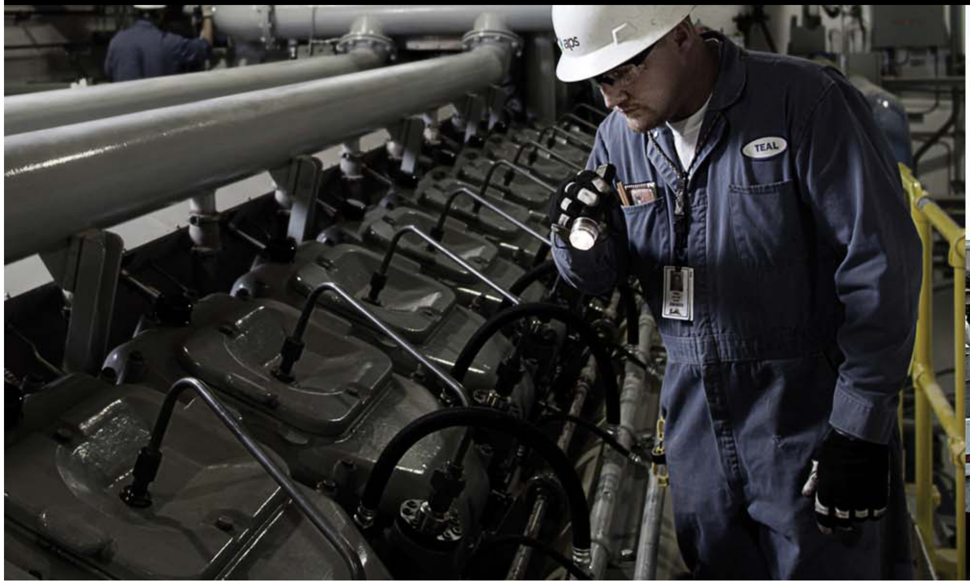
FOURTH QUARTER AND FULL-YEAR 2014 RESULTS

PINNACLE WEST
CAPITAL CORPORATION

February 20, 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 various deferral impacts of our Four Corners transaction and impacts to 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.

AGENDA

CEO

- Regulatory Update
- 2015 Key Dates
- Strategic Investments

CFO

- 2014 Financial Results
- Arizona Economic Outlook
- Financing
- Earnings Guidance

