item. This measure is a key component of our internal financial reporting and is used by our management in analyzing the operations of our business. We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

Pinnacle West: Who We Are

At our core, we are an electric utility.

NYSE Ticker:	PNW
Market Cap:	$4 Billion
Enterprise Value:	$8 Billion

Assets
June 30, 2010



APS

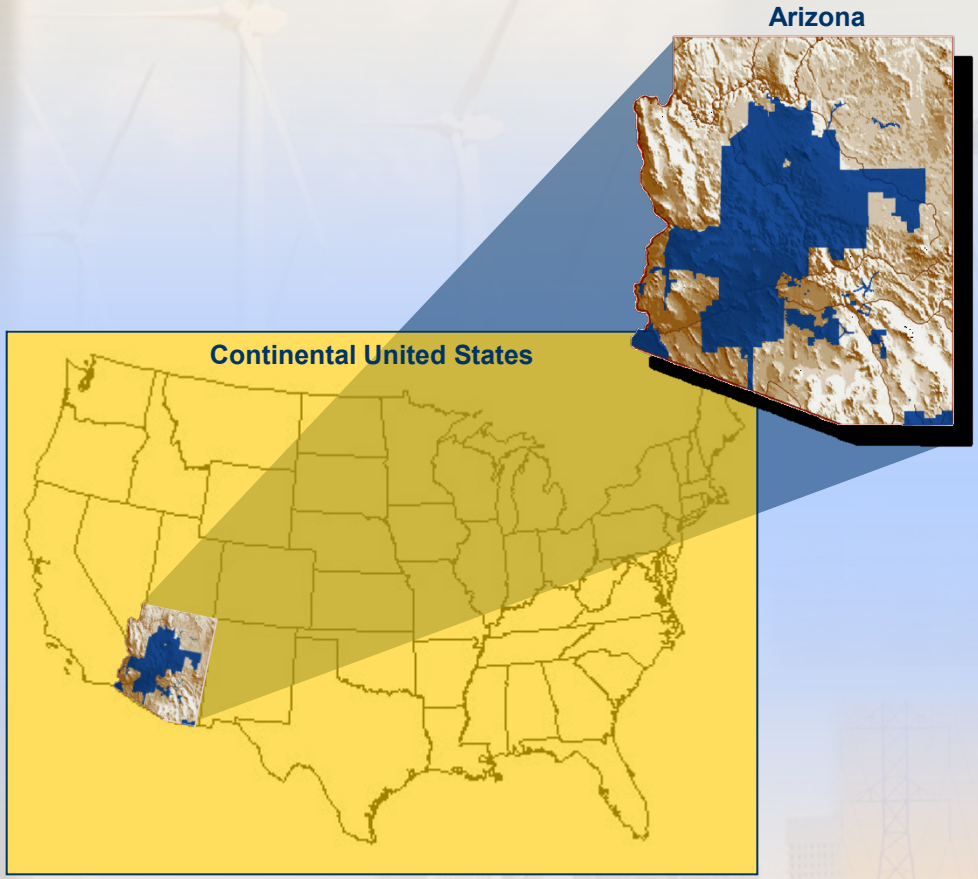
Vertically Integrated Electric Utility
$11.9 Billion

Other

Non-Utility Subsidiaries
$183 Million

Focusing on Core Regulated Electric Utility Business

APS is Arizona's largest and longest-serving integrated electric utility.



Service Territory

- 1.1 million customers
- 35,000 square miles

Customer Growth

- 0.6% in 2009
- 1% average annual growth expected through 2012
- 3-4% historical average – well above industry average

Resources

- 6,288 MW owned/leased capacity
- 1,958 MW contracted conventional resources in operation
- 597 MW contracted renewables in operation or under development

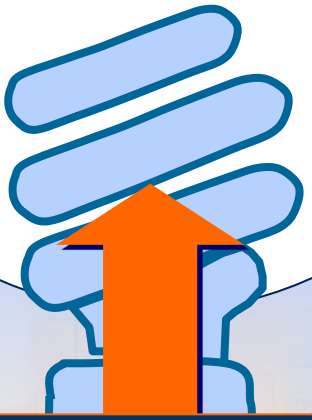
2009 Peak Demand – 7,218 MW

Pinnacle West: Our Value Proposition

Capitalizing on Attractive Fundamentals

Strengthening Financial and Risk Profiles

Delivering Superior Shareholder Returns



Focusing on Green Resources

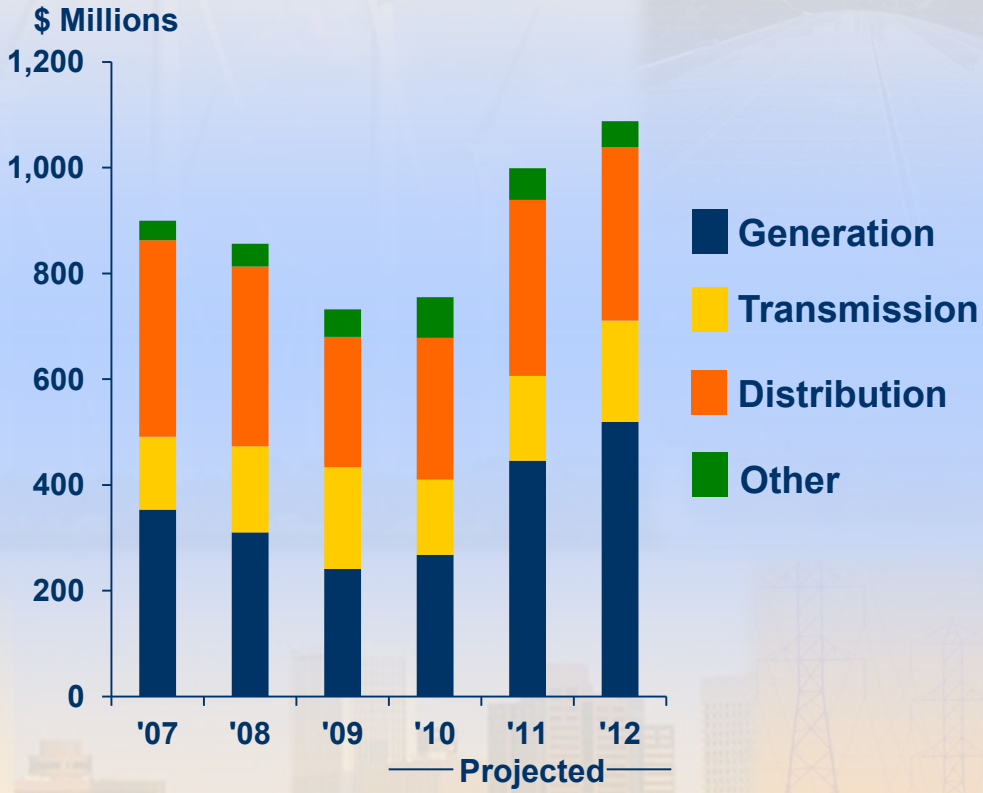
Improving Regulatory Environment

Compelling Capital Investment Opportunities

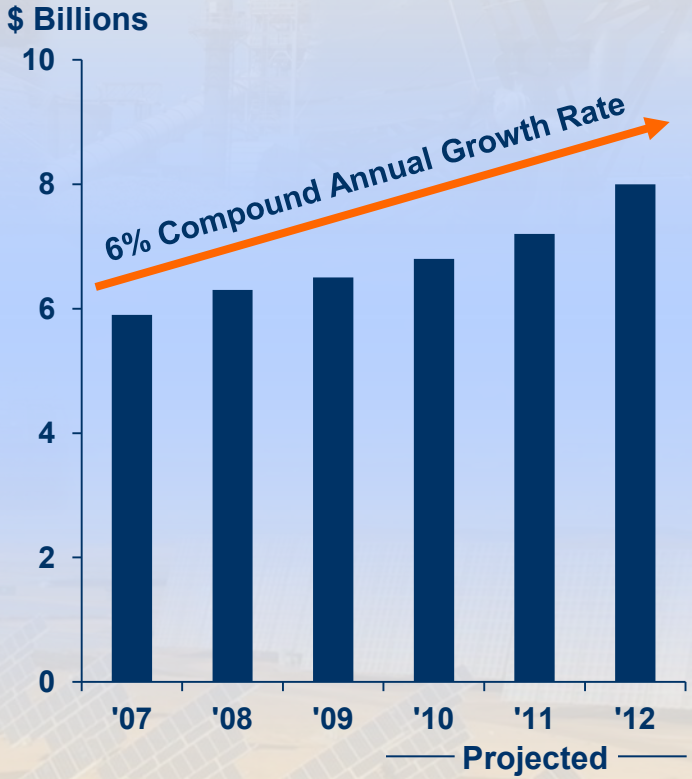
APS CapEx Drives Strong Rate Base Growth

We have reduced capital expenditures based on current economic conditions, yet still expect strong rate base growth.

