



DELIVERING SUPERIOR SHAREHOLDER VALUE

Barclays Capital Utility Day

March 19, 2013

Williams Capital Group West Coast Utilities Seminar

March 20, 2013



PINNACLE WEST
CAPITAL CORPORATION

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” 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; volatile fuel and purchased power costs; fuel and water supply availability; our ability to achieve timely and adequate rate recovery of our costs, including returns on debt and equity capital; regulatory and judicial decisions, developments and proceedings; new legislation or regulation, including those relating to environmental requirements and nuclear plant operations; 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; competition in retail and wholesale power markets; the duration and severity of the economic decline in Arizona and current real estate market conditions; the cost of debt and equity capital and the ability to access capital markets when required; 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; 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; technological developments affecting the electric industry; and restrictions on dividends or other provisions in our credit agreements and Arizona Corporation Commission 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, 2012, 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.



NON-GAAP FINANCIAL MEASURES

In this presentation, we refer to “on-going earnings per share,” which is a “non-GAAP financial measure,” as defined in accordance with SEC rules. We believe on-going earnings per share provides 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. The appendix contains a reconciliation of on-going earnings per share to our earnings per share attributable to common shareholders based on diluted common shares as reported on our Consolidated Statements of Income, which is the most directly comparable financial measures calculated and presented in accordance with generally accepted accounting principles in the United States of America (GAAP).

Investors should note that 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.

PINNACLE WEST: WHO WE ARE

We are a vertically integrated, regulated electric utility.

NYSE Ticker PNW
Market Cap \$6 Billion
Enterprise Value \$9 Billion
Yield 4%

Principal Subsidiary  **aps**

- Arizona's largest electric utility
- \$13 billion assets

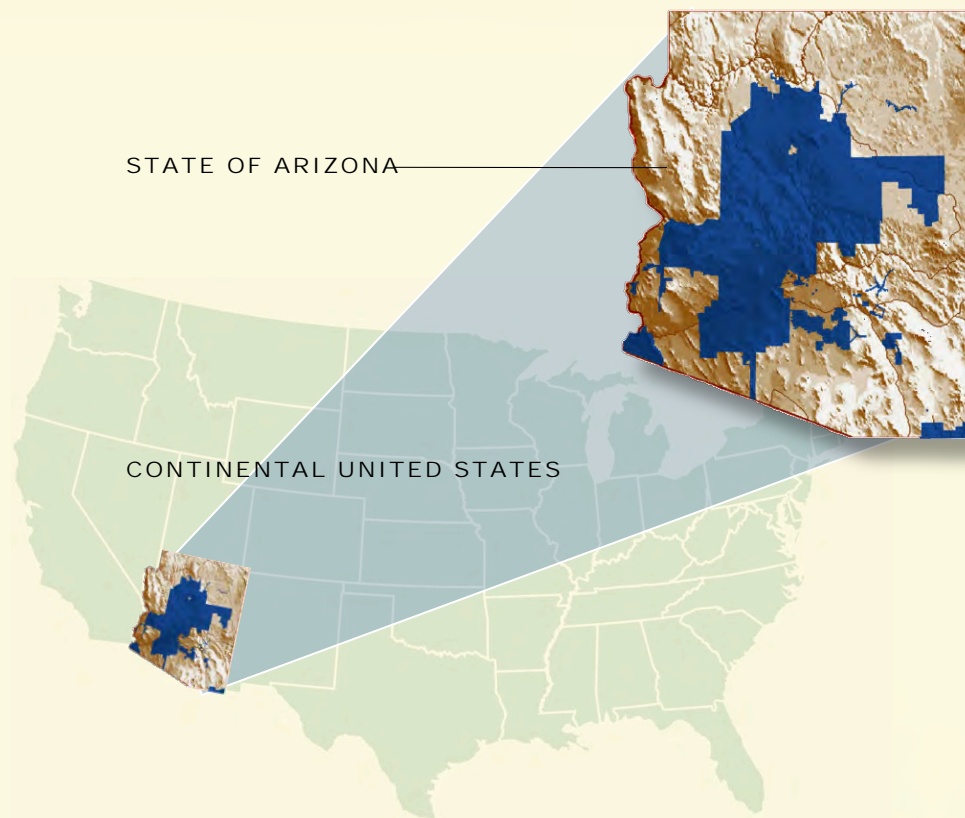
Service Territory

- 1.1 million customer accounts
- 34,646 square miles

Customer Growth

- 2% average annual growth expected 2013-2015
- 3-4% historical average — well above industry average

2012 Peak Demand – 7,207 MW



PINNACLE WEST: OUR VALUE PROPOSITION

Our commitment to investors:
Deliver superior shareholder returns through...

Superior Shareholder Returns



PINNACLE WEST: OUR VALUE PROPOSITION

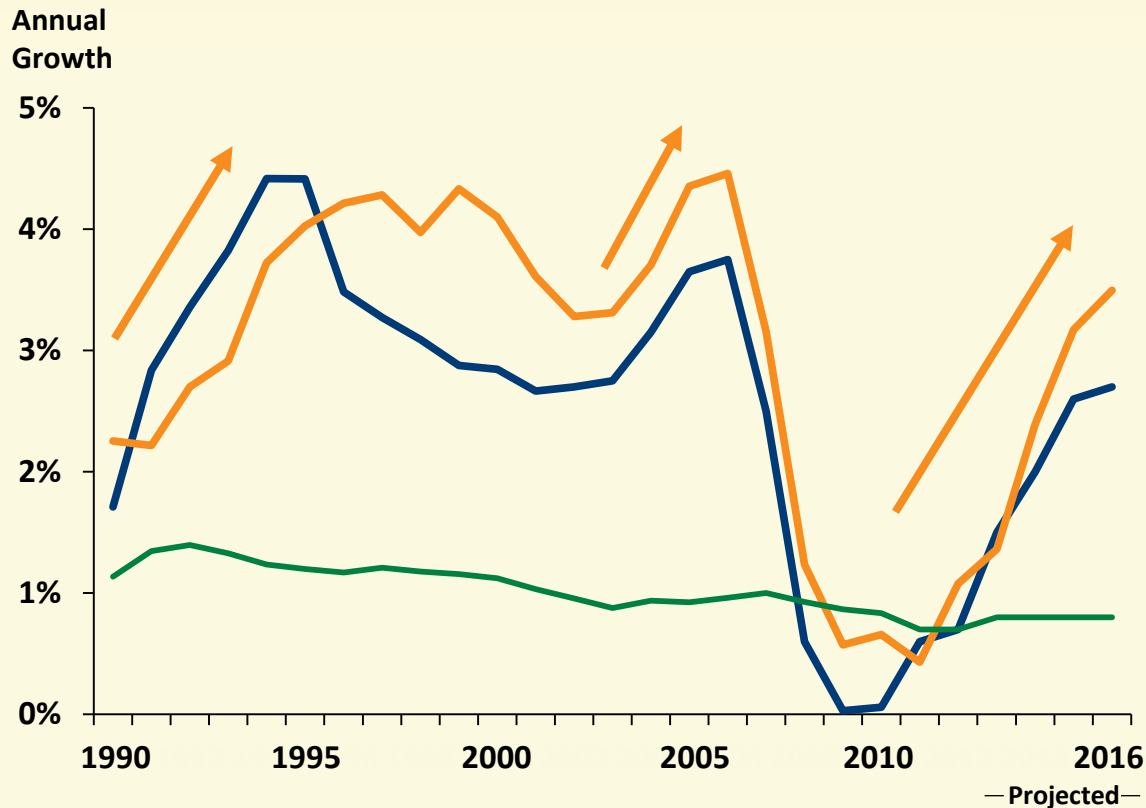
**Capitalizing on
intrinsic growth**



POSITIVE LONG-TERM DEMOGRAPHICS

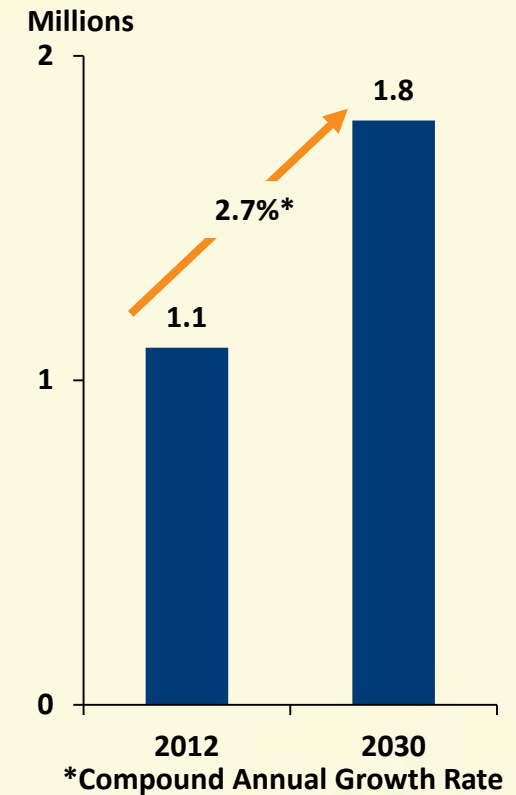
APS's customer growth generally outpaces U.S. and Arizona population growth.