CONSOLIDATED EPS COMPARISON
2014 VS. 2013

**4th Quarter
On-Going Earnings**

**Full-Year
On-Going Earnings**

**4th Quarter
GAAP Net Income**

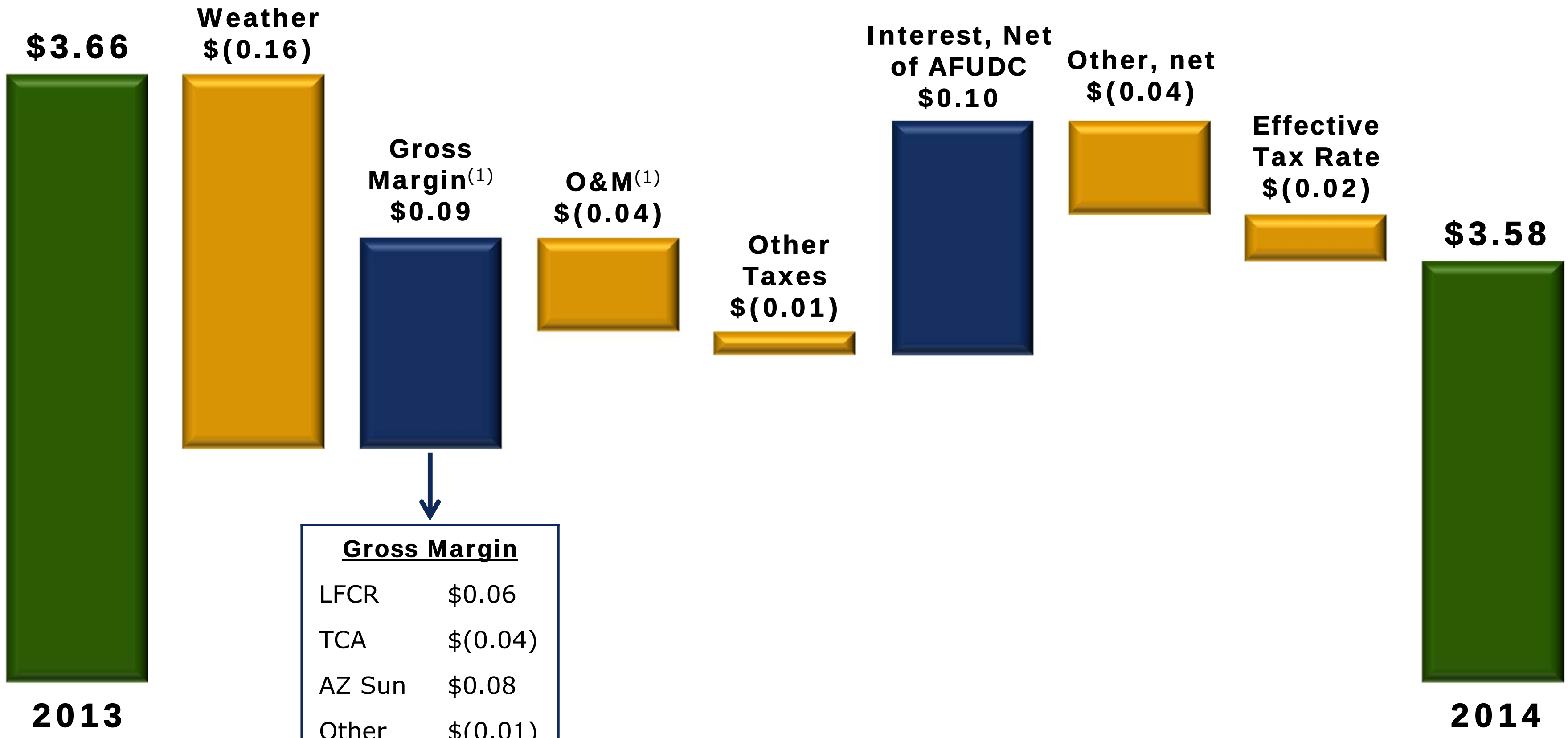
$0.05 $0.22

**Full-Year
GAAP Net Income**

$3.58 $3.66

PINNACLE WEST CAPITAL CORPORATION

ON-GOING EPS VARIANCES