APS Capital Expenditures



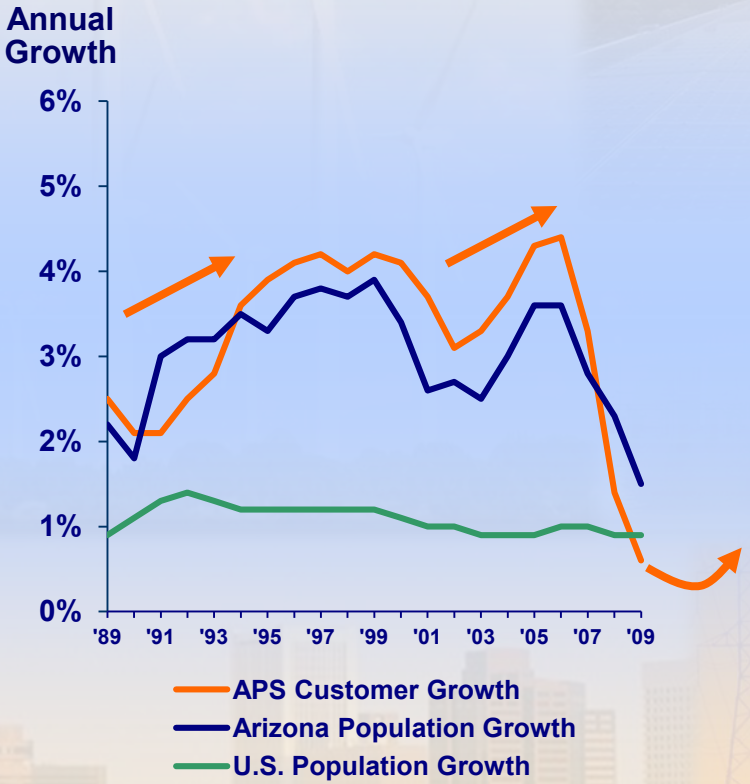
APS Rate Base



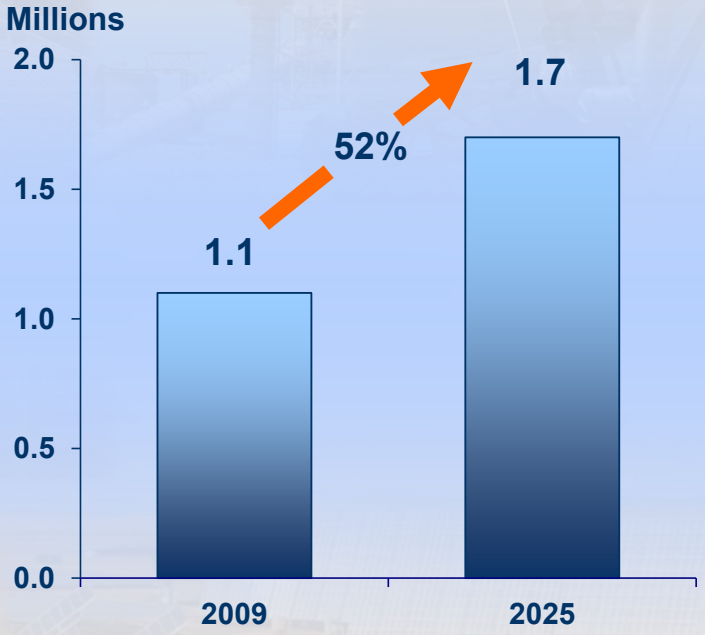
Positive Long-Term Demographics

Arizona has ranked in the top five for population growth over the last 20 years. APS expects strong future customer growth, in spite of current economic slowdown.

Superior Historical Growth



APS Customer Growth



APS Strong Commitment to Renewable Energy

2009 retail settlement enhanced commitments and regulatory support.

December 2009 retail regulatory settlement provisions

- 1.7 million MWh additional renewable generation in service by end of 2015
  - About twice state Renewable Energy Standard requirement
- Required resource additions
  - Photovoltaic solar projects
  - Arizona wind project
- Constructive rate recovery until reflected in base rates through:
  - Renewable Energy Surcharge Adjustor;
  - Power Supply Adjustor; or
  - Transmission Cost Adjustor

APS Recent Renewable Resource Projects

Substantial efforts underway to expand renewable energy for Arizona.

Photovoltaic solar resources

- Turnkey contracts for ownership or long-term purchase power agreements to be 15-50 MW each
- Request for proposals issued January 2010
- Proposals received April 2010
- Target for final contracts – 4th quarter 2010
- Expected to supply portion of AZ Sun Program

Arizona wind project

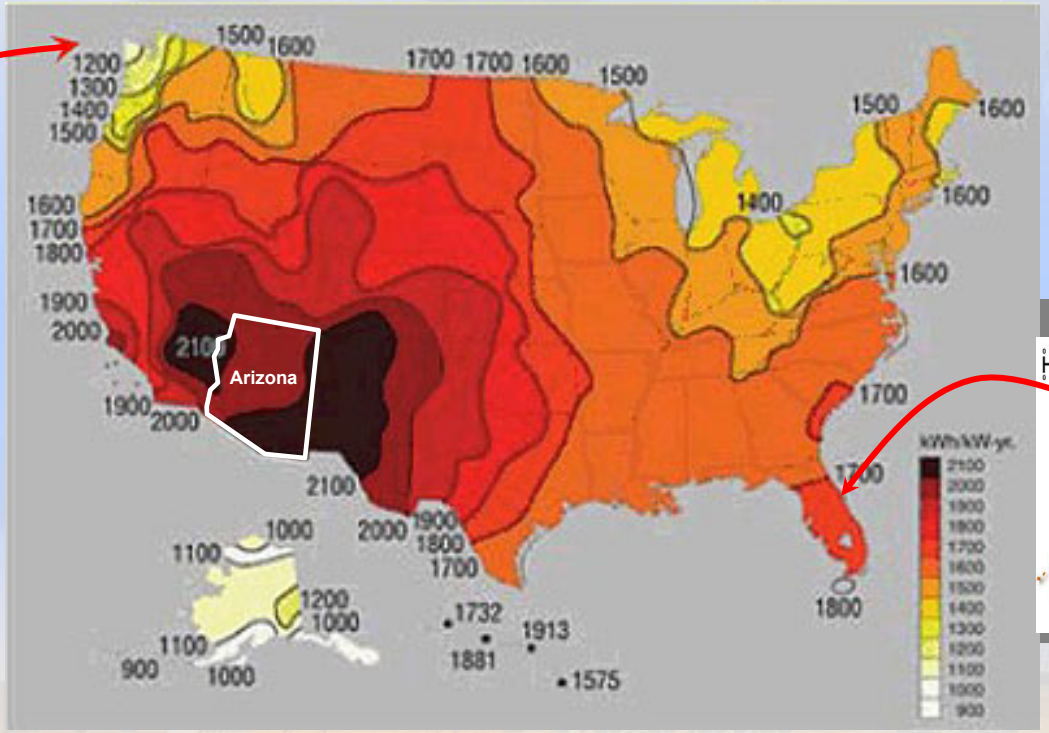
- 25-year purchase power agreement with 99 MW Perrin Ranch Wind Project in northern Arizona announced July 2010
- Facility expected to be operational in 2012
- Resulted from January 2010 wind request for proposals

Arizona's World-Class Solar Potential

We intend to make Arizona the "Solar Capital of the World."