Superior Growth



— APS Customer Growth — Arizona Population Growth — US Population Growth

APS Customer Growth



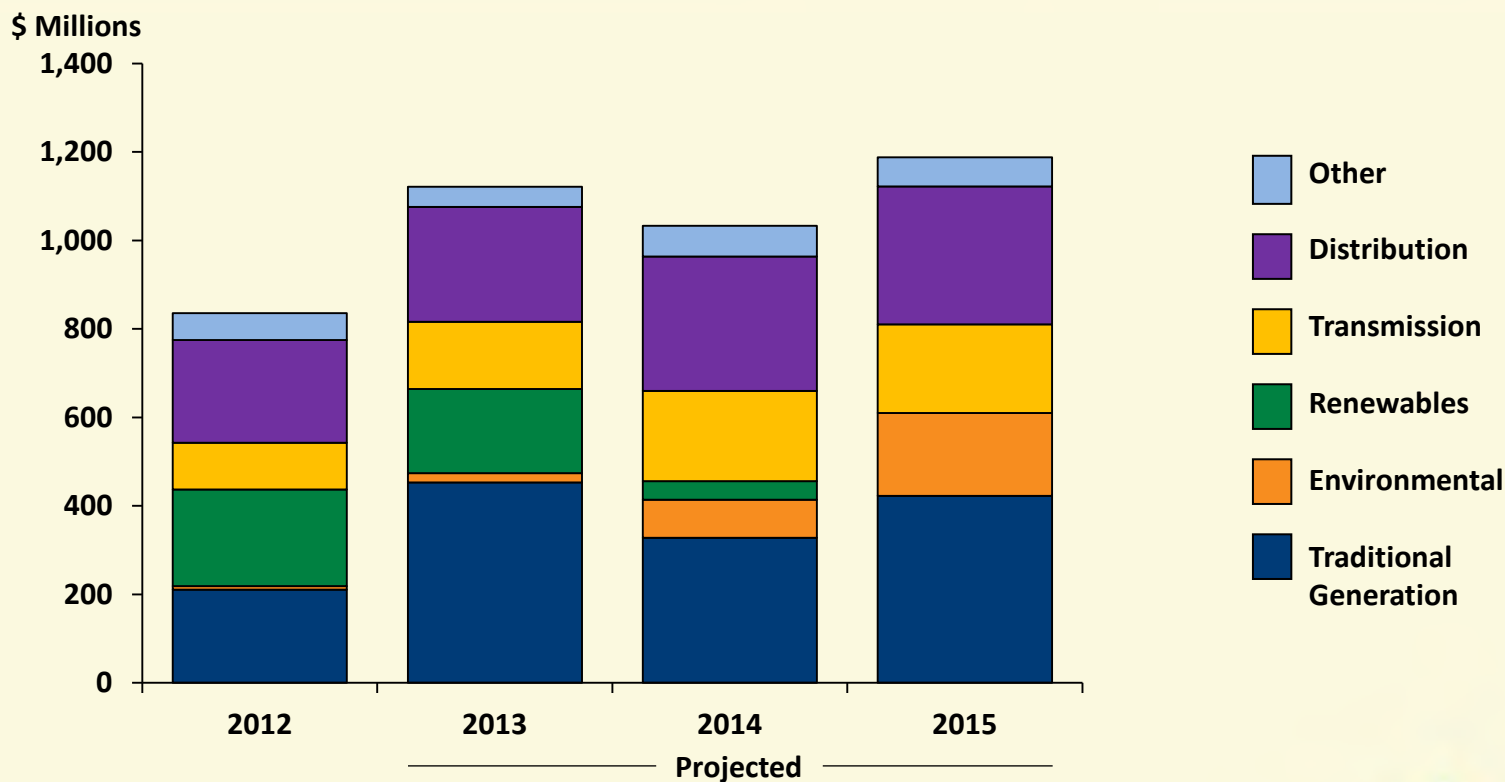
CAPITALIZING ON INTRINSIC GROWTH

PINNACLE WEST
CAPITAL CORPORATION

LONG-TERM GROWTH DRIVES CAP EX

Investment is required throughout the business to meet expected demand growth

APS Capital Expenditures by Function



Based on December 31, 2012 Form 10-K

CAPITALIZING ON INTRINSIC GROWTH

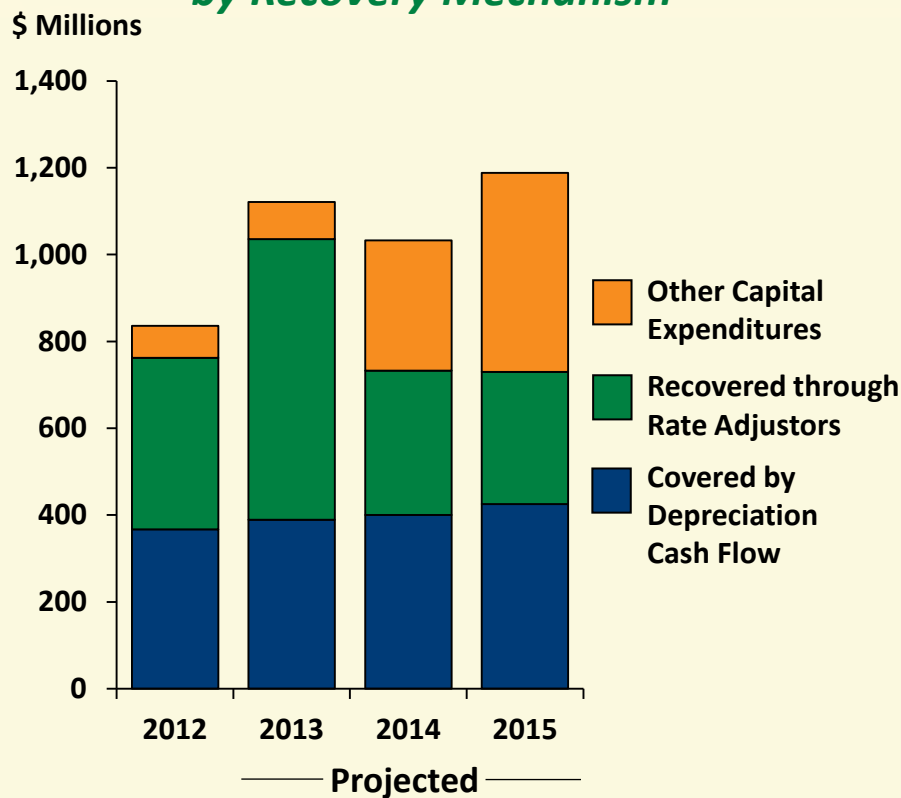


SOLID CAPITAL RECOVERY AND STRONG RATE BASE GROWTH

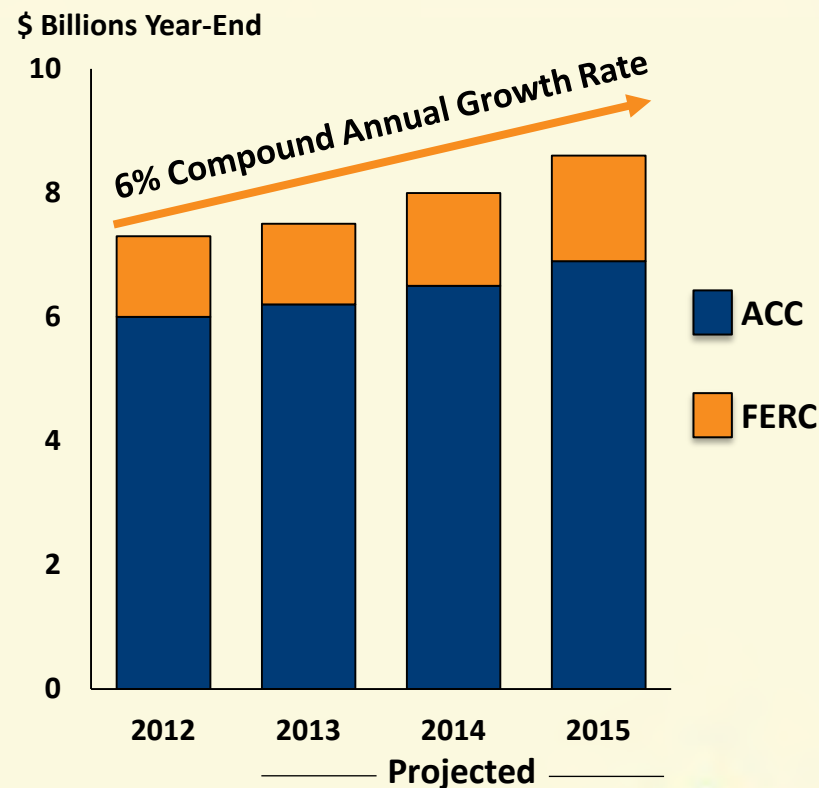
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We expect our rate base will grow 6% per year on average, and we have constructive recovery of capital expenditures.

APS Capital Expenditures by Recovery Mechanism



APS Rate Base Growth



CAPITALIZING ON INTRINSIC GROWTH

PINNACLE WEST
CAPITAL CORPORATION

PINNACLE WEST: OUR VALUE PROPOSITION



**Maintaining operational
excellence**

OPERATIONAL HIGHLIGHTS

We focus on maintaining top-tier performance companywide.

Customer Satisfaction

- Ranked 3rd highest nationally among 55 large investor-owned electric utilities in 2012 J.D. Power residential customer survey

Strong Nuclear and Coal Baseload Resources

- 2012 capacity factors above industry averages
- Palo Verde 20-year license extension approved by U.S. Nuclear Regulatory Commission

Average Annual Outage Time Per Customer

- Top quartile in industry over past several years

Safety

- 2012 lowest number of recordable injuries in company history

Internationally Recognized Environmental, Sustainability and Governance Leader

- Dow Jones North America Sustainability Index (8 consecutive years)
- Corporate Responsibility Magazine's "100 Best Corporate Citizens"



MAINTAINING OPERATIONAL EXCELLENCE



PINNACLE WEST
CAPITAL CORPORATION

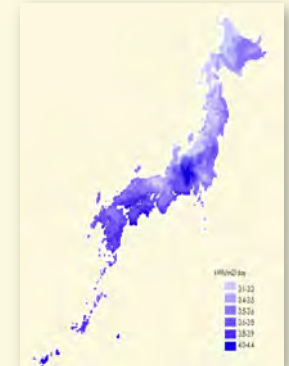
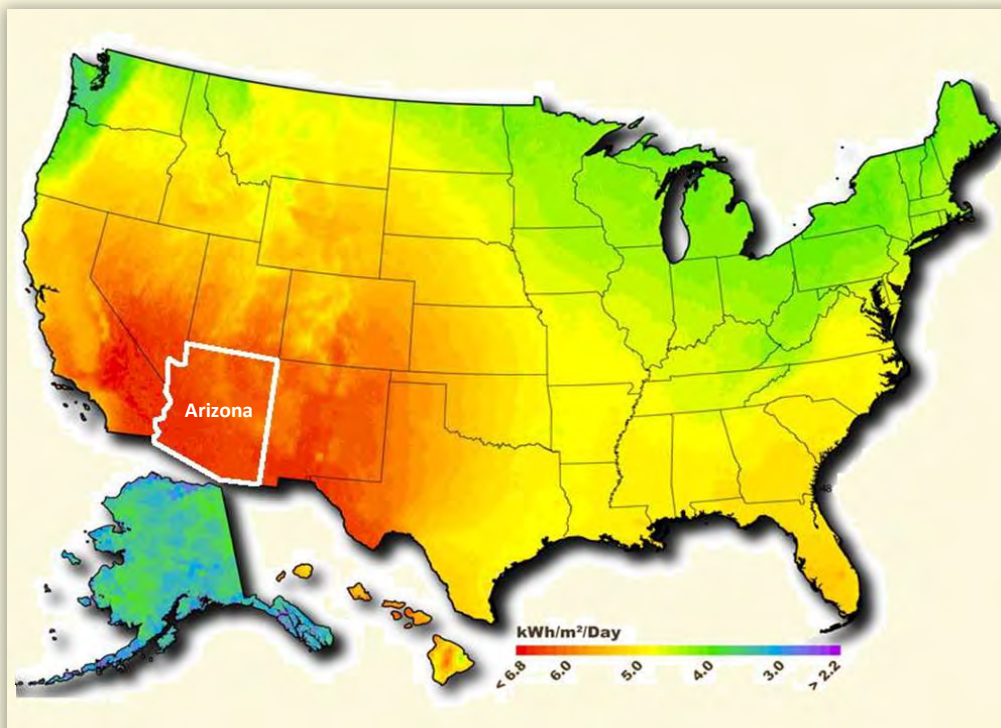
PINNACLE WEST: OUR VALUE PROPOSITION



**Making compelling
capital investments**

RENEWABLE ENERGY RISES WITH THE SUN

We are helping Arizona become the "Solar Capital of the World."



Germany and Japan are among countries with highest installed solar capacity, yet have solar conditions far inferior to Arizona



MAKING COMPELLING CAPITAL INVESTMENTS

PINNACLE WEST
CAPITAL CORPORATION

APS AZ SUN PROGRAM PROVIDES EARNINGS GROWTH POTENTIAL

14

Owning solar resources makes sense for our customers and environment and provides returns to our shareholders.

- **Utility-scale photovoltaic solar plants to be owned by APS**
- **Constructive rate recovery through RES until included in base rates**
- **69 MW in commercial operation to date**
- **Commitments to date:**
 - **118 MW**
 - **\$502 million estimated capital investment**



MAKING COMPELLING CAPITAL INVESTMENTS



FOUR CORNERS POWER PLANT PROPOSED PLAN

Our proposal represents a balanced solution to new environmental regulations.

Acquire Southern California Edison's 739 MW interest in Units 4 & 5 and shut down 560 MW Units 1 – 3

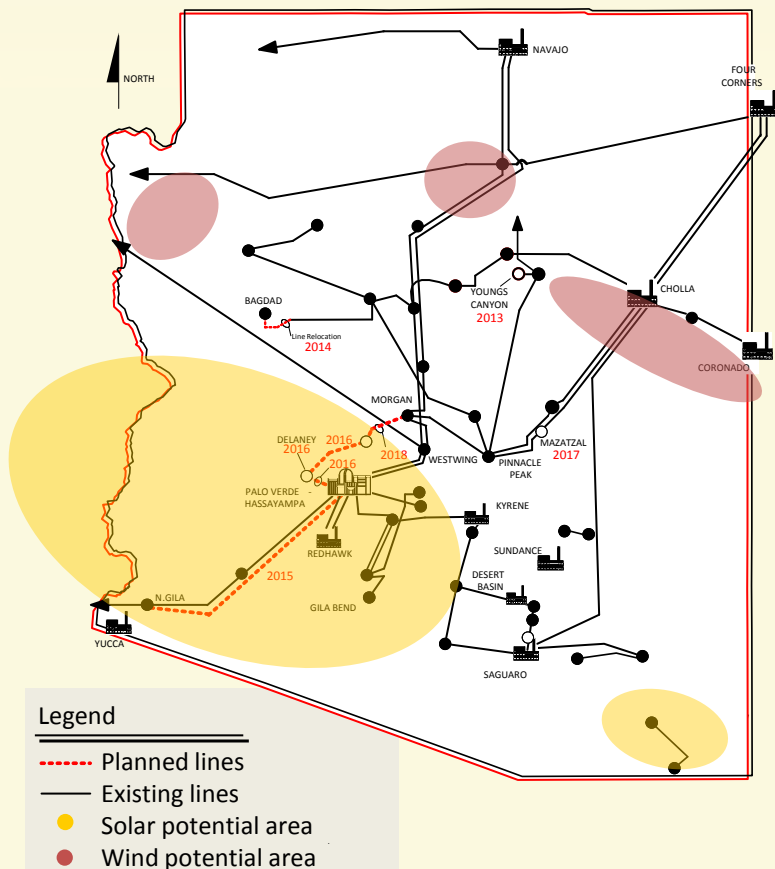
- **Purchase price: \$294 million (subject to adjustments)**
- **Estimated environmental compliance investment: \$300 million**
- **Arizona, California, FERC and Hart-Scott-Rodino approvals obtained**
- **Transfer of coal mine to Navajo Nation pending approval**



MAKING COMPELLING CAPITAL INVESTMENTS

TRANSMISSION INVESTMENT ESSENTIAL

Strategic transmission is necessary to maintain reliability and deliver diversified resources to our customers.



- **10-Year Transmission Plan (115 kV and above)**
 - \$612 million of new transmission investment
 - 275 miles of new lines
- **Projects to deliver renewable energy approved by ACC**
- **Transmission investment diversifies regulatory risk**
 - Constructive regulatory treatment
 - FERC formula rates and retail adjustor



MAKING COMPELLING CAPITAL INVESTMENTS

PINNACLE WEST: OUR VALUE PROPOSITION

**Improving our
regulatory environment**



2012 RETAIL RATE CASE SETTLEMENT KEY PROVISIONS – OTHER THAN BASE RATES

18

Key provisions continue constructive regulatory treatment and limit regulatory lag.