FULL YEAR 2014 VS. 2013



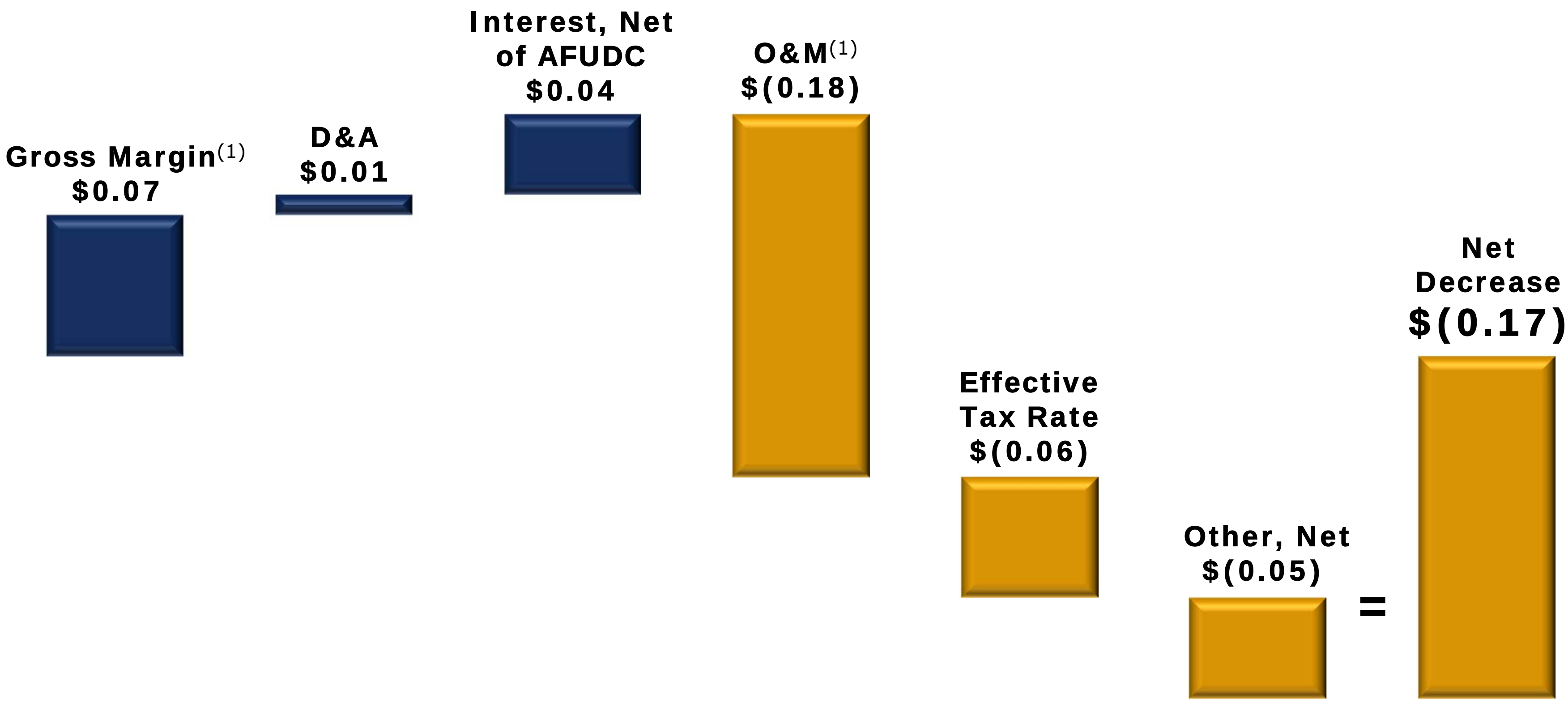
Gross Margin

LFCR	$0.06
TCA	$(0.04)
AZ Sun	$0.08
Other	$(0.01)

(1) Excludes costs, and offsetting operating revenues, associated with renewable energy (excluding AZ Sun), demand side management and similar regulatory programs.