Solar Insolation Comparison (kWh/year)

Germany - among countries with highest installed capacities despite Seattle-like weather conditions



Japan's solar insolation comparable to Florida

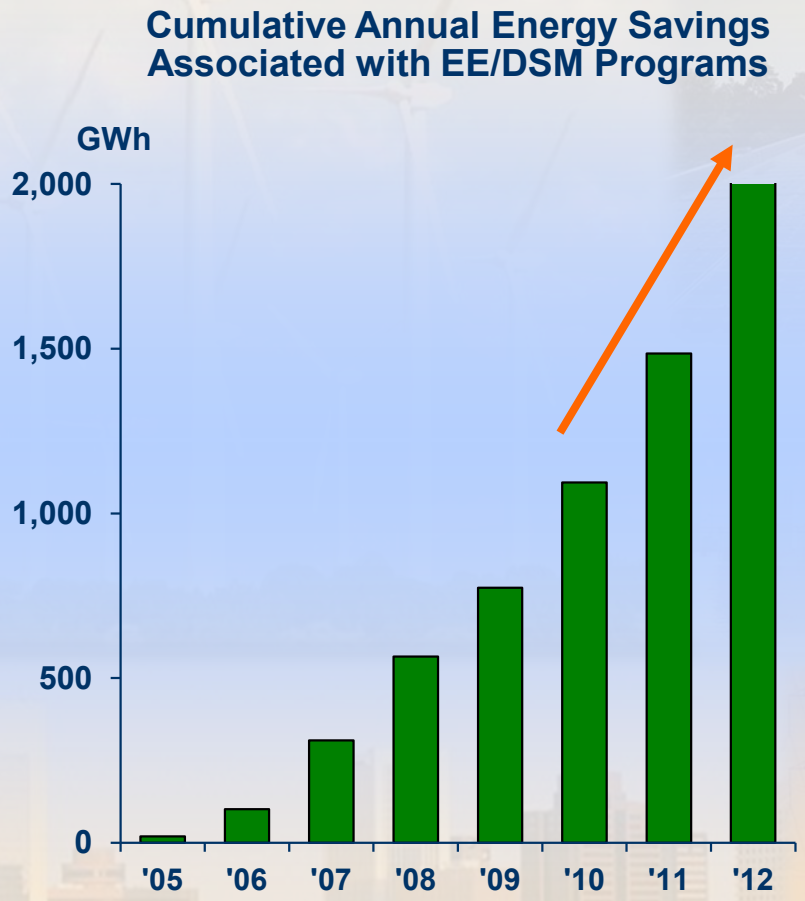
AZ Sun Program

APS plans to add 100 megawatts of owned solar photovoltaic generation by the end of 2014.

- 100 MW photovoltaic solar plants to be owned by APS
- Up to $500 million capital investment
- To be placed into service in 2011 - 2014
- Projects
  - 15 MW at Luke Air Force Base (mid-2011)
  - 18 mw Gila Bend project (late 2011)
  - Additional projects under evaluation
- Constructive rate recovery
  - First 50 MW: Renewable Energy Standard Adjustor
  - Second 50 MW: Adjustor to be determined in 2012 rate case decision

APS Energy Efficiency Initiatives Increasing

APS will double customers' energy efficiency savings over the next three years.



- Program costs currently recovered through retail DSM adjustor
- Decoupling or other financial mechanism under consideration
- Under retail regulatory settlement, APS to achieve additional retail sales savings of 3.75% in 2010-2012
- Arizona energy efficiency rules require cumulative savings of 22% of retail sales by 2020

Multi-Pronged Approach to ROE Improvement

We are actively working to improve our return on equity.

- Electricity Rate Increases
- Regulatory Framework Improvements
- Cost Savings Initiatives
- Efficiency and Effectiveness Throughout Organization

Goal

ROE Improvement

Progressive 2009 Regulatory Settlement Positions APS Well for Next Two Years

APS' regulatory settlement contains a number of benefits for investors beginning in 2010.

- Strengthens APS' earned ROE and financial condition
- Supports common dividend
- Demonstrates increased cooperation among APS, ACC Staff, residential consumer advocate (RUCO) and other intervenors
- Allows opportunity to help shape Arizona's energy future outside continual rate cases
- Provides earnings support until next base rate case
  - Estimated pretax earnings benefits: $165 million, 2010; $180 million, 2011; and $254 million, 2012
- Establishes expedited process for future base rate cases
- Allows next rate case filing on or after June 1, 2011, for rate changes effective on or after July 1, 2012

Opportunities to Continue Improving Regulatory Dialogue

Generic Issue Dockets

- Decoupling and other financial mechanisms to promote energy efficiency
- Line extensions
- Feed-in tariffs
- Renewable transmission
- Energy efficiency rules
- Resource planning rules

November 2, 2010 General Election

- Two seats on ballot
- Candidates
  - David Bradley (Dem)
  - Brenda Burns (Rep)
  - Jorge Luis Garcia (Dem)
  - Gary Pierce (Rep) (incumbent)

Write-ins:

- Rick Fowlkes (Libertarian)
- Theodore Gomez (Green)
- Benjamin Pearcy (Green)

Preparation for 2011 Retail General Rate Case Filing

Cost Savings To Support Future Results

Our cost management efforts will help improve financial results beyond those achievable through regulatory decisions.

- Enterprise-wide emphasis
- Better leverage technology
- Optimize assets and resources
- Effective, efficient execution
- Engaged, motivated workforce

Intense Focus on Operational Excellence

We strive to maintain top-tier performance throughout our business, and continually raise the bar higher.

Baseload Nuclear and Coal Fleet

- Capacity factors above industry averages

Customer Satisfaction

- Ranked 3rd best nationally out of 55 electric utilities in 2010 J.D. Power and Associates U.S. survey of residential customers

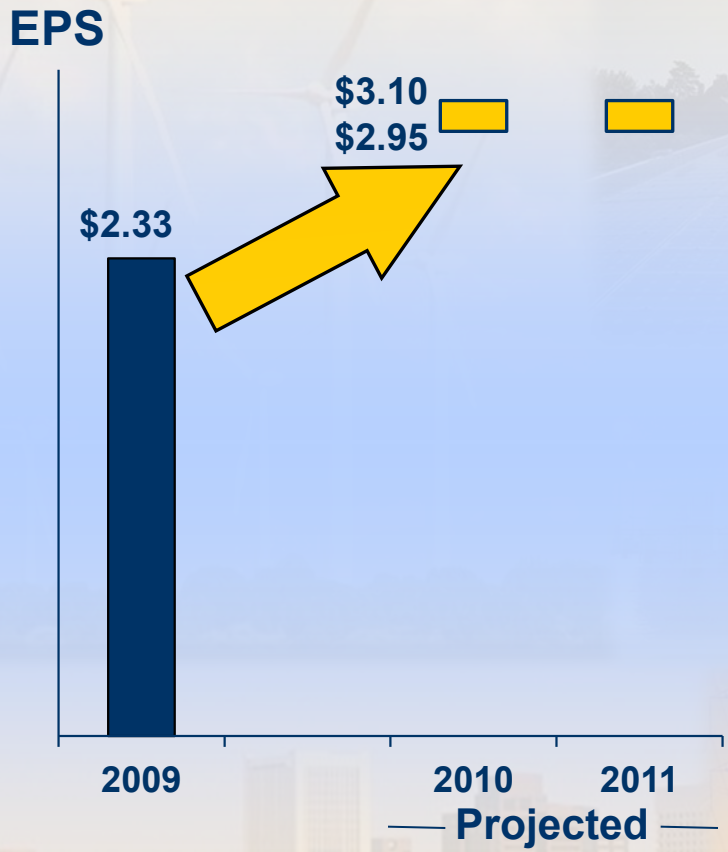
Average Annual Outage Time Per Customer

- Top quartile in industry over past several years

Continuous Improvement Throughout Business

Consolidated On-Going EPS

Improvement in on-going earnings of approximately 30% expected for 2010.