- **Constructive new or modified adjustment mechanisms**
 - **Lost Fixed Cost Recovery (LFCR) rate mechanism to address ratemaking effects of energy efficiency and distributed renewable energy**
 - **Power Supply Adjustor (PSA) – 100% pass-through**
 - **Transmission Cost Adjustor (TCA) – streamlined for future rate changes**
 - **Environmental Improvement Surcharge (EIS) – recovery of certain carrying costs for government-mandated environmental capital expenditures**
- **Four Corners transaction – procedure to allow APS to request related rate adjustments, if transaction consummated**
- **Post test-year plant additions – 15 months' additions included in rate base**
- **Property tax expense deferrals for future tax rate changes**
- **Current PSA credit on customer bills to continue until February 1, 2013, rather than reset when base rates change effective July 1, 2012**
- **Next general rate case may be filed on or after May 31, 2015 for rates to become effective on or after July 1, 2016 (4-year stay-out)**



PINNACLE WEST: OUR VALUE PROPOSITION

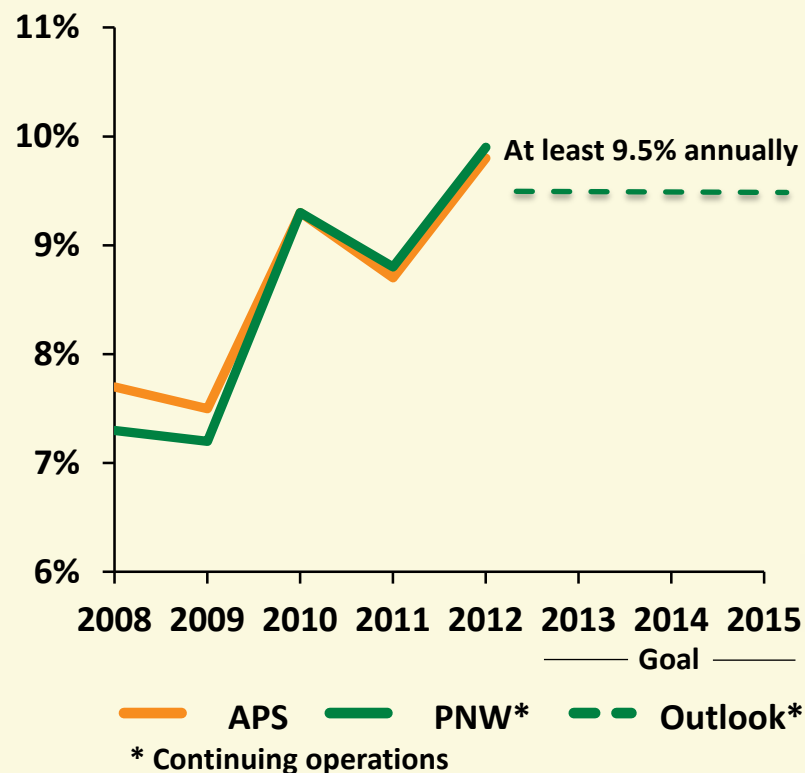


**Strengthening
our financial profile**

ROE IMPROVEMENT: A MULTI-PRONGED APPROACH

Improving our earned return on equity is one of our top priorities.

Earned ROEs



Key Initiatives

- Supportive electric utility rates
- Regulatory framework improvements
- Cost management initiatives
- Efficiency and effectiveness throughout organization

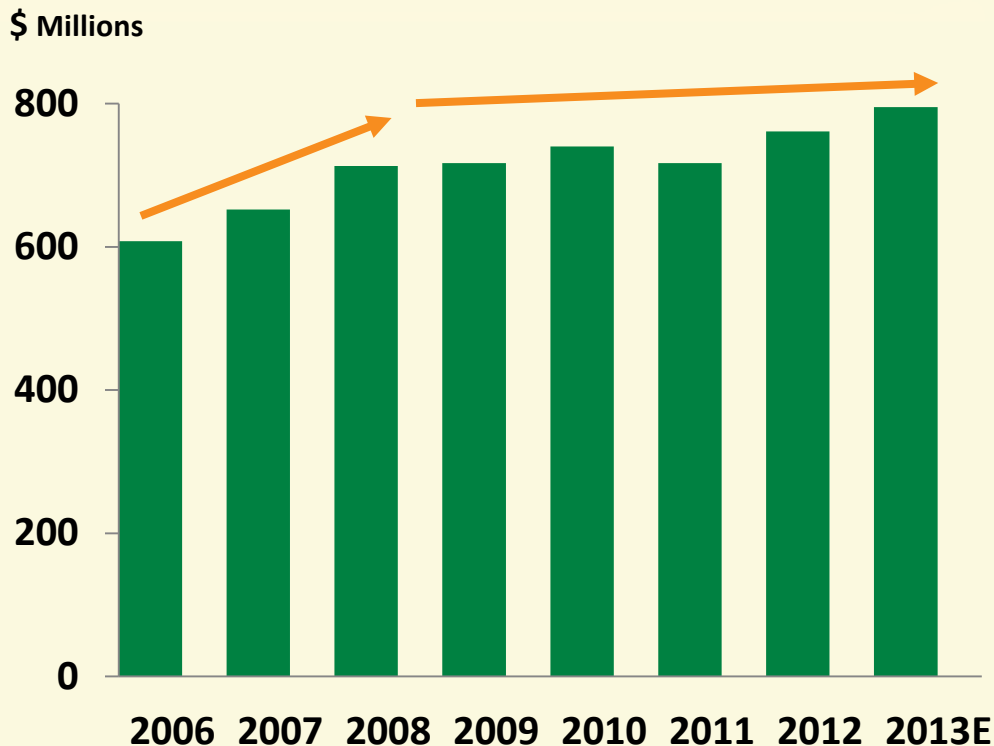


STRENGTHENING OUR FINANCIAL PROFILE

STRONG COST MANAGEMENT FOCUS

Our goal is to keep O&M growth in line with retail sales growth.

APS O&M Expense Trends



- **Solid achievements to date**
- **Initiatives**
 - Company-wide benchmarking and evaluations
 - Workforce attrition opportunities
 - Knowledge transfer
 - Process documentation

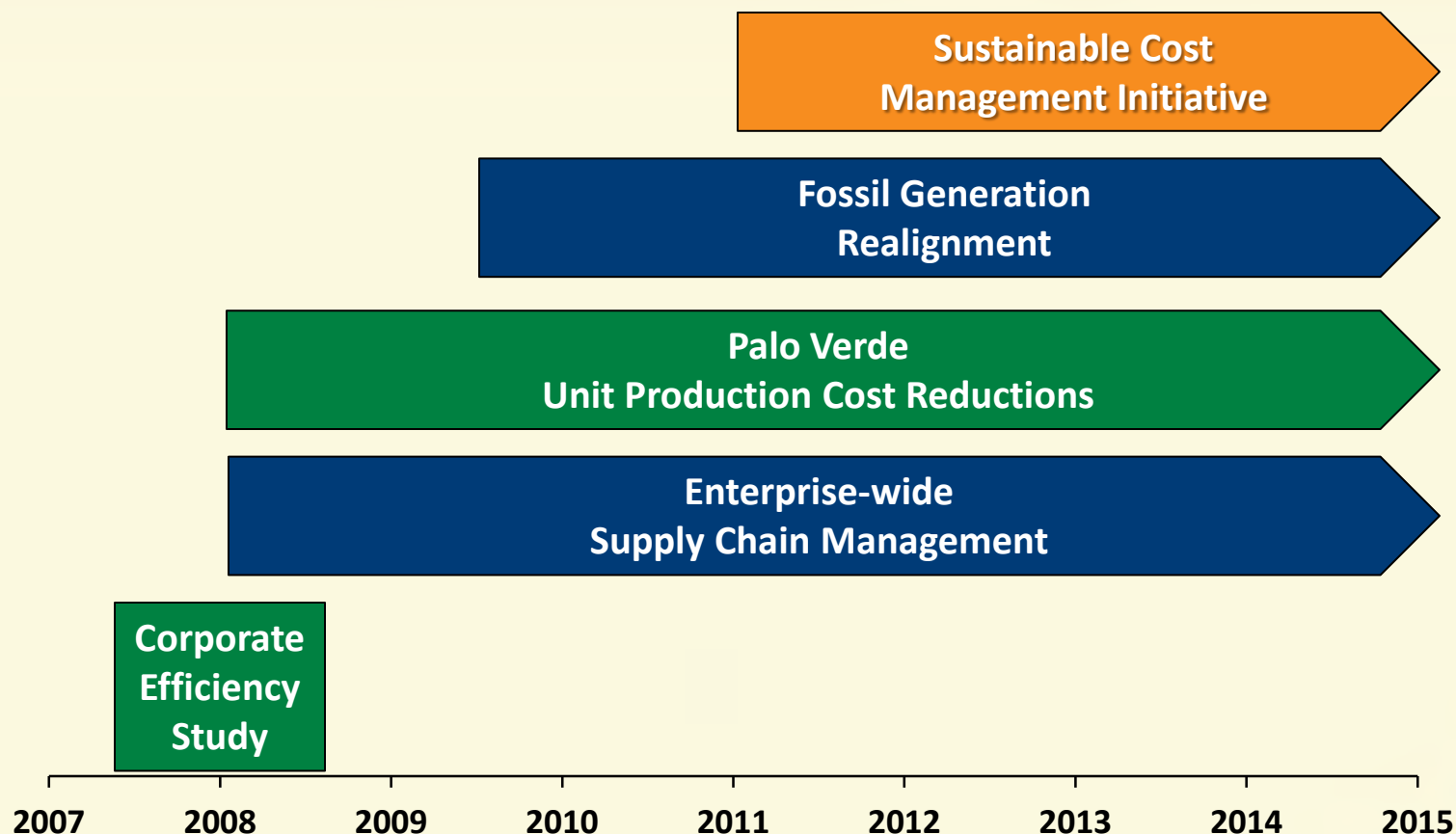
Excludes RES and demand side management costs. 2011 also excludes \$28 million related to prior-period transmission rights-of-way settlement.

STRENGTHENING OUR FINANCIAL PROFILE



EFFECTIVE COST MANAGEMENT INITIATIVES

A variety of initiatives have been helping control operating and capital costs.



STRENGTHENING OUR FINANCIAL PROFILE

SUSTAINABLE COST MANAGEMENT INITIATIVE ("SCMI")

Continued success requires a more rigorous, standardized approach to running the business.

Motivation

- **Recognize combined challenges**
 - Costs
 - Capital
 - Sales growth
 - Regulatory stay-out
 - Aging workforce
- **Improve organizational efficiencies**
- **Strengthen governance and clarify accountability**
- **Refine understanding of cost structure to better identify opportunities**

Sustainable Changes

Tiered Metrics

Business Planning

Corporate Resources Operating Model ("CROM")

Centralize Financial Planning and Analysis

Centralize Information Technology

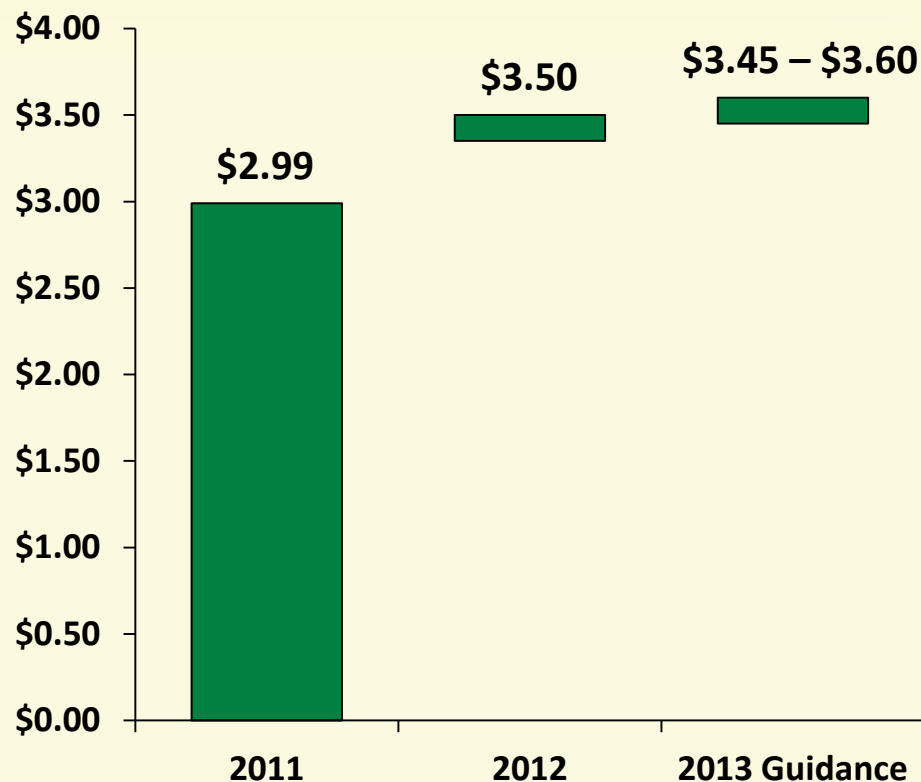
Enterprise Process Improvement



CONSOLIDATED ON-GOING EPS OUTLOOK

Our strategies and financial performance are producing earnings growth.