Note: Drivers adjusted for the deferral impacts of the Four Corners transaction and impacts to our noncontrolling interests for the Palo Verde lease extensions. See non-GAAP reconciliation in appendix.

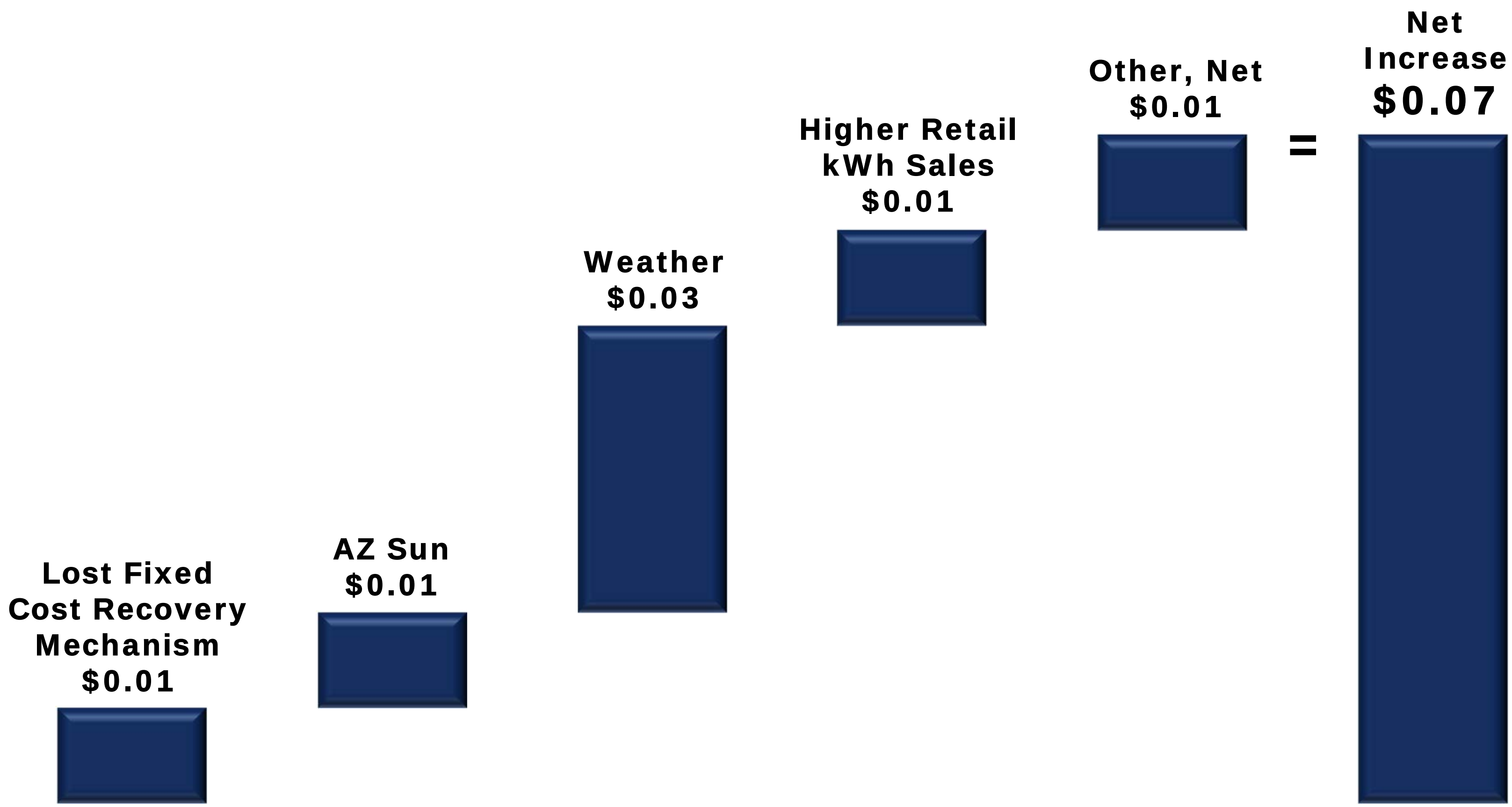
ON-GOING EPS VARIANCES
4TH QUARTER 2014 VS. 4TH QUARTER 2013