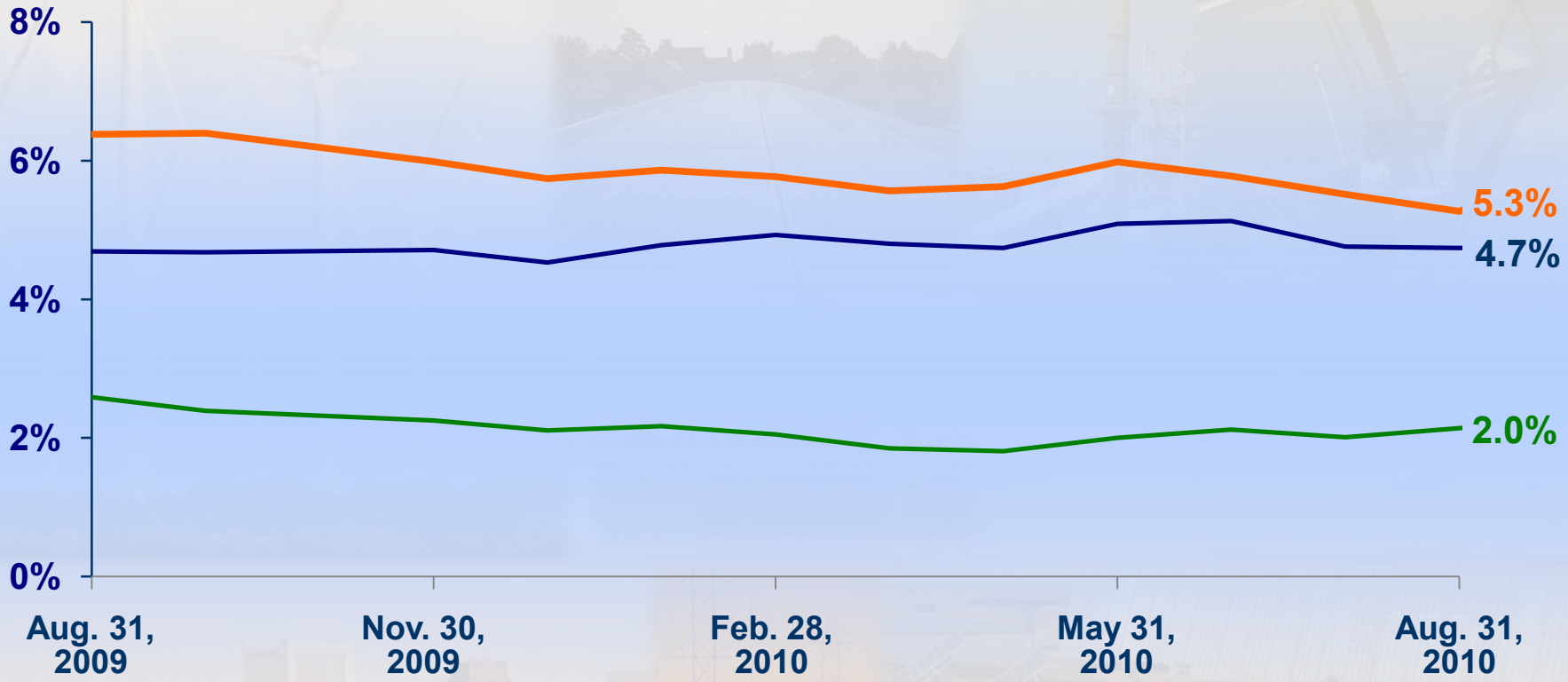
2009 Actual: $2.33 per share

Guidance as of August 3, 2010

- 2010 $2.95 - $3.10 per share
- 2011 Estimated to be within guidance range provided for 2010, with some opportunity for modestly exceeding the range

Top-Tier Dividend Yield

Pinnacle West's annual dividend is $2.10 per share.



PNW: Details of Our Value Proposition

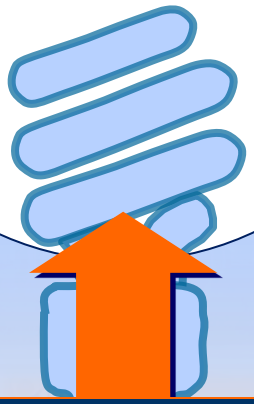
Capitalizing on Attractive Fundamentals

- Vertically integrated electric utility
- High-growth service territory
- Diversified energy mix
- Operational excellence
- Strong, energetic leadership

Strengthening Financial and Risk Profiles

- Investment-grade credit ratings and adequate liquidity
- Risk reduction
- Convert growth into superior ROE
- $2.10 per share annual dividend
- Opportunities for multiple expansion

Delivering Superior Shareholder Returns



Focusing on Green Resources

- Abundant solar conditions in Arizona
- Other renewables
- Nuclear expansion option
- Transmission expansion
- Energy efficiency

Compelling Capital Investment Opportunities

- Green resources – solar, other renewables, nuclear
- Transmission expansion
- Distribution system growth

Improving Regulatory Environment

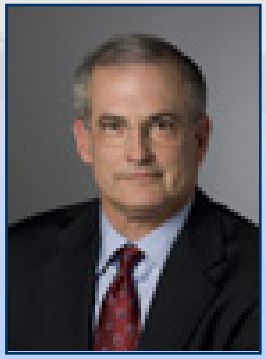
- Constructive retail regulatory settlement
- Attractive recovery mechanisms for renewables and energy efficiency
- Progress on many issues last five years
- Building collaborative relationships

PINNACLE WEST
CAPITAL CORPORATION

Appendix

A Leadership Team of Industry Veterans

Our top executives have more than 130 combined years of creating shareholder value in the energy industry.



Don Brandt
Chairman & CEO

Jim Hatfield
SVP & CFO

Don Robinson
APS President & COO

Mark Schiavoni
SVP Fossil Generation

Randy Edington
EVP & Chief Nuclear Officer

Dave Falck
EVP, General Counsel & Secretary

Environmental, Sustainability and Technology Leadership

We have been recognized internationally for our achievements.

Dow Jones Sustainability Indexes Member 2006/07

Dow Jones Sustainability Index

CORPORATE KNIGHTS

Global 100 Most Sustainable Corporations in World

Justmeans SM Business. Better.

Global 1000 Sustainable Performance Leader

BEST IN CLASS environmental and social performance STOREBRAND SRI

Social Responsibility Index "Best in Class" Distinction

SEPA Solar Electric Power Association

Top 10 Utility Solar Ranking

CLAREMONT MCKENNA COLLEGE CLAREMONT, CALIFORNIA

Social Responsibility Reporting Highest Overall Score of U.S. Utilities

Innovest STRATEGIC VALUE ADVISORS

Highest Rating (AAA) and Ranked #2 Electric Utility

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

DOE/EPA Sustained Excellence Award

InformationWeek

Top 10 in U.S. in Technology Innovation and #1 Utility

Recognized as One of America's Greenest Companies

Newsweek ranked Pinnacle West 13th best among U.S. utilities.