On-Going EPS



Guidance as of February 22, 2013

See key factors and assumptions in appendix

Outlook Through 2015

- 6% rate base growth,* but regulatory recovery not perfect
- Adjustment mechanisms provide substantial recovery during stay-out, but incomplete
- Limited sales growth
- EPS expected to grow somewhat below rate base growth

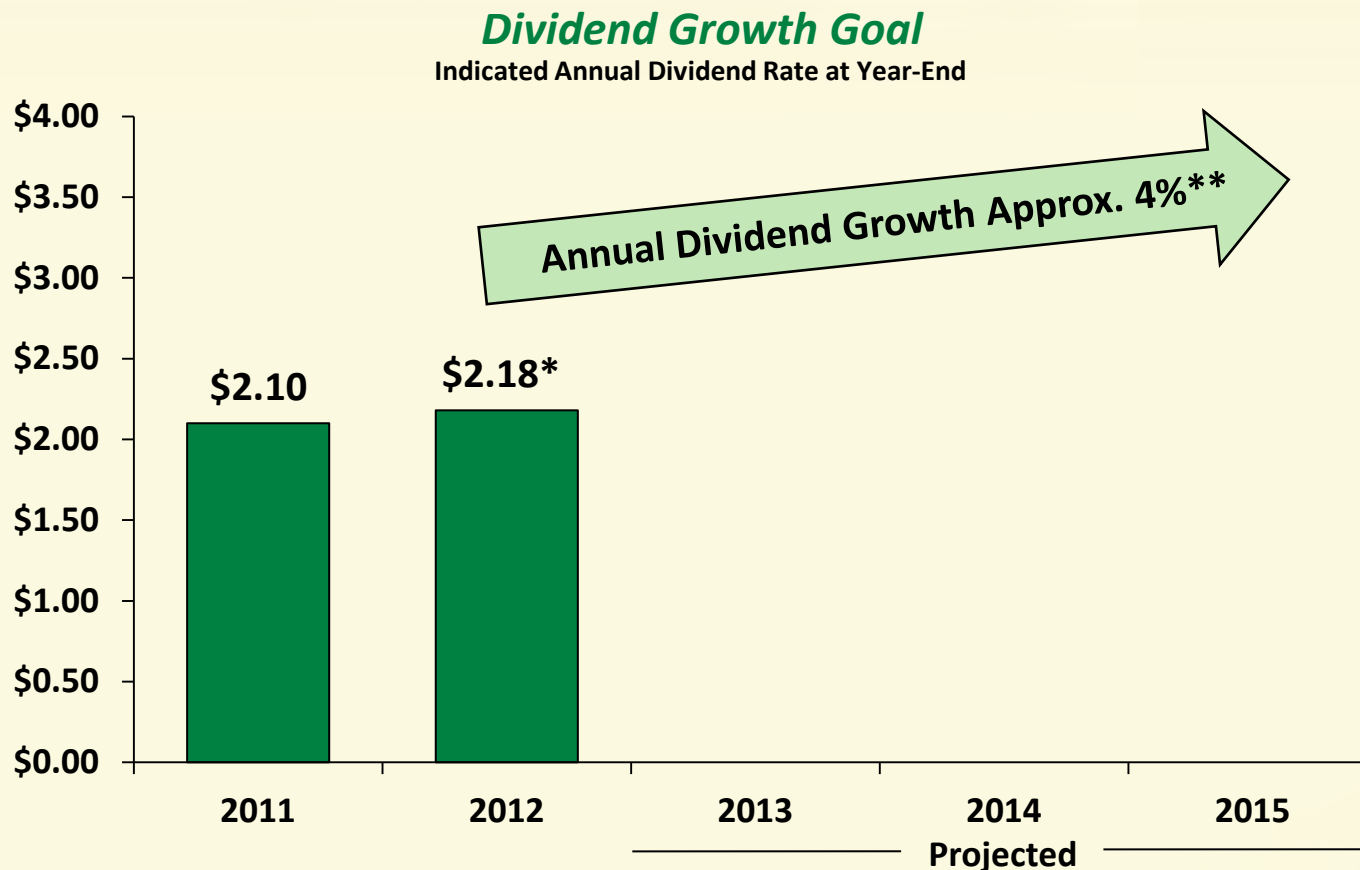
* Compound annual growth rate



STRENGTHENING OUR FINANCIAL PROFILE

COMMON DIVIDEND OUTLOOK

Our financial results facilitate growing cash returns to our shareholders



* Increase effective 4th quarter 2012

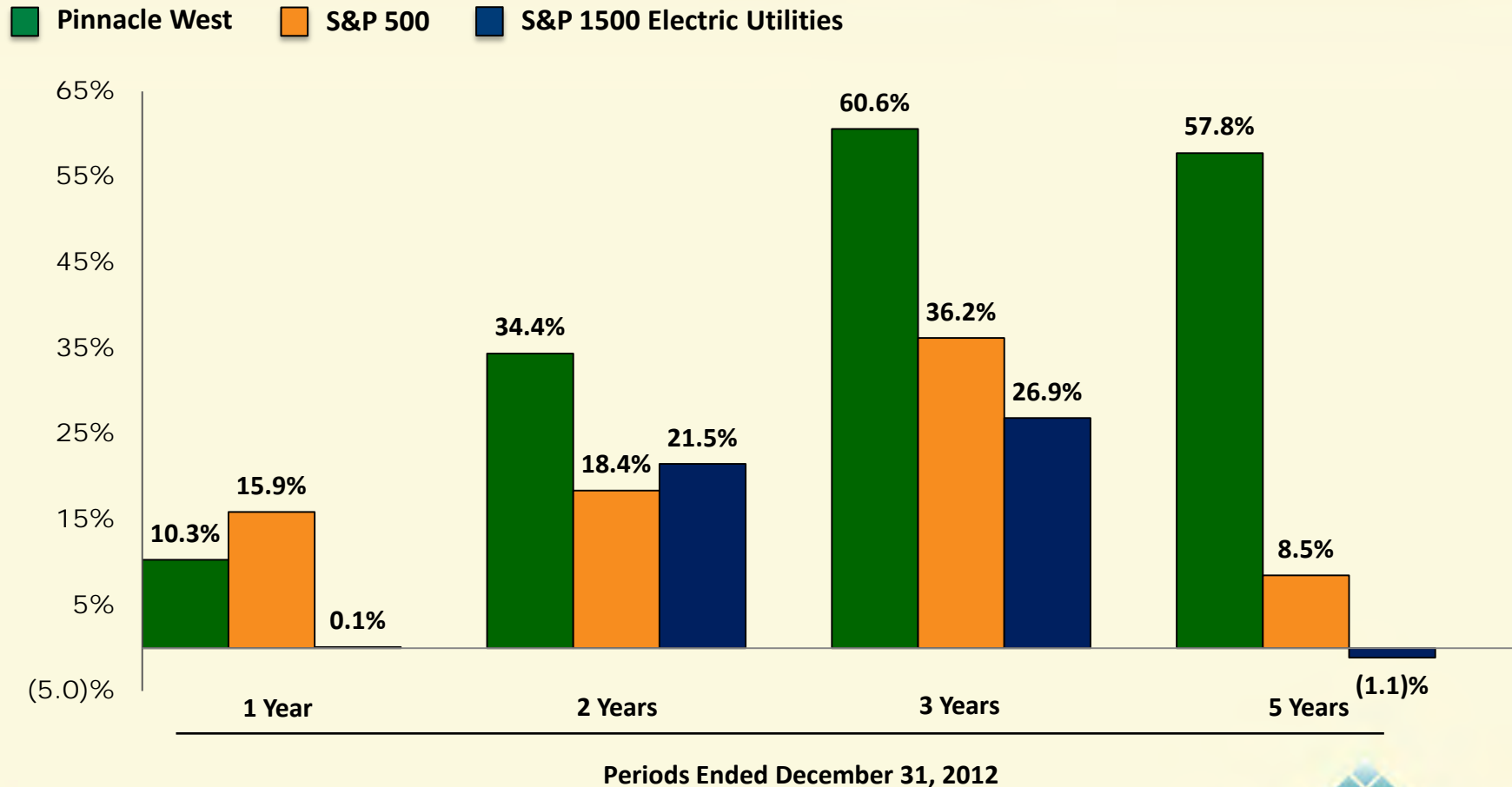
STRENGTHENING OUR FINANCIAL PROFILE

** As of February 22, 2013

Future dividends subject to declaration
at Board of Directors' discretion

SUPERIOR SHAREHOLDER RETURNS

Our total return to shareholders has outperformed our industry and the broad market over the past five years.



STRENGTHENING OUR FINANCIAL PROFILE

PINNACLE WEST: OUR VALUE PROPOSITION

Our commitment to investors...

Delivering Superior Shareholder Returns



PINNACLE WEST
CAPITAL CORPORATION



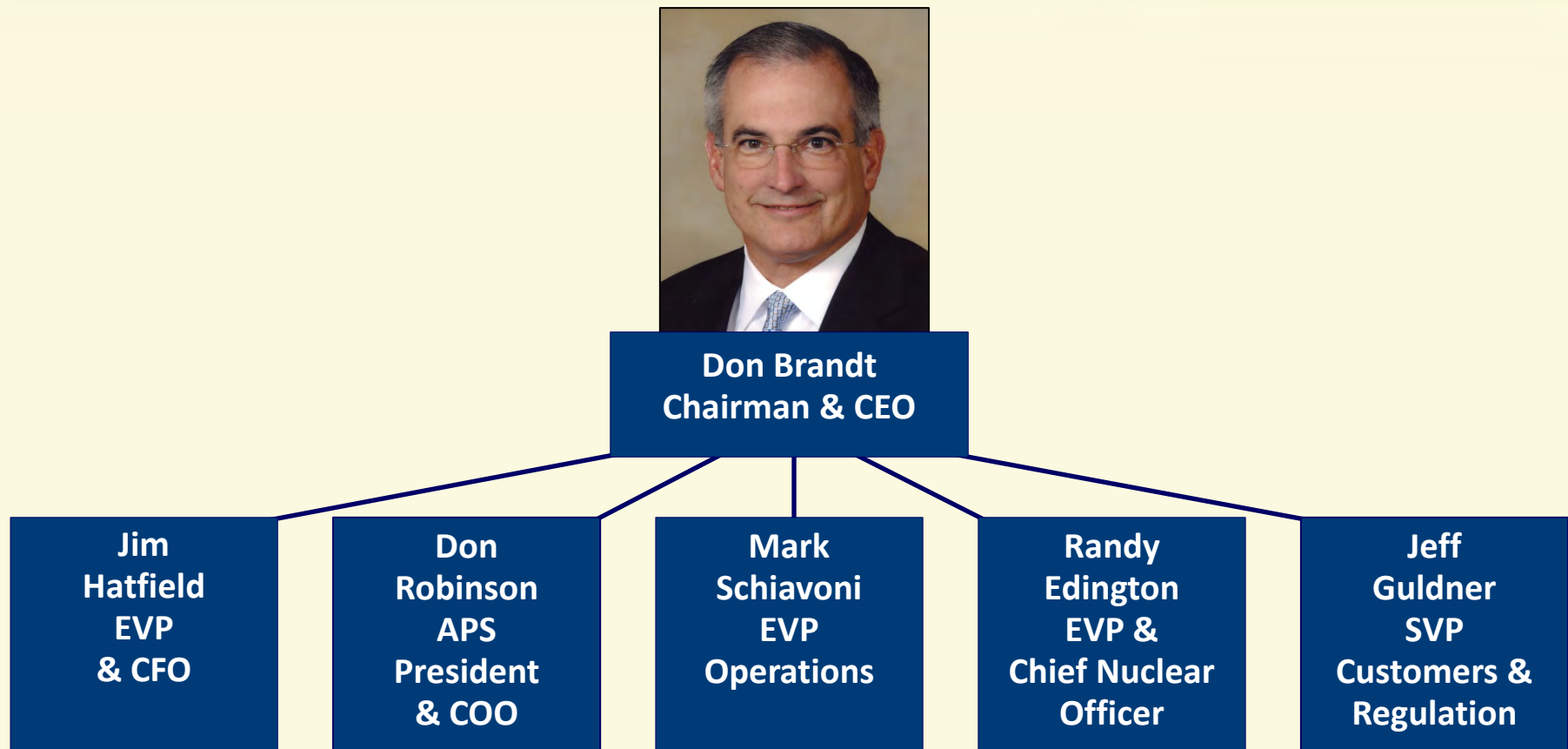
APPENDIX



PINNACLE WEST
CAPITAL CORPORATION

A RESPECTED, VETERAN LEADERSHIP TEAM

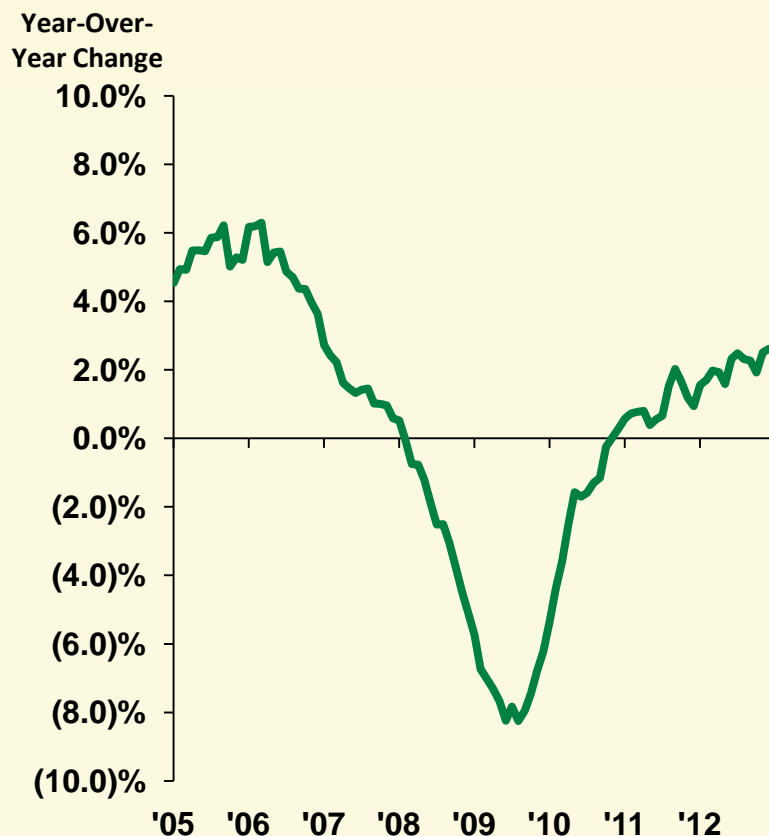
Our top executives have more than 130 combined years of creating shareholder value in the energy industry.