(1) Excludes costs, and offsetting operating revenues, associated with renewable energy (excluding AZ Sun), demand side management and similar regulatory programs.

Note: Drivers adjusted for the deferral impacts of the Four Corners transaction and impacts to our noncontrolling interests for the Palo Verde lease extensions. See non-GAAP reconciliation in appendix.

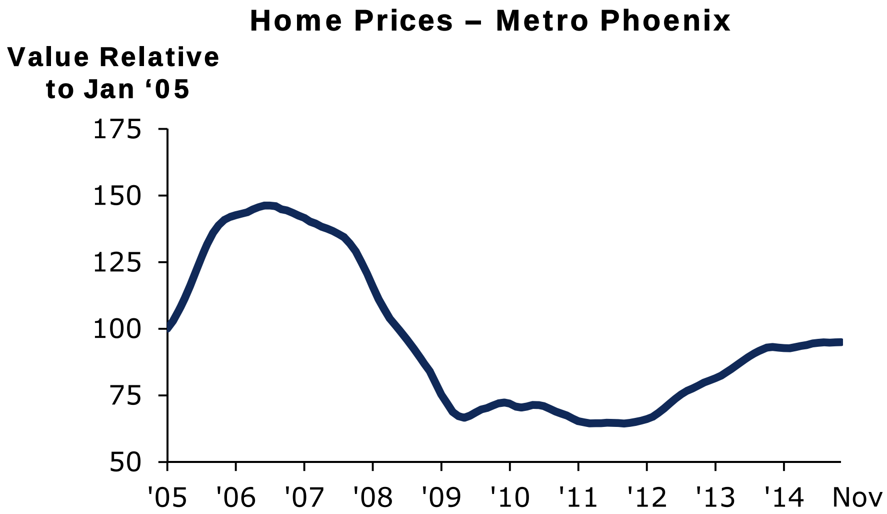
GROSS MARGIN EPS DRIVERS
4TH QUARTER 2014 VS. 4TH QUARTER 2013

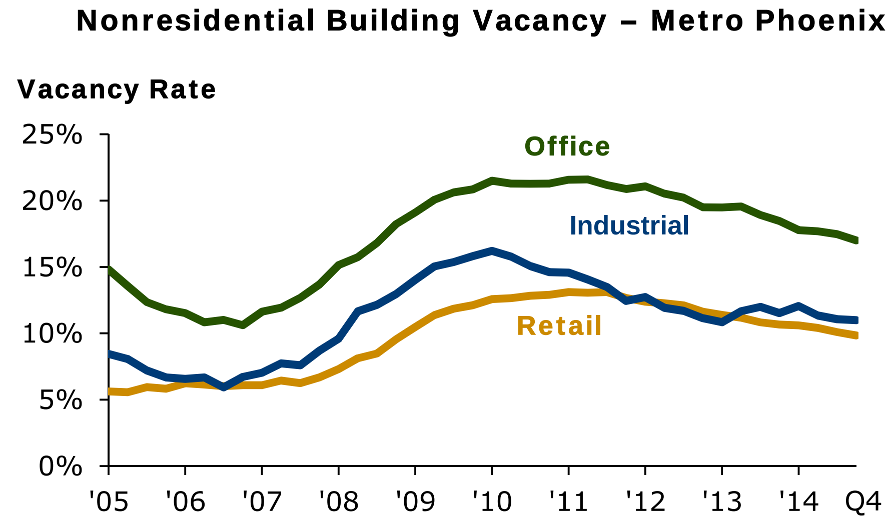


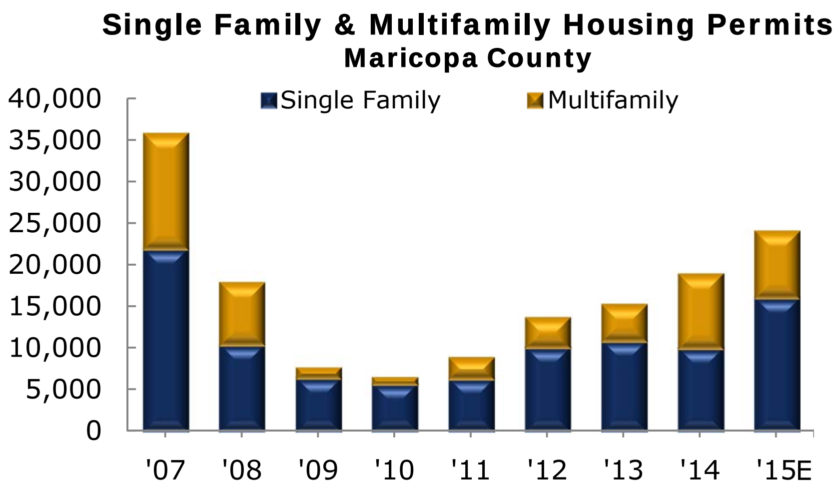
See non-GAAP reconciliation for gross margin in appendix.