Adequate Financing Access and Liquidity

Our credit metrics have improved significantly over the past five years.

2010 Major Financing Activities

Feb.	$500 million APS revolver renewal
Feb.	$200 million PNW revolver renewal
April	$253 million common stock offering

Credit Facilities

Borrower	Capacity ($ Millions)	Matures
APS	$ 489	Sep. '11
APS	500	Feb. '13
PNW	200	Feb. '13
	$1,189	

- Solid bank group
- No MAC clauses or "clean down" provisions

Ratings

	PNW	APS
Senior Unsecured		
Moody's	Baa3	Baa2
S&P	BB+	BBB-
Fitch	-	BBB
Outlook		
Moody's	Stable	Stable
S&P	Positive	Positive
Fitch	Stable	Stable

Benefits of Non-Utility Asset Divestitures

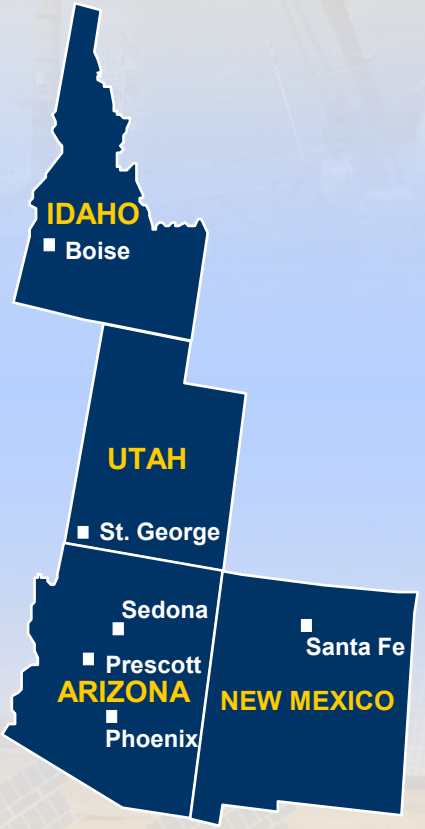
Transactions demonstrate focus on core utility business, while maximizing asset values and eliminating related debt.

SunCor real estate divestiture (2009-2010)

- Substantially complete
- Eliminated SunCor's debt and future real estate earnings volatility
- Expected to produce cash tax benefits for parent of $110 million (estimated to be received by spring 2011)

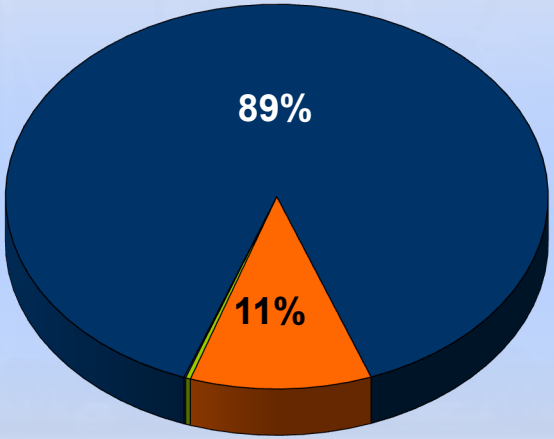
APS Energy Services' Arizona district cooling business sale (2010)