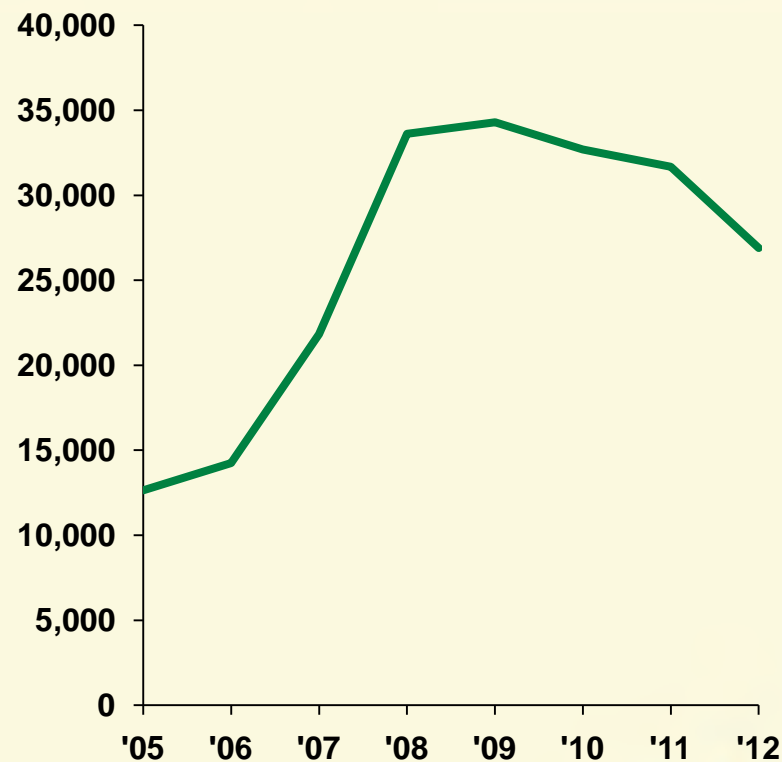
POSITIVE NEAR-TERM TRENDS

Arizona's economy is reflecting more sustained growth and activity.

Non-Farm Job Growth



Metro Phoenix Vacant Housing APS Service Territory

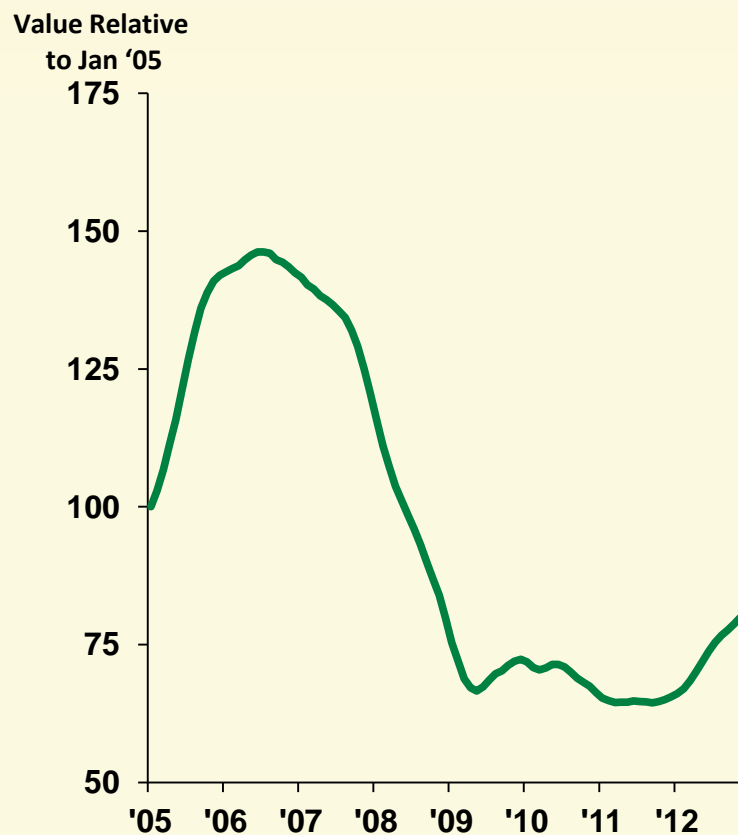


STRENGTHENING OUR FINANCIAL PROFILE

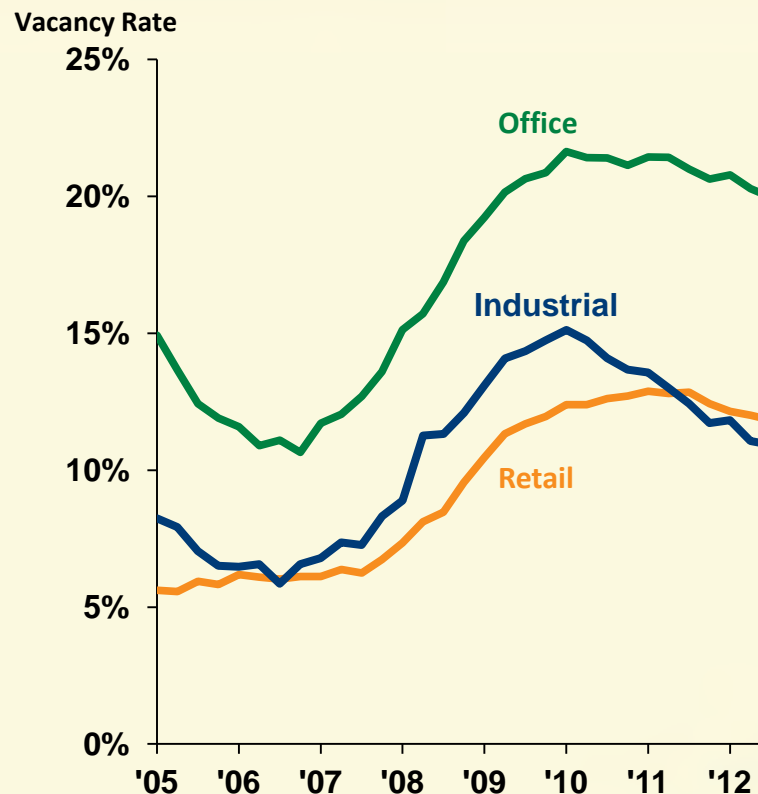
POSITIVE NEAR-TERM TRENDS

Housing and non-residential sectors are showing steady improvement.

Home Prices



Nonresidential Building Vacancy



STRENGTHENING OUR FINANCIAL PROFILE

2013 ON-GOING EPS GUIDANCE

Key Factors & Assumptions as of February 22, 2013

- **Electricity gross margin*** (operating revenues, net of fuel and purchased power expenses) about \$2.17 billion to \$2.22 billion
 - Retail customer growth about 1.5%
 - Weather-normalized retail electricity sales volume about flat to prior year taking into account effects of customer conservation and energy efficiency and distributed renewable generation initiatives
 - Normal weather patterns
- **Operating expenses*** (operations and maintenance, depreciation and amortization, and taxes other than income taxes) about \$1.34 billion to \$1.37 billion
- **Interest expense**, net of allowances for borrowed and equity funds used during construction, about \$175 million to \$185 million
- **Net income attributable to noncontrolling interests** about \$30 million to \$35 million
- **Effective tax rate** about 35%

* Excludes O&M of \$123 million, and offsetting operating revenues, associated with renewable energy and energy efficiency programs



STRENGTHENING OUR FINANCIAL PROFILE

2013 – 2015 FINANCIAL OUTLOOK

Key Drivers and Assumptions as of February 22, 2013

- **2012 retail rate settlement effective July 1, 2012**
 - **Revenue provisions**
 - **Retail base rate changes effective July 1, 2012**
 - **Adjustment mechanisms**
 - **Four Corners acquisition**
 - **AZ Sun additions to flow through RES until next base rate case**
 - **Lost Fixed Cost Recovery (LFCR) mechanism assumed to offset 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**
 - **Cost mitigation provisions**
 - **Power Supply Adjustor (PSA) – 100% pass-through**
 - **Potential property tax deferrals – 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**

(continued)



STRENGTHENING OUR FINANCIAL PROFILE



2013 – 2015 FINANCIAL OUTLOOK

Key Drivers and Assumptions as of February 22, 2013 (continued)

- **Modestly improving Arizona and U.S. economic conditions**
- **Retail customer growth to average 2% annually**
- **Weather-normalized retail electricity sales volume growth:**
 - **Relatively flat after customer conservation and energy efficiency and distributed renewable generation initiatives**
 - **Average 2.5% annually before customer conservation and energy efficiency and distributed renewable generation initiatives**
- **Rate base growth to average 6% annually**
- **AZ Sun Program**
- **Transmission rate adjustments (FERC formula rates and retail adjustor)**
- **Four Corners cost deferrals between dates acquired and included in retail rates**
- **Company-wide operating and capital cost management**
- **Financing to maintain balanced capital structure for credit ratings and retail regulatory test year**
- **Interest rates**
- **Normal weather**



NON-GAAP EPS RECONCILIATION

Consolidated On-Going EPS Guidance

	<u>Year 2011 Actual</u>	<u>Year 2012 Actual</u>	<u>Year 2013 Guidance*</u>
Net income attributable to common shareholders	\$ 3.09	\$ 3.45	
Less income (loss) from discontinued operations:			
Real estate	(0.01)	(0.05)	
Energy services business	0.11	-	
On-going EPS	<u>\$ 2.99</u>	<u>\$ 3.50</u>	<u>\$3.45 - \$3.60</u>

* As of February 22, 2013



STRENGTHENING OUR FINANCIAL PROFILE



READY ACCESS TO CAPITAL

Strong access to capital resources is supported by solid credit ratings, manageable debt maturities and ample liquidity.

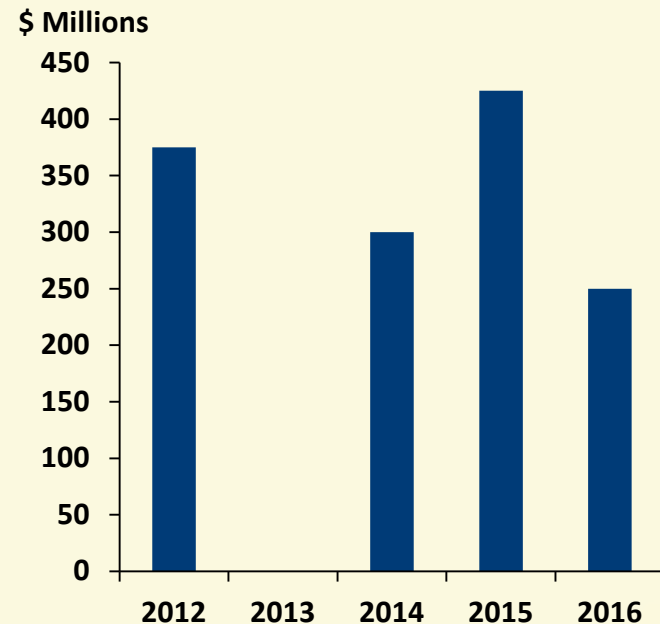
2013 Major Financing Activities

- Remarketing tax-exempt debt
 - Farmington 1994C \$31.5 million
 - Coconino 1994A \$32.65 million
 - Maricopa 2009C \$32 million
- Potential need for new APS financing up to \$375 million

52.9%

55.4%

APS Long-Term Debt Maturities



STRENGTHENING OUR FINANCIAL PROFILE

SOLID CREDIT RATINGS

Available liquidity remains substantial and our credit ratings have improved.

Credit Facilities and Liquidity*

<u>Borrower</u>	<u>Capacity (\$ Millions)</u>	<u>Maturities</u>
APS	\$ 500	Feb. '15
APS	500	Nov. '16
PNW	<u>200</u>	Nov. '16
Credit Facilities	1,200	
Cash	26	
Short-Term Borrowings	<u>(92)</u>	
Total Liquidity	<u><u>\$1,134</u></u>	

Corporate Credit Ratings

Moody's

S&P

Fitch

Senior Unsecured

Moody's

S&P

Fitch

Outlook

Moody's

S&P

Fitch

APS	Parent
Baa1	Baa2
BBB+	BBB+
BBB	BBB
Baa1	-
BBB+	-
BBB+	-
Stable	Stable
Stable	Stable
Stable	Stable

*As of December 31, 2012



STRENGTHENING OUR FINANCIAL PROFILE

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



S&P CREDIT METRICS

Our key credit metrics have been improving.