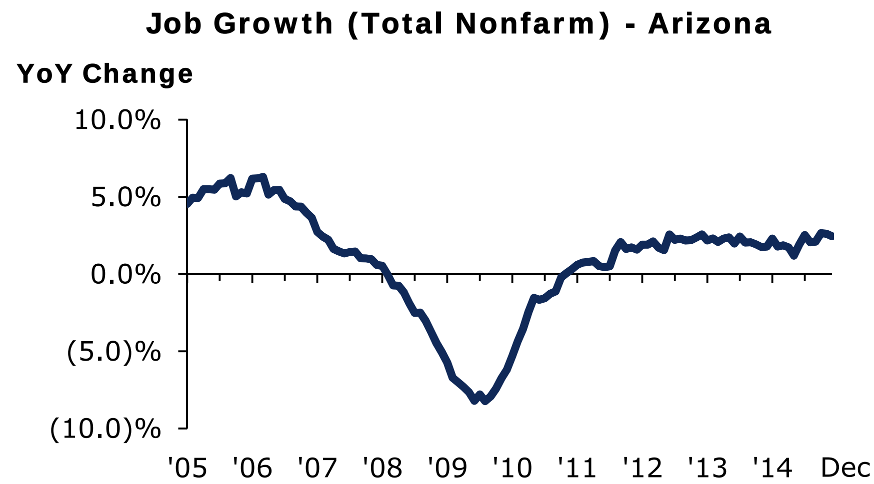
PINNACLE WEST CAPITAL CORPORATION

ARIZONA ECONOMIC INDICATORS



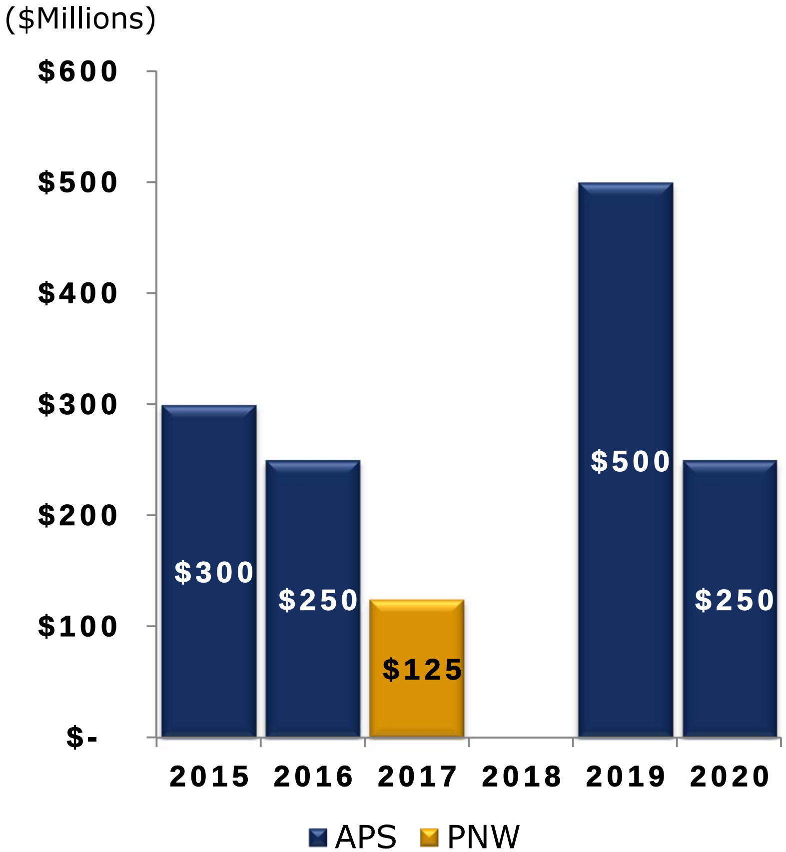






FINANCING

Debt Maturity Schedule



2014 Major Financing Activities

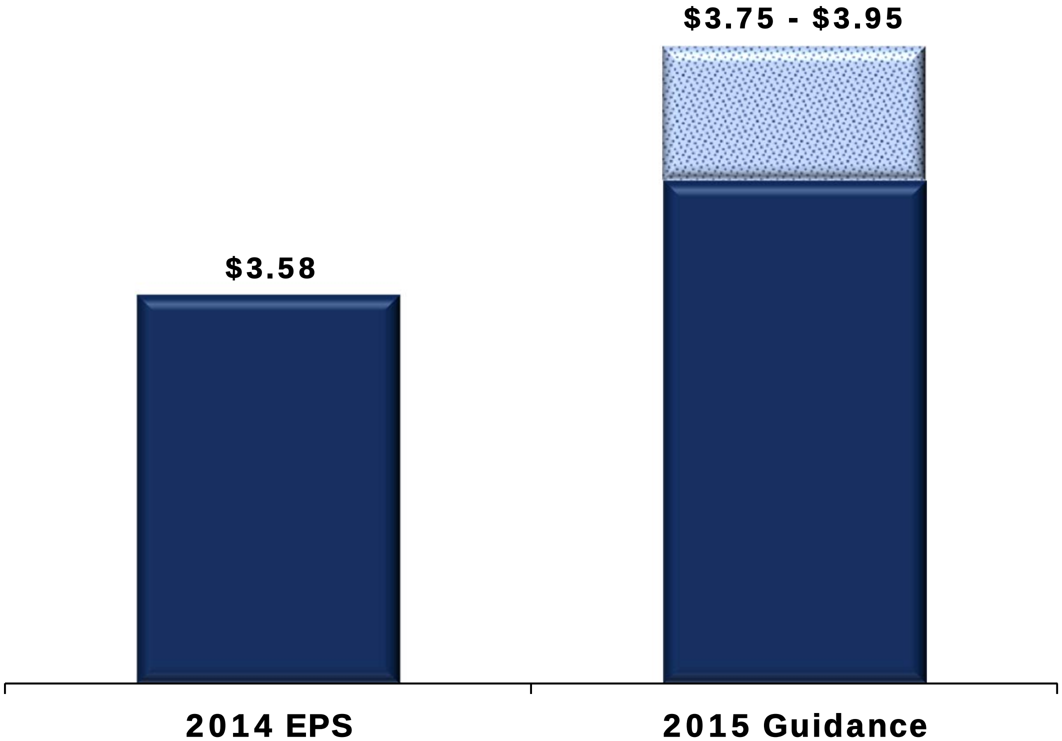
- $250 million 30-year 4.70% APS senior unsecured notes issued in January 2014 with proceeds used primarily to fund acquisition of Four Corners
- $250 million 10-year 3.35% APS senior unsecured notes issued June 2014 with proceeds used with other funds to pay the $300 million maturity on June 30, 2014
- Refinanced $125 million PNW term loan