- Produced $70 million after-tax cash proceeds for parent

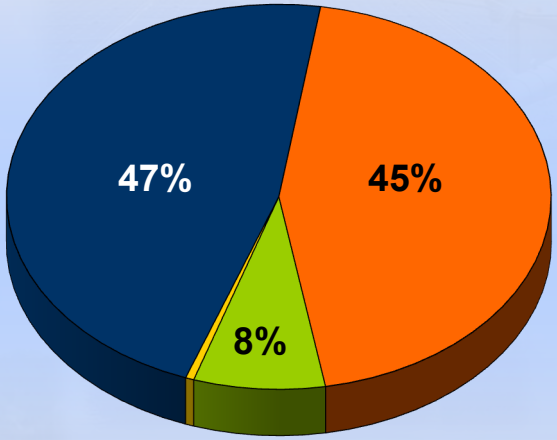


2009 Retail Customer, Sales and Revenue Mixes

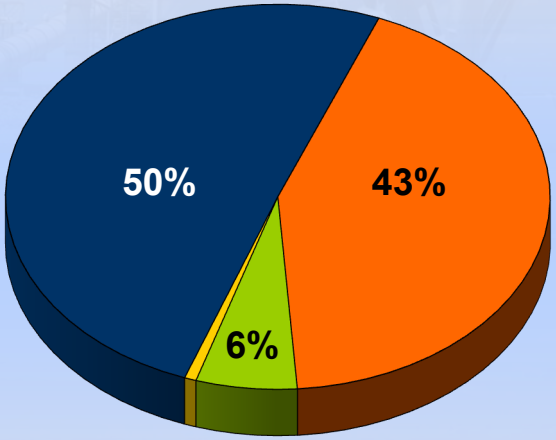
Customers Year-End 1.1 Million



Retail Sales 28,173 GWh



Operating Revenues $3.0 Billion

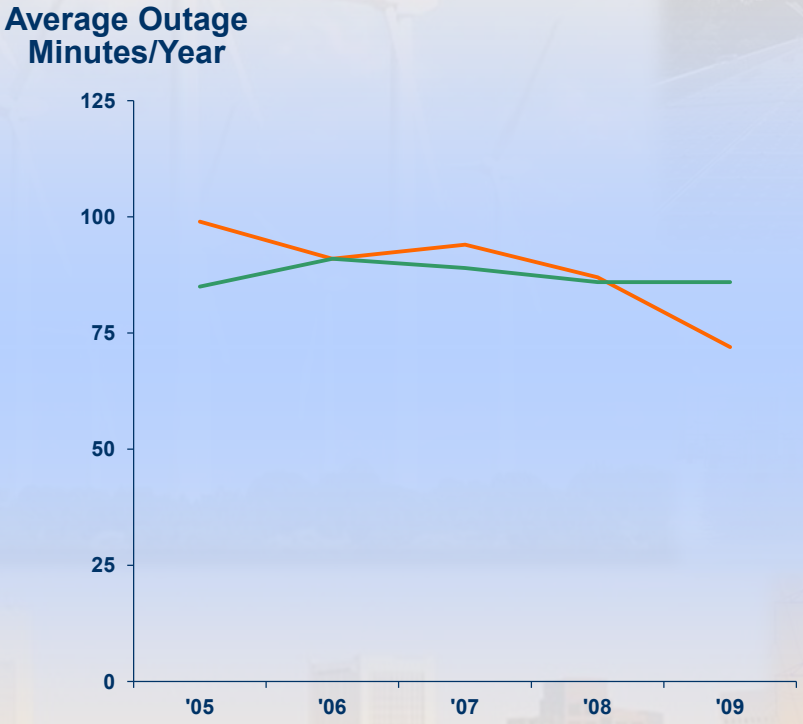


Residential Commercial Industrial Other

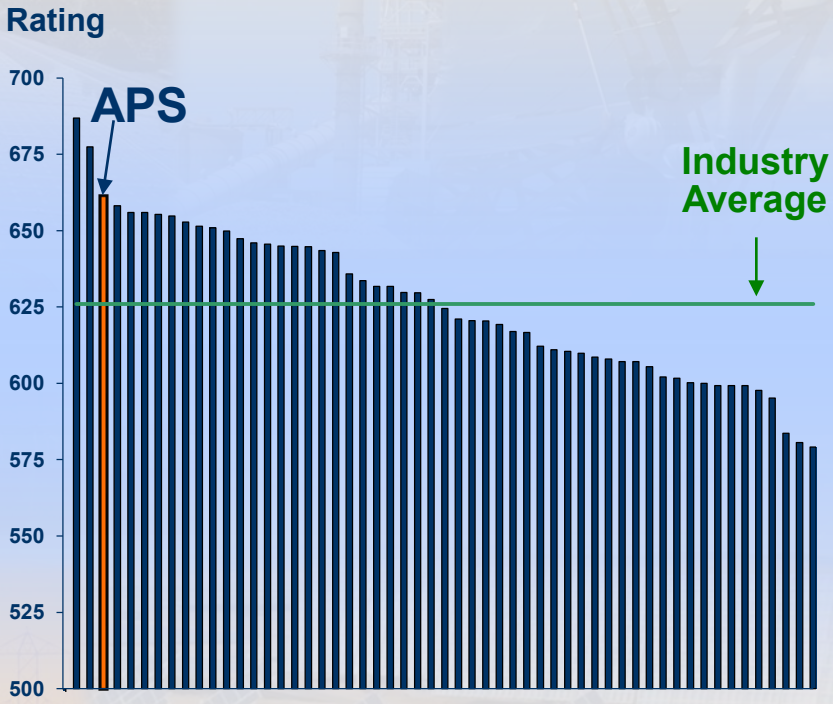
Customer Satisfaction … A Key Priority

Our employees take pride in providing top-tier customer service.

Lowering Outage Time Per Customer



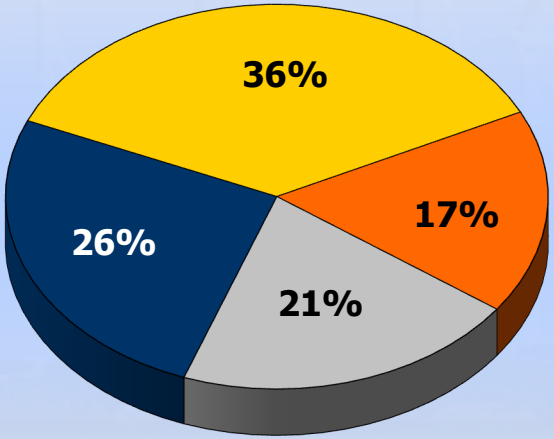
Outstanding Residential Customer Satisfaction Rating



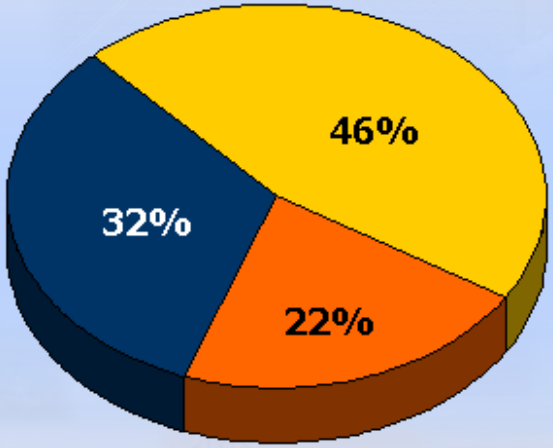
2010 J.D. Power Residential Customer Survey

2009 APS Generation and Energy Fuel Mixes

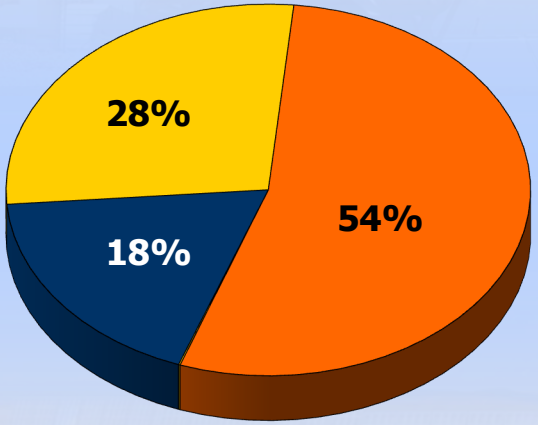
Energy Fuel Mix 34,514 GWh



Generation Fuel Mix 27,374 GWh



Generation Capacity Mix 6,288 MW

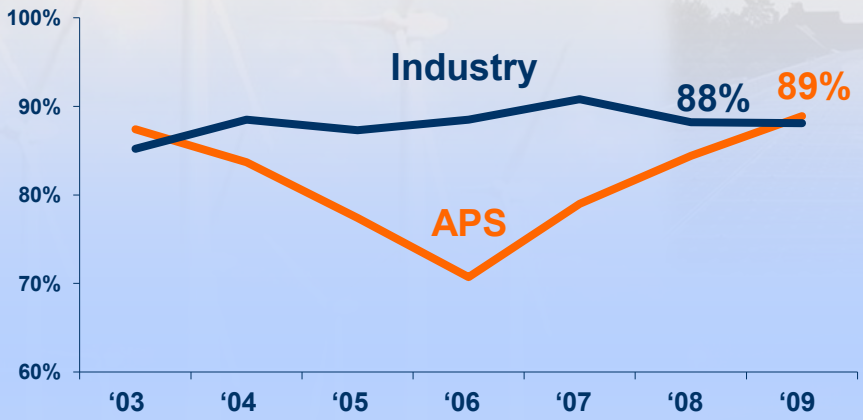


Nuclear | Coal | Gas & Oil | Purchased Power

Superior Power Plant Performance

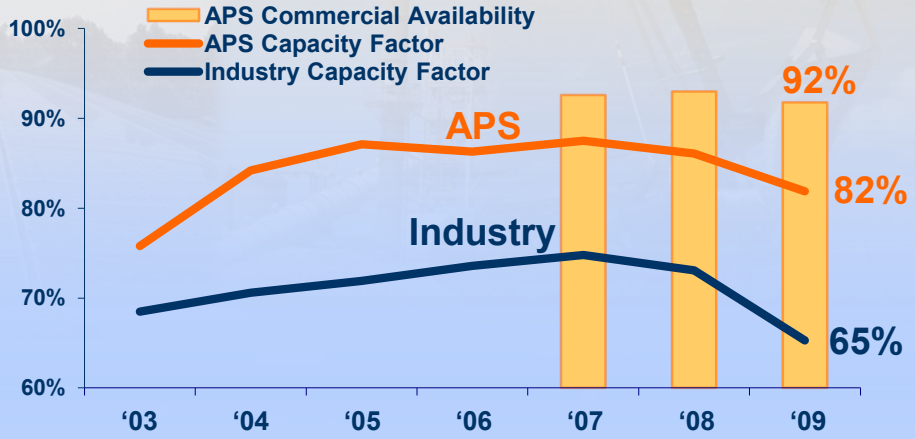
Our nuclear and coal plants are strong baseload resources.

Nuclear Capacity Factors



- Returned to superior performance
- 3,938 MW total managed capacity
- 1,146 MW total APS share
- 2013 goals:
  - Consistent site capacity factor greater than 90%
  - Operating costs excluding fuel less than $0.02/kWh
  - Top-quartile safety
- 20-year license extension requested December 2008

Coal Performance Metrics



- Consistent solid performance
- 2,747 MW total managed capacity
- 1,753 MW APS share
- Highly experienced management
- Fleet operating strategy
- New commercial availability metric measures plant reliability during high-demand periods and market responsiveness

Solana: A "Sunny Place"

Solana will generate enough clean, renewable electricity to meet the needs of about 70,000 Arizona homes.

- 280-MW concentrating solar trough
- 30-year PPA for all output (~900 GWh/year)
- Planned commercial operation in 2013
- Near existing transmission lines
- 70 miles southwest of Phoenix
- Thermal storage capability with summer on-peak capacity factor over 90%
- To be built, owned and operated by Abengoa Solar

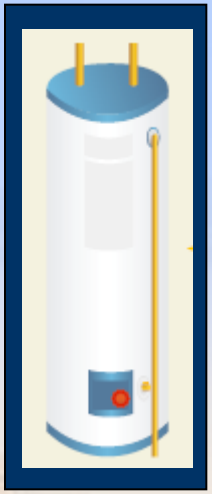
Community Power Project Flagstaff, Arizona

APS' innovative pilot project encourages distributed renewable resources, integrated with smart grid technology.