	2008	2009	2010	2011
APS				
FFO / Debt	22.1%	22.8%	22.3%	20.8%
FFO / Interest	5.1x	4.8x	4.6x	4.6X
Debt / Capitalization	57.4%	56.8%	53.0%	53.0%
Pinnacle West				
FFO / Debt	18.0%	18.4%	22.5%	20.3%
FFO / Interest	4.3x	4.0x	4.6x	4.5X
Debt / Capitalization	59.4%	59.8%	55.1%	54.5%

Source: S&P Credit Stats



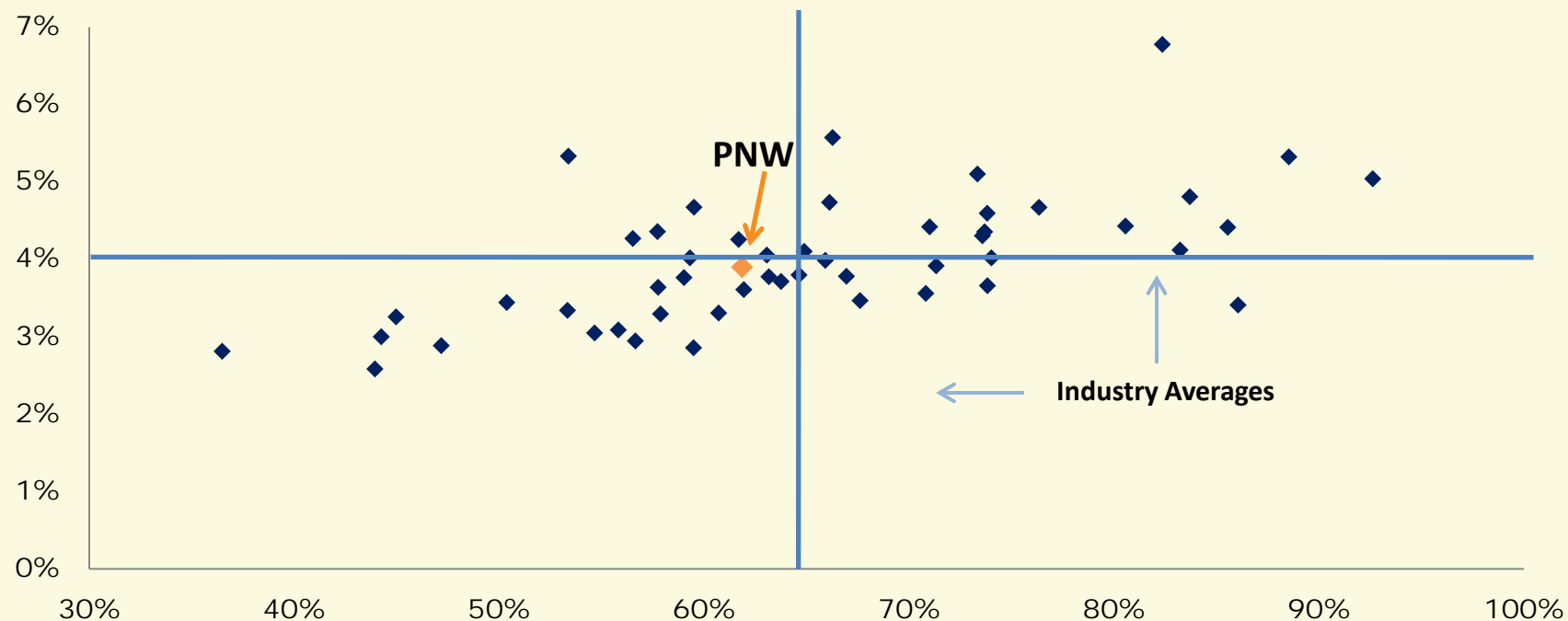
STRENGTHENING OUR FINANCIAL PROFILE



ATTRACTIVE DIVIDEND YIELD

Pinnacle West's annual dividend is \$2.18 per share — providing a solid yield.

Dividend Yield



Yield as of February 28, 2013

Payout 12 Months Ended December 31, 2012

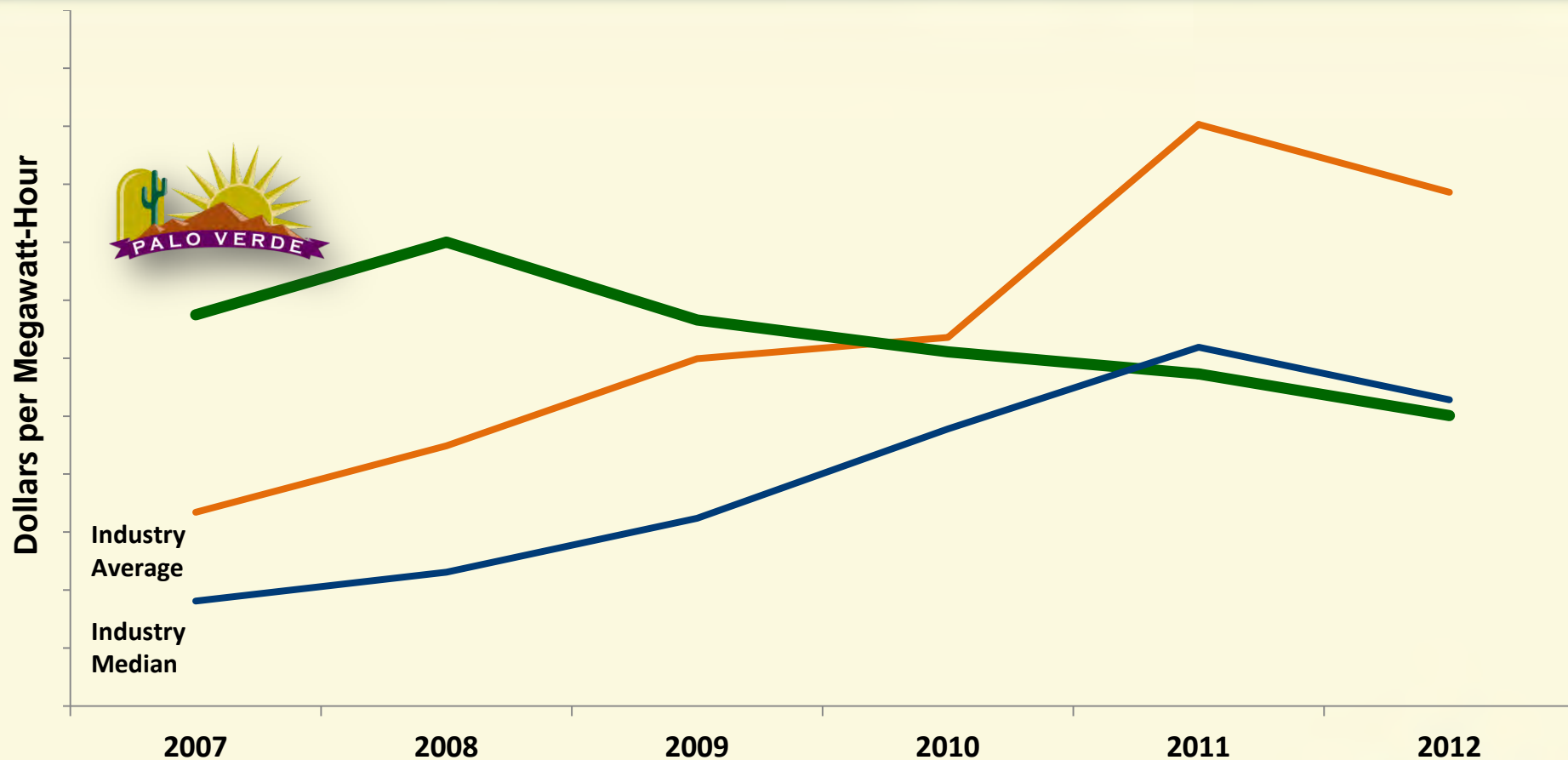
Dividend Payout



STRENGTHENING OUR FINANCIAL PROFILE

U.S. NUCLEAR OPERATING COSTS

Palo Verde operating costs are below industry averages and improving.



STRENGTHENING OUR FINANCIAL PROFILE

ENVIRONMENTAL, SUSTAINABILITY AND GOVERNANCE LEADERSHIP

41

We are recognized internationally for our achievements.



Environmental Certification
Gas/Oil Fleet – 2011
Coal Fleet - 2012



Ranked on Dow Jones
North America Sustainability
Index since 2005



Rated 4th Highest Intelligent
Utility in 2011



Ranked in Corporate
Responsibility
Magazine's 100 Best
Corporate Citizens



Top 10 Utility
Solar Ranking



U.S. DOE/EPA
Sustained Excellence since 2008
Partner of the Year since 2005



1st utility in world to endorse
Ceres' Code of Conduct in 1994



Best practices in utility
arboriculture since 1997



2012 - Top 10 North American
Utility in Smart Grid Deployment



Ranked 6th of 196 energy
and utility companies



MAINTAINING OPERATIONAL EXCELLENCE

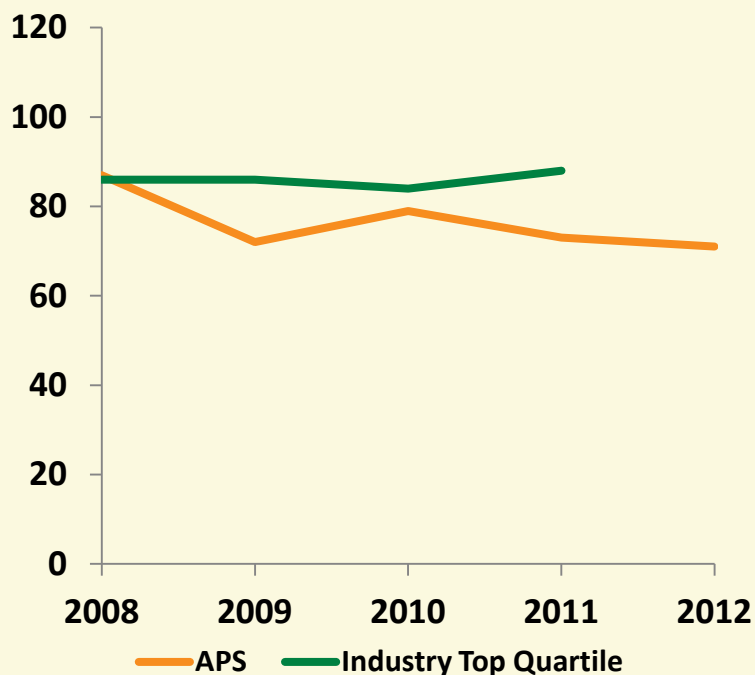


CUSTOMER SATISFACTION: A KEY PRIORITY

Our employees provide top-tier customer service.

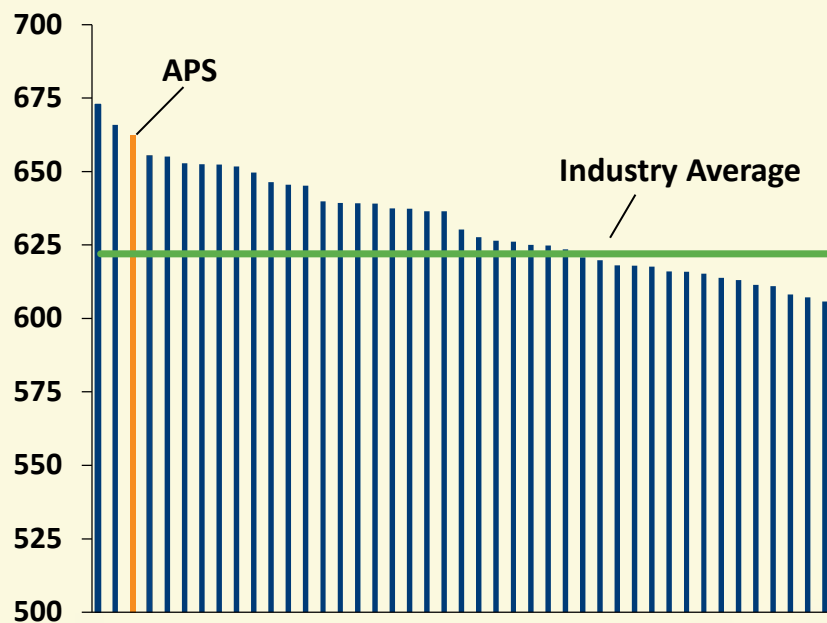
Lowering Outage Time Per Customer

Average Outage
Minutes/Year



Outstanding Residential Customer Satisfaction Rating

Rating



2012 J.D. Power Residential Customer Survey



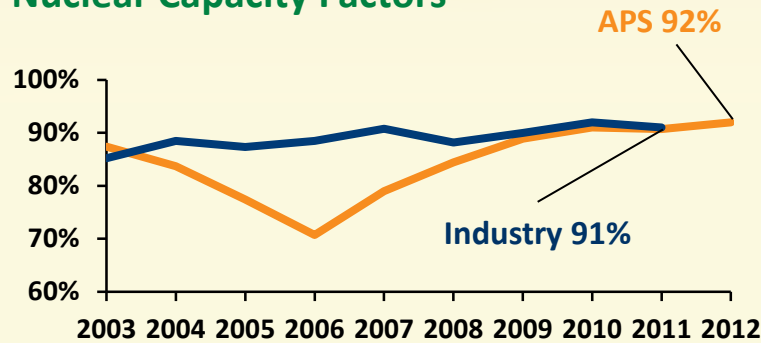
MAINTAINING OPERATIONAL EXCELLENCE



SUPERIOR POWER PLANT PERFORMANCE

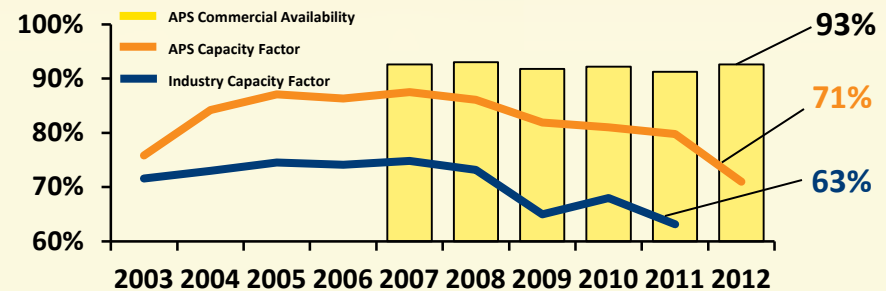
Our nuclear and coal plants are strong baseload resources.