2015 Major Financing Activities

- $250 million 5-year 2.20% APS senior unsecured notes issued in January 2015
- Currently expect up to an additional $275 million of new long-term debt, in addition to refinancing maturing debt
  - $300 million (4.65%) APS long-term debt due May 15, 2015
- In addition, there will be tax-exempt series remarketed or refinanced

ON-GOING EPS GUIDANCE
AS OF FEBRUARY 20, 2015

Affirming 2015 Guidance range



Outlook through 2016

- Goal of earning more than 9.5% Return on Equity
- Adjustment mechanisms (Lost Fixed Cost Recovery, Transmission Cost Adjustor, AZ Sun, Four Corners, etc.) providing increasing contribution
- Modest load growth
- Continued focus on sustainable cost management

Note: Earned Return on Equity goal based on average Total Shareholders' Equity for PNW Consolidated, weather-normalized.

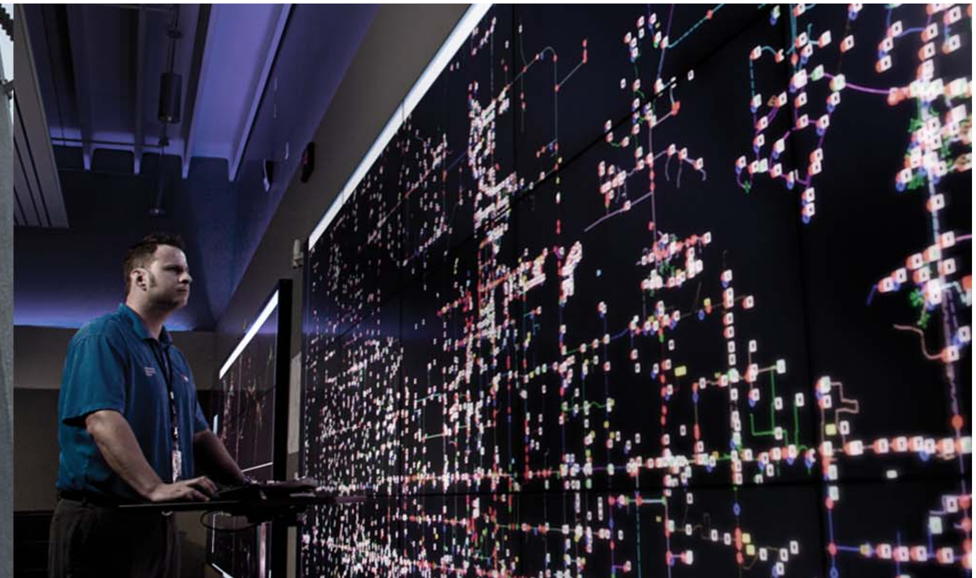
See key factor and assumptions in appendix.

2015 KEY DATES

ACC Key Dates	Docket #	Q1	Q2	Q3	Q4
Key Regulatory Filings					
Lost Fixed Cost Recovery	11-0224	Jan 15			
Net Metering – Quarterly Installation Filings	13-0248	Jan 15	Apr 15	Jul 15	Oct 15
Transmission Cost Adjustor	11-0224		May 15		
Renewable Energy Surcharge	TBD			Jul 1	
2014 Integrated Resource Plan (Biennial) and Cholla Unit 2 Retirement Proposal	13-0070		April: ACC Review of 2014 RFP		
Energy Efficiency	13-0214	TBD			
Ocotillo Modernization Project	14-0292	Jan – Q2: RFP			
Rate Design Process	14-0329	TBD			
Inquiry into Solar DG business models and practices (Generic Docket)*	14-0415	ACC to outline next steps			
ACC Open Meetings	-	*ACC Open Meetings Held Monthly*			