APS-owned rooftop solar

- 200 to 300 rooftop solar photovoltaic systems on single feeder
- 1.5 to 2 MW of distributed generation
- 4 weather stations in connected substations

Small-scale wind turbines



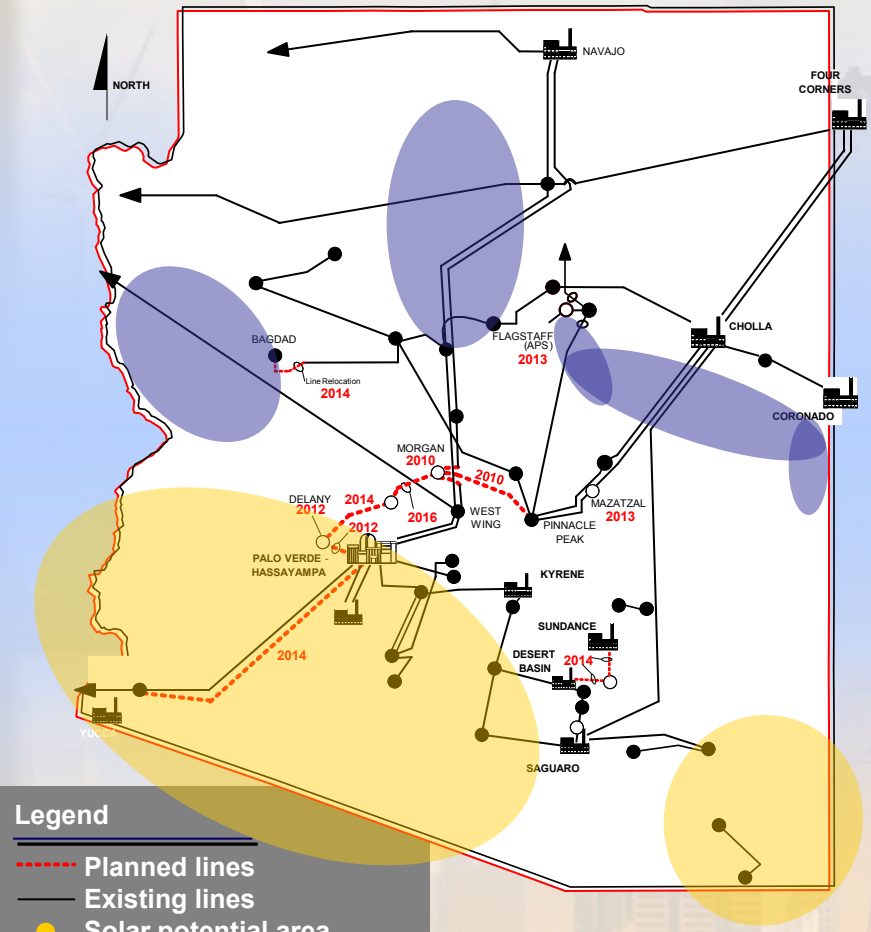
Solar water heaters

Remote switching
Substation on-line monitoring
Capacitor controls
Distribution sensors

AMI

Further Transmission Investment is Key

Strategic investment is needed to maintain reliability and bring diversified resources to our customers.



- 10-Year Transmission Plan (115kV and above):
  - $520 million of new transmission investment
  - Over 270 miles of new lines
  - Increases import capability by 26% to metro Phoenix and 38% to Yuma
- FERC formula rates and retail adjustor
- Working with regulators to identify transmission projects for renewables

Arizona Renewable Energy and Energy Efficiency Standards

Arizona has stringent renewable energy and energy efficiency standards.

Renewable Energy (RES) Minimum Requirements

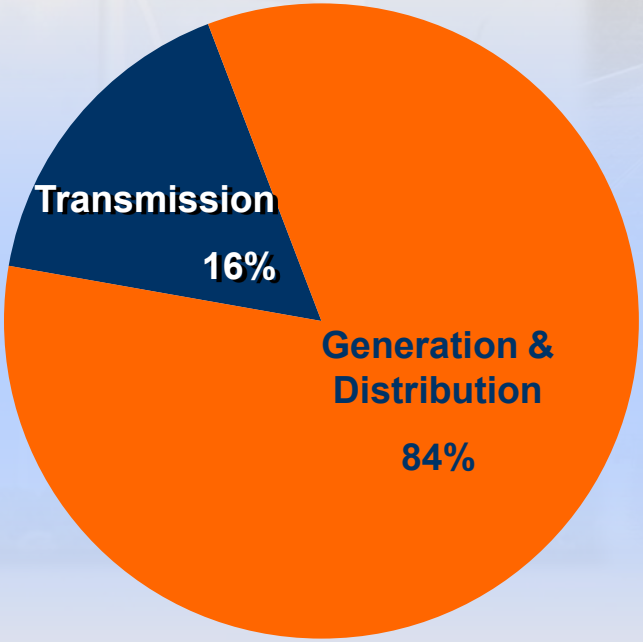
- Portion of retail sales to be supplied by renewable resources
  - 5% by 2015
  - 15% by 2025
- Distributed energy component
  - 30% of total requirement by 2012

Energy Efficiency Requirements

- Increasing annually 2011 – 2020
- Cumulative energy savings as percent of retail sales
  - 3% by 2012
  - 9.5% by 2015
  - 22% by 2020
- Rules to be certified by Arizona Attorney General

Our Regulatory Mix

The bulk of APS' revenues come from our regulated retail rate base; we also have a meaningful transmission business.



$6.7 Billion
Total Approved Rate Base

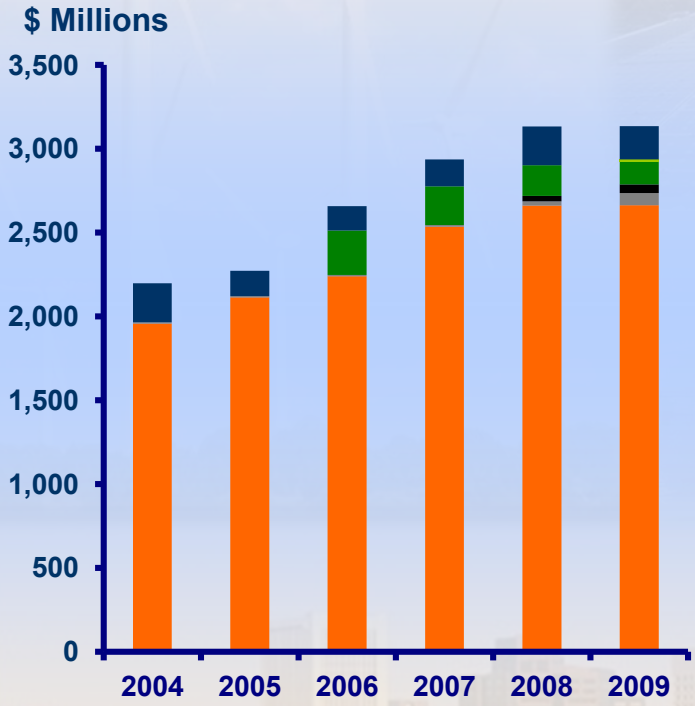
Most Recent Rate Decisions

	ACC	FERC
Effective Date	1/1/2010	6/1/2010
Test Year Ending	12/31/2007	12/31/2009
Rate Base	$5.6 B	$1.1 B
Equity Layer	54%	51%
Allowed ROE	11.00%	10.75%

APS Revenues by Recovery Mechanisms

We have received supportive regulatory decisions providing more timely recovery.