Nuclear Capacity Factors



- 3,937 MW total managed capacity
- 1,146 MW total APS share
- 2014 goals:
 - Consistent site capacity factor greater than 92%
 - Operating costs excluding fuel less than \$0.02/kWh
 - Top-quartile safety
- 20-year license extension approved by U.S. Nuclear Regulatory Commission

Coal Performance Metrics



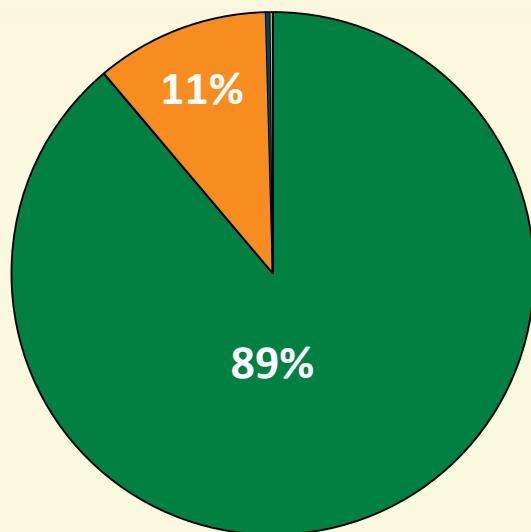
- 2,747 MW total managed capacity
- 1,753 MW APS share
- Fleet operating strategy
- Commercial availability metric measures plant reliability during high-demand periods and market responsiveness



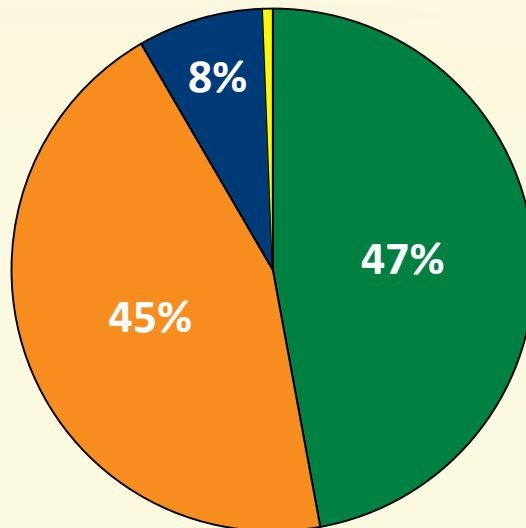
MAINTAINING OPERATIONAL EXCELLENCE

2012 RETAIL CUSTOMER, SALES AND REVENUE MIXES

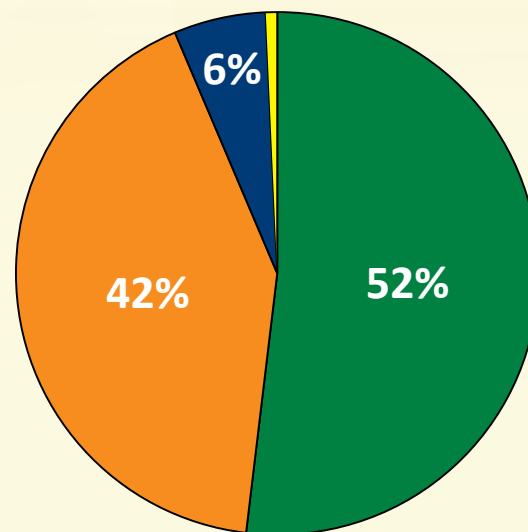
Our business mix is attractive due to favorable climate and other conditions in our market area.



**Customers
Year-End
1.1 Million**



**Retail Sales
28,154 GWh**



**Operating Revenues
\$3.1 Billion**



Residential



Commercial



Industrial



Other

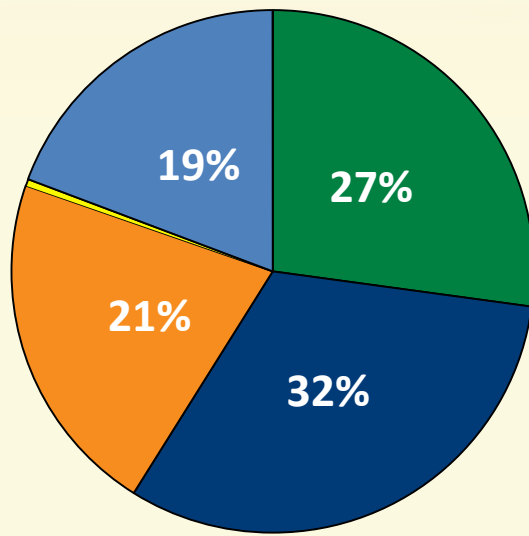


MAINTAINING OPERATIONAL EXCELLENCE

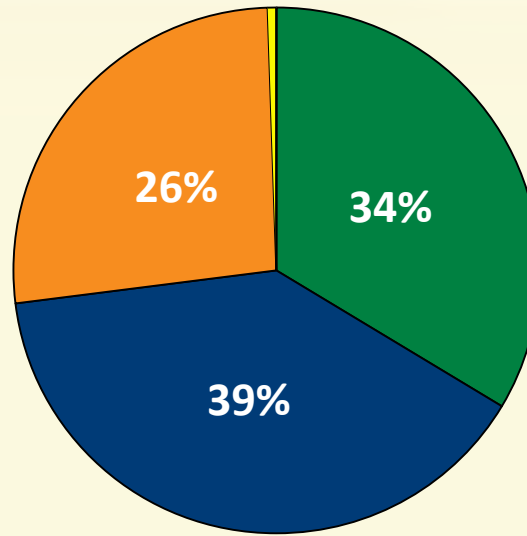
2012 APS GENERATION AND ENERGY FUEL MIXES

45

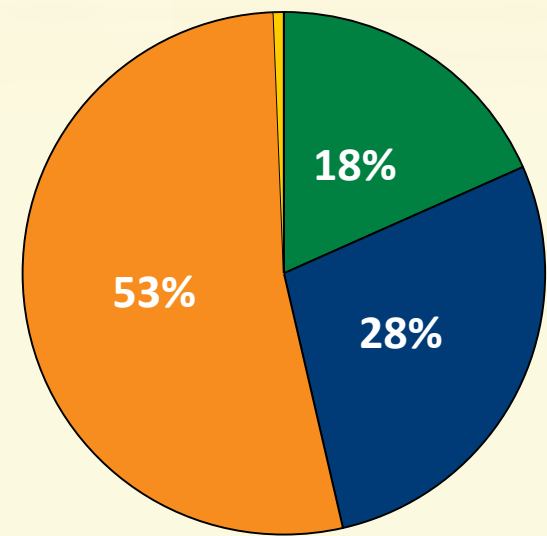
Our balanced resource mix provides our customers reliability and manages price volatility.








**Energy
Fuel Mix**
34,229 GWh



**Generation
Fuel Mix**
27,635 GWh



**Generation
Capacity Mix**
6,250 MW






 Nuclear  Coal  Gas & Oil  Purchased Power  Solar



MAINTAINING OPERATIONAL EXCELLENCE

ARIZONA CORPORATION COMMISSIONERS

Three seats for four-year terms through January 2017 were addressed in the November 2012 election.

Terms To January 2017		Terms To January 2015		
New Commissioners		Incumbents		
				
Susan Bitter Smith (R)	Bob Burns (R)	Bob Stump (R)* Chairman	Brenda Burns (R)	Gary Pierce (R)*

* Term limited



IMPROVING OUR REGULATORY ENVIRONMENT



2012 RETAIL RATE CASE SETTLEMENT

KEY BENEFITS

47

The settlement contains a number of benefits for shareholders and customers.

Shareholder Benefits

- **Regulatory certainty**
 - **Base rate stay-out until at least mid-2016**
 - **Rate gradualism through adjustment mechanisms**
- **Financial support APS needs to achieve Arizona's energy goals**
- **10% allowed return on equity**

Customer Benefits

- **Rate certainty**
 - **No base rate change until at least mid-2016**
 - **Rate gradualism through adjustment mechanisms**
- **Support for renewable energy and energy efficiency**

Mutual Benefits

- **Encourages progress toward sustainable energy future**
- **Continuation of constructive regulatory framework established in 2009 settlement**
- **Collaboration and cooperation among APS, ACC and numerous stakeholders**



IMPROVING OUR REGULATORY ENVIRONMENT

2012 RETAIL RATE CASE SETTLEMENT KEY FINANCIAL PROVISIONS – BASE RATES & TIMING

48

The provisions of the settlement became effective July 1, 2012, as originally requested by APS.

	Annual Revenue Change
Annualized Base Rate Revenue Changes (\$ millions)	
Non-fuel base rate increase	\$ 116.3
Fuel-related base rate decrease	(153.1)
Revenues related to AZ Sun and other solar projects to be transferred from Renewable Energy Surcharge to base rates	36.8
Net base rate change	\$ -0-



IMPROVING OUR REGULATORY ENVIRONMENT



2012 RETAIL RATE CASE SETTLEMENT

KEY FINANCIAL ASSUMPTIONS

49

Updated rate base, cost of capital and fuel prices underpin the settlement amounts.

Rate base	\$5.7 billion
Allowed return on equity	10%
Capital structure	
Long-term debt	46.1%
Common equity	53.9%
Base fuel rate (¢/kWh)	3.21¢
Projected fuel-price year for base fuel rate	2012
Test year ended December 31, 2010 adjusted for post-test year plant additions	



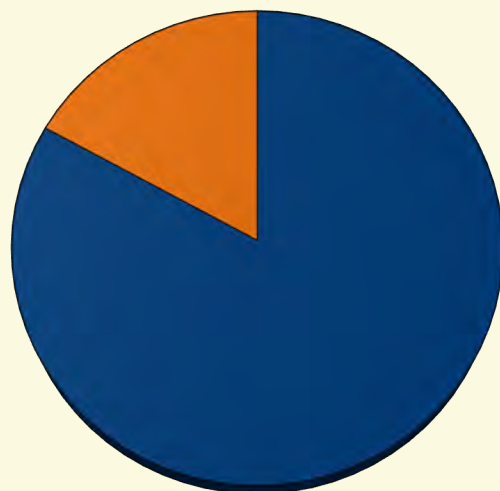
IMPROVING OUR REGULATORY ENVIRONMENT



OUR REGULATORY MIX

The bulk of APS's revenues comes from a regulated retail rate base and a meaningful transmission business.

\$6.9 Billion Total Approved Rate Base



- **Generation & Distribution (83%)**
- **Transmission (17%)**

Most Recent Rate Decisions

	ACC	FERC
Rate Effective Dates	7/1/2012	6/1/2012
Test Year Ended	12/31/2010*	12/31/2011
Rate Base	\$5.7 B	\$1.2 B
Equity Layer	54%	55%
Allowed ROE	10.00%	10.75%

*Adjusted to include post test-year plant in service through March 31, 2012



IMPROVING OUR REGULATORY ENVIRONMENT

CONSTRUCTIVE TRANSMISSION RATE REGULATION

51

We have achieved 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 certain projections**
- **Retail portion flows through ACC Transmission Cost Adjustor (TCA)**
- **Recent transmission revenue changes**

	Annual Revenue	Rate Effective Dates	Annual Revenue	Rate Effective Dates	Annual Revenue	Rate Effective Dates
Retail Portion (TCA)	\$ 18 M	8/1/2012	\$ 38 M	7/1/2011	\$(10) M	8/1/2010
Wholesale Portion	\$ (2) M	6/1/2012	\$ 6 M	6/1/2011	\$ (2) M	6/1/2010
Total Increase (Decrease)	\$ 16 M		\$ 44 M		\$(12) M	
Equity Ratio	55%		54%		51%	
Rate Base	\$1.2 B		\$1.2 B		\$1.1 B	
Test Year	2011		2010		2009	



IMPROVING OUR REGULATORY ENVIRONMENT



SIGNIFICANT REGULATORY PROGRESS

We have achieved a more supportive regulatory structure and improvements in cost recovery timing.