Regulated Electricity Revenue by Recovery Mechanism



	Test Year	
	Historical	Forecasted
PSA	✓	✓
TCA	✓	✓
RES		✓
DSM*		✓
Base Rates	✓	
Other**	✓	

* Includes revenues from wholesale electricity and transmission sales, electricity and other commodity sales, EIS and other miscellaneous services.

** 2009 includes actuals through November 2009 and one month of forecast data.

Arizona Corporation Commissioners

Terms Through January 2011

Kristin Mayes
Chairman (Rep)

Gary Pierce (Rep)

Elected November 2008, Terms Through January 2013

Sandra Kennedy (Dem)

Paul Newman (Dem)

Bob Stump (Rep)

Progressive 2009 Regulatory Settlement

Settlement provisions include earnings support until next rate case.

	Estimated Pretax Earnings Benefits ($ Millions)		
	2010	2011	2012
Settlement agreement terms			
Base rate increase	$ 207	$ 207	$ 207
Line extensions treated as revenue	23	25	49
Pension and OPEB deferrals	–	13	29
Palo Verde depreciation reduction	–	–	34
Subtotals	230	245	319
Less interim base rate surcharge that ended upon general rate case implementation	(65)	(65)	(65)
Total	$ 165	$ 180	$ 254

Constructive Transmission Rate Regulation

We have achieved constructive transmission rate treatment.

- FERC Formula Rates adopted in 2008
  - Adjusted annually with 10.75% allowed ROE
  - Based on FERC Form 1 and certain projections
  - Retail portion flows through ACC Transmission Cost Adjustor (TCA)
- Recent transmission revenue changes

	Annual Revenue	Effective Date	Annual Revenue	Effective Date	Annual Revenue	Effective Date
Retail Portion (TCA)	$13M	7/3/2008	$21M	8/1/2009	$(10)M	8/1/2010
Wholesale Portion	$ 2M	3/1/2008	$ 2M	6/1/2009	$ (2)M	6/1/2010
Total Increase	$15M		$23M		$(12)M	
Allowed ROE	10.75%		10.75%		10.75%	
Equity Ratio	54%		55%		51%	
Rate Base	$1.0B		$1.1B		$1.1B	
Test Year	2007		2008		2009	

Significant Regulatory Progress Since 2005

We have made progress toward a supportive regulatory structure and improvement in the timing of cost recovery.

Mechanism	Adopted / Last Adjusted	Description
Power Supply Adjustor ("PSA")	April 2005 / January 2010	▪ Recovers 90% of variance between actual fuel and purchased power costs and base fuel rate ▪ Includes forward-looking, historical and transition components
Transmission Cost Adjustor ("TCA")	April 2005 / August 2010	▪ Recovers FERC-approved transmission costs related to retail customers ▪ Resets annually as result of FERC Formula Rate process (see below)
Renewable Energy Surcharge ("RES")	May 2008 / January 2010	▪ Recovers costs related to renewable initiatives ▪ Collects projected dollars to meet RES targets ▪ Provides incentives to customers to install distributed renewable energy
Demand-Side Management Adjustment Clause ("DSMAC")	April 2005 / March 2010	▪ Recovers retroactively costs related to energy efficiency and DSM programs above $10 million in base rates ▪ Provides 10% performance incentive to APS for net benefits achieved ▪ Provides rebates and other incentives to participating customers
Environmental Improvement Surcharge ("EIS")	July 2007 / July 2007	▪ Recovers retroactively costs related to environmental upgrades not fully covered under base rates ▪ Allows for cost recovery of ACC-approved projects
Retail Line Extension Fees	July 2007 / February 2008	▪ "Pay as you go" mechanism collects dollars spent for new distribution construction at beginning of project ▪ Better protects existing customers by allocating cost of expansion to developers
FERC Formula Rates	2008 / June 2010	▪ Recovers transmission costs based on historical costs per FERC Form 1 and certain projected data ▪ Resets annually

A Well-Balanced Generation Portfolio`

Fuel / Plant	Location	Units	Dispatch	Commercial Ops. Date	Operator	Ownership / Interest [1]	Net Capacity (MW)
Nuclear							
Palo Verde	Wintersburg, AZ	1,2,3	Base	1986 - 1989	APS	29.1	1,146
Total Nuclear							*1,146*
Coal							
Cholla	Joseph City, AZ	1,2,3	Base	1962 - 1980	APS	100	647
Four Corners	Farmington, NM	1,2,3	Base	1963 - 1964	APS	100	560
Four Corners	Farmington, NM	4,5	Base	1969 - 1970	APS	15	225
Navajo	Page, AZ	1,2,3	Base	1974 - 1976	SRP	14	315
Total Coal							*1,747*
Gas/Oil - Combined Cycle							
Redhawk	Arlington, AZ	1,2	Intermediate	2002	APS	100	984
West Phoenix	Phoenix, AZ	1,2,3,4,5	Intermediate	1976 - 2003	APS	100	887
Total Gas/Oil - Combined Cycle							*1,871*
Gas/Oil - Steam Turbines							
Ocotillo	Tempe, AZ	1,2	Peaking	1960	APS	100	220
Saguaro	Red Rock, AZ	1,2	Peaking	1954 - 1955	APS	100	210
Total Gas/Oil - Steam Turbines							*430*
Gas/Oil - Combustion Turbines							
Sundance	Casa Grande, AZ	10	Peaking	2002	APS	100	420
Yucca	Yuma, AZ	6	Peaking	1971 - 2008	APS	100	243
Saguaro	Red Rock, AZ	1,2,3	Peaking	1972 - 2002	APS	100	189
West Phoenix	Phoenix, AZ	1,2	Peaking	1972 - 1973	APS	100	110
Ocotillo	Tempe, AZ	1,2	Peaking	1972 - 1973	APS	100	110
Douglas	Douglas, AZ	1	Peaking	1972	APS	100	16
Total Gas/Oil - Combustion Turbines							*1,088*
Solar							
Solar - CSP Trough	Red Rock, AZ	--	Variable	2005	APS	100	1.0
Solar - PV	Prescott, AZ	--	Variable	2002 - 2006	APS	100	3.0
Solar - PV	STAR Center	--	Variable	1999 - 2004	APS	100	0.3
Solar - PV	Various	--	Variable	1996 - 2005	APS	100	1.5
Total Solar							*5.8*
Total Generation Capacity							**6,288**

As of December 31, 2009

[1] *Includes leased generating plants.*

Renewable Contracts Provide Bridge

Fuel / Contract	Location	Developer/ Operator	Status*	PPA Signed	COD/ Expected COD	Term (years)	Capacity (MW)
Solar							
Solana (CSP Trough)	Gila Bend, AZ	Abengoa	AD	Feb-2008	2013	30	280
Total Solar							*280*
Wind							
Aragonne Mesa	Santa Rosa, NM	Bluearc Mgmt. Group	IO	Dec-2005	Dec-2006	20	90
High Lonesome	Mountainair, NM	Edison Mission Energy	IO	Feb-2008	Jul-2009	30	100
Perrin Ranch	Williams, AZ	NextEra Energy	AD	Jul- 2010	2012	25	99
Total Wind							*289*
Geothermal							
CE Turbo - Salton Sea	Imperial County, CA	CalEnergy	IO	Jan-2006	Jan-2006	23	10
Total Geothermal							*10*
Biomass							
Snowflake	Snowflake, AZ	Renegy Holdings	IO	Jun-2008	Apr-2008	15	15
Total Biomass							*15*
Biogas							
Glendale Landfill Project	Glendale, AZ	Glendale Energy LLC	UC	Jul-2008	Dec-2009	20	3
Total Biogas							*3*
Total Renewable Contracted Capacity							**597**

As of July 23, 2010.
** Advanced Development (AD), Under Construction (UC), or In Operation (IO).*