Mechanism	Adopted/ Last Adjusted	Description
Power Supply Adjustor ("PSA")	April 2005 / February 2013	<ul style="list-style-type: none"> Recovers variance between actual fuel and purchased power costs and base fuel rate Includes forward-looking, historical and transition components
Renewable Energy Surcharge ("RES")	May 2008 / February 2013	<ul style="list-style-type: none"> 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 2012	<ul style="list-style-type: none"> Recovers costs related to energy efficiency and DSM programs above \$10 million in base rates Provides performance incentive to APS for net benefits achieved Provides rebates and other incentives to participating customers
Environmental Improvement Surcharge ("EIS")	July 2007 / July 2012	<ul style="list-style-type: none"> Allows recovery of certain carrying costs for government-mandated environmental capital projects Capped at \$5 million annually
Retail Line Extension Fees	February 2008 / July 2012	<ul style="list-style-type: none"> "Pay as you go" mechanism collects dollars spent for new distribution construction at beginning of project
Transmission Cost Adjustor ("TCA")	April 2005 / August 2012	<ul style="list-style-type: none"> Recovers FERC-approved transmission costs related to retail customers Resets annually as result of FERC Formula Rate process (see below)
FERC Formula Rates	2008 / June 2012	<ul style="list-style-type: none"> Recovers transmission costs based on historical costs per FERC Form 1 and certain projected data
Lost Fixed Cost Recovery Mechanism ("LFCR")	July 2012 / March 2013	<ul style="list-style-type: none"> Mitigates loss of portion of fixed costs related to ACC-approved energy efficiency and distributed renewable generation programs



IMPROVING OUR REGULATORY ENVIRONMENT

A WELL-BALANCED GENERATION PORTFOLIO

Fuel / Plant	Location	Units	Dispatch	Commercial Ops. Date	Ownership Interest ¹	Net Capacity (MW)
Nuclear						
Palo Verde	Wintersburg, AZ	1-3	Base	1986 - 1989	29.1%	1,146
Total Nuclear						1,146
Coal						
Cholla	Joseph City, AZ	1-3	Base	1962 - 1980	100	647
Four Corners	Farmington, NM	1-3	Base	1963 - 1964	100	560
Four Corners	Farmington, NM	4,5	Base	1969 - 1970	15	231
Navajo	Page, AZ	1-3	Base	1974 - 1976	14	315
Total Coal						1,753
Gas/Oil - Combined Cycle						
Redhawk	Arlington, AZ	1,2	Intermediate	2002	100	984
West Phoenix	Phoenix, AZ	1-5	Intermediate	1976 - 2003	100	887
Total Gas/Oil - Combined Cycle						1,871
Gas/Oil - Steam Turbines						
Ocotillo	Tempe, AZ	1,2	Peaking	1960	100	220
Saguaro	Red Rock, AZ	1,2	Peaking	1954 - 1955	100	210
Total Gas/Oil - Steam Turbines						430
Gas/Oil - Combustion Turbines						
Sundance	Casa Grande, AZ	10	Peaking	2002	100	420
Yucca	Yuma, AZ	6	Peaking	1971 - 2008	100	243
Saguaro	Red Rock, AZ	1-3	Peaking	1972 - 2002	100	189
West Phoenix	Phoenix, AZ	1,2	Peaking	1972 - 1973	100	110
Ocotillo	Tempe, AZ	1,2	Peaking	1972 - 1973	100	110
Douglas	Douglas, AZ	1	Peaking	1972	100	16
Total Gas/Oil - Combustion Turbines						1,088
Solar						
Hyder	Hyder, AZ	-	As Available	2011 - 2012	100	16
Paloma	Gila Bend, AZ	-	As Available	2011	100	17
Cotton Center	Gila Bend, AZ	-	As Available	2011	100	17
Chino Valley	Chino Valley, AZ	-	As Available	2012	100	19
Various	Multiple Arizona Facilities	-	As Available	1996 - 2006	100	12
Total Solar						81
Total Generation Capacity						6,369

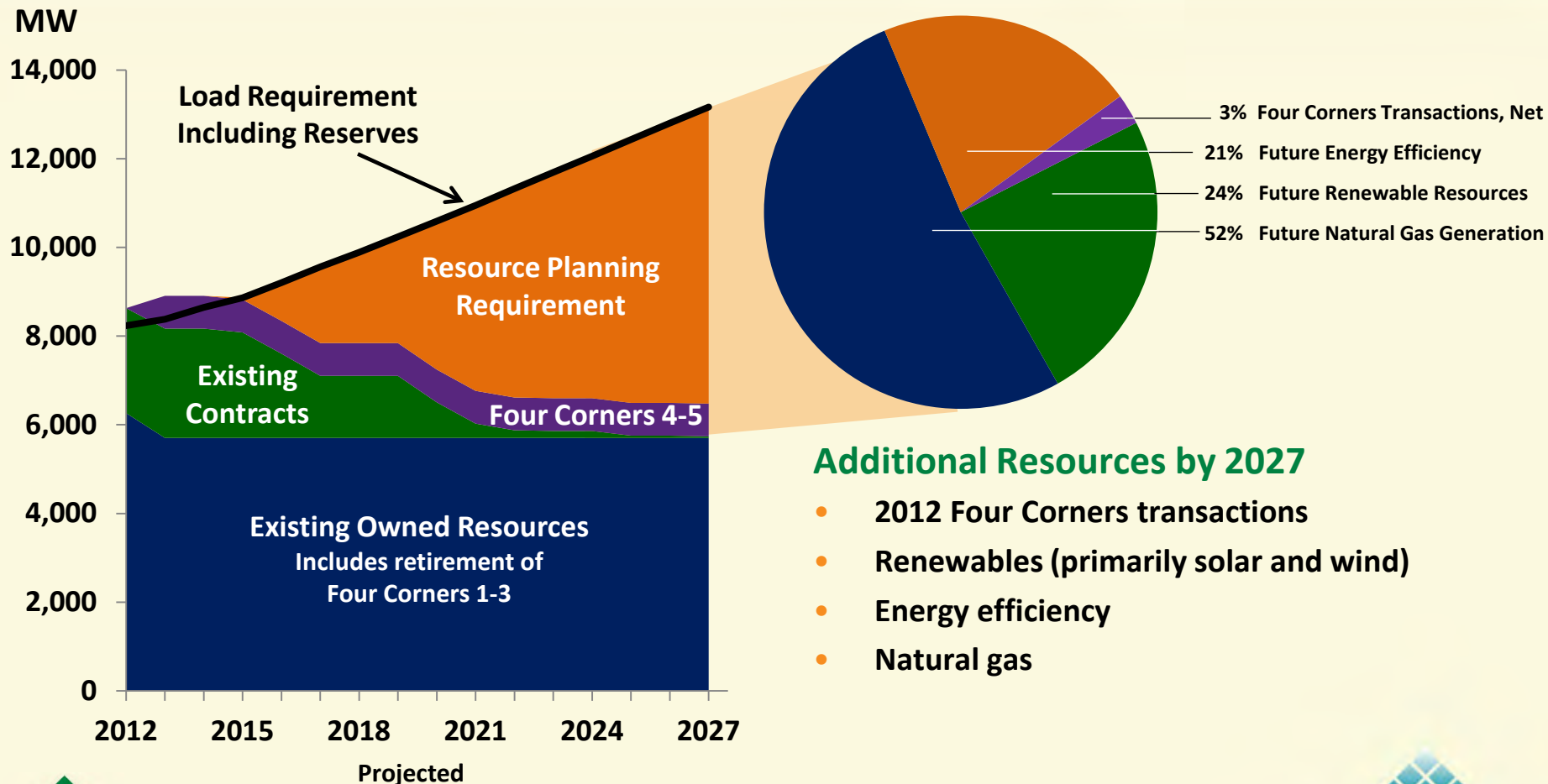
As of February 22, 2013

¹Includes leased generating plants.

MAKING COMPELLING CAPITAL INVESTMENTS

RESOURCE PLANNING FOR RELIABILITY AND SUSTAINABILITY

We will meet future load growth through a balanced resource mix including renewable resources and energy efficiency programs.



MAKING COMPELLING CAPITAL INVESTMENTS

FOUR CORNERS POWER PLANT FACTS & FIGURES

55

	Common	Unit 1	Unit 2	Unit 3	Unit 4	Unit 5
Commercial Operation Date		1963	1963	1964	1969	1970
Original Cost (\$M) *	\$59		\$382		\$165	
Net Book Value at 12/31/12 (\$M) *	\$41		\$0		\$129	
Current Depreciation Ends	2038		Mid-2012		2038	2038
Current Expiration Dates						
Site Lease			July 6, 2041			
BHP Coal Agreement			July 6, 2016			
Certain Related Rights-of-Way			July 6, 2041			
Total Employees (549) (75% Native Americans)	39 Common + 67 Matrix		131		230	
Capacity (MW)		170	170	220	770	770
Ownership Percentages						
Arizona Public Service		100%	100%	100%	15%	15%
Southern California Edison		-	-	-	48%	48%
Public Service Company of New Mexico		-	-	-	13%	13%
Salt River Project		-	-	-	10%	10%
El Paso Electric		-	-	-	7%	7%
Tucson Electric Power		-	-	-	7%	7%
Heat Rate (Btu/kWh)		11,335	10,970	10,880	9,720	9,750

* Excludes Asset Retirement Costs



MAKING COMPELLING CAPITAL INVESTMENTS



ARIZONA'S RENEWABLE RESOURCE AND ENERGY EFFICIENCY STANDARDS

Our programs address Arizona's aggressive 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

APS on track to approximately double 2015 requirement

- Pursuant to 2009 regulatory settlement

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



AZ SUN PROGRAM SUMMARY

APS is investing in utility-scale solar generation.

Name	Location	Capacity	Developer	Actual or Target COD*
Paloma	Gila Bend, AZ	17 MW	First Solar	Sept. 2011
Cotton Center	Gila Bend, AZ	17 MW	Solon	Oct. 2011
Hyder I Phase 1	Hyder, AZ	11 MW	SunEdison	Oct. 2011
Hyder I Phase 2	Hyder, AZ	5 MW	SunEdison	Feb. 2012
Chino Valley	Chino Valley, AZ	19 MW	SunEdison	Nov. 2012
Yuma Foothills Phase 1	Yuma, AZ	17 MW	AMEC	1Q 2013
Yuma Foothills Phase 2	Yuma, AZ	18 MW	AMEC	4Q 2013
Hyder II	Hyder, AZ	<u>14 MW</u>	McCarthy	4Q 2013
Total Announced To Date		<u>118 MW</u>		

As of November 26, 2012

* In Service or Commercial Operation Date



MAKING COMPELLING CAPITAL INVESTMENTS



RENEWABLE PURCHASE POWER CONTRACTS

Fuel / Contract	Location	Owner/ Developer	Status ¹	PPA Signed	Commercial Operation Date	Term (years)	Capacity Net (MW)
Solar							
Solana	Gila Bend, AZ	Abengoa	UC	Feb-2008	2013	30	250
RE Ajo	Ajo, AZ	Duke Energy Gen Svcs	IO	Jan-2010	2011	25	5
Sun E AZ 1	Prescott, AZ	SunEdison	IO	Feb-2010	2011	30	10
Saddle Mountain	Tonopah, AZ	SunEdison	IO	Dec-2012	2012	30	15
Solar 1	Tonopah, AZ	Not Disclosed	UD	Jan-2012	2013	30	15
Solar 2	Maricopa County, AZ	Not Disclosed	UD	Jan-2012	2013	30	15
Total Solar							310
Wind							
Aragonne Mesa	Santa Rosa, NM	Infigen Asset Mgmt	IO	Dec-2005	2006	20	90
High Lonesome	Mountainair, NM	Foresight / EME	IO	Feb-2008	2009	30	100
Perrin Ranch Wind	Williams, AZ	NextEra Energy	IO	Jul-2010	2012	25	99
Total Wind							289
Geothermal							
Salton Sea	Imperial County, CA	Cal Energy	IO	Jan-2006	2006	23	10
Total Geothermal							10
Biomass							
Snowflake	Snowflake, AZ	Najafi	IO	Sep-2005	2008	15	14
Total Biomass							14
Biogas							
Glendale Landfill	Glendale, AZ	Glendale Energy LLC	IO	Jul-2008	2010	20	3
NW Regional Landfill	Surprise, AZ	Waste Management	IO	Dec-2010	2012	20	3
Total Biogas							6
Total Renewable Contracted Capacity							629

As of February 22, 2013

¹ UD = Under Development; UC= Under Construction; IO = In Operation



MAKING COMPELLING CAPITAL INVESTMENTS



SOLANA: A "SUNNY PLACE"

Solana will provide more than one-quarter of APS's renewable energy target by 2015.



- **250-MW 30-year PPA for all output (~900 GWh/year)**
- **Concentrating solar trough facility 70 miles southwest of Phoenix**
- **On target for 2013 commercial operation**
- **90%+ on-peak capacity factor with use of thermal storage capability**
- **Expected to be first major U.S. solar trough plant with thermal energy storage**
- **Near existing transmission lines**
- **To be built, owned and operated by Abengoa Solar**



MAKING COMPELLING CAPITAL INVESTMENTS