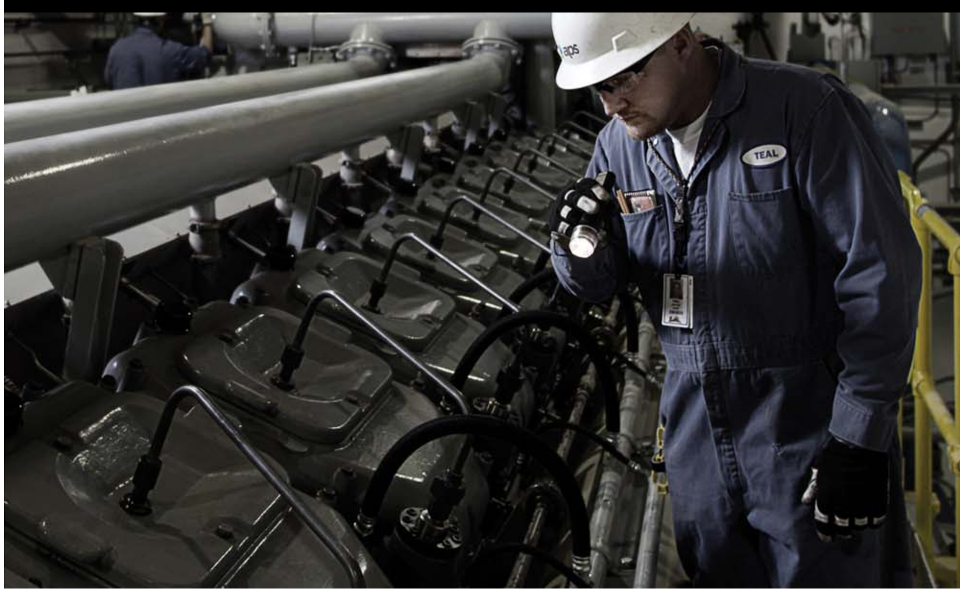
Other Key Dates	Docket #	Q1	Q2	Q3	Q4
Arizona State Legislature	n/a	*In Session Jan 12 – End of Q2*			
Delaney Colorado River Transmission Line (California ISO)	n/a	Jan: Bidders posted	Winning bidder announced		

* Members of Congress have also sent letters to the Consumer Financial Protection Bureau and US FTC, requesting responses, which may occur in 2015.



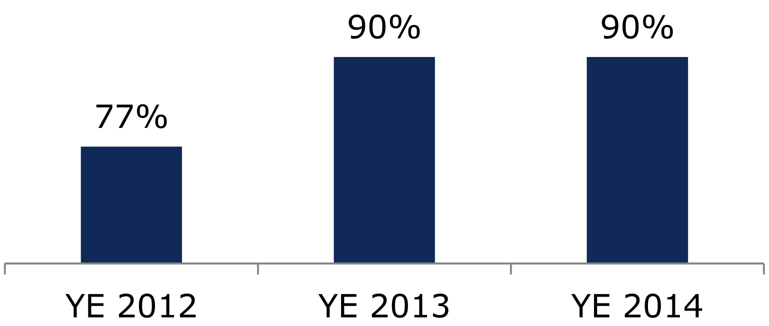
APPENDIX

PINNACLE WEST
CAPITAL CORPORATION



PENSION & OTHER POST RETIREMENT BENEFITS ("OPEB")

Pension Funded Status(1)



- Funded status of the pension plan maintained at 90% YE2014, due in large part to the continued implementation of the liability driven investment strategy.
- In October 2014, the Society of Actuaries issued its final report on mortality tables. The data shown incorporates the updated mortality assumptions using a modification of these tables, which better reflect our employee's demographics.

($ in millions)

Expense(2)	2014A	2015E	2016E
Pension(1)	$14	$14	$7
OPEB	$6	($9)	($8)

Contributions	2014A	2015E	2016E	2017E
Pension	$175	$100	Up to $100	Up to $100
OPEB	$1	$1	$1	$1

Assumptions	12/31/2013	12/31/2014
Discount Rate: Pension	4.88%	4.02%
Expected Long-Term Return on Plan Assets: Pension	6.90%	6.90%

Data as of February 20, 2015

(1) Excludes supplemental excess benefit retirement plan.
(2) Excludes approximately 50% of total estimated expense which is attributable to amounts capitalized or billed to electric plant participants.

2015 ON-GOING EPS GUIDANCE

Key Factors & Assumptions as of February 20, 2015

	2015
Electricity gross margin* (operating revenues, net of fuel and purchased power expenses)	**$2.30 – $2.35 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	
Operating and maintenance*	**$795 - $815 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 $40 million)	**$175 - $185 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 $113 million, and offsetting revenues, associated with renewable energy and demand side management programs.

PINNACLE WEST CAPITAL CORPORATION

2015 – 2017 FINANCIAL OUTLOOK

Key Factors & Assumptions as of February 20, 2015

Gross Margin – Customer Growth and Weather

Assumption	Impact
Retail customer growth	• Expected to average about 2-3% annually (2015-2017) • 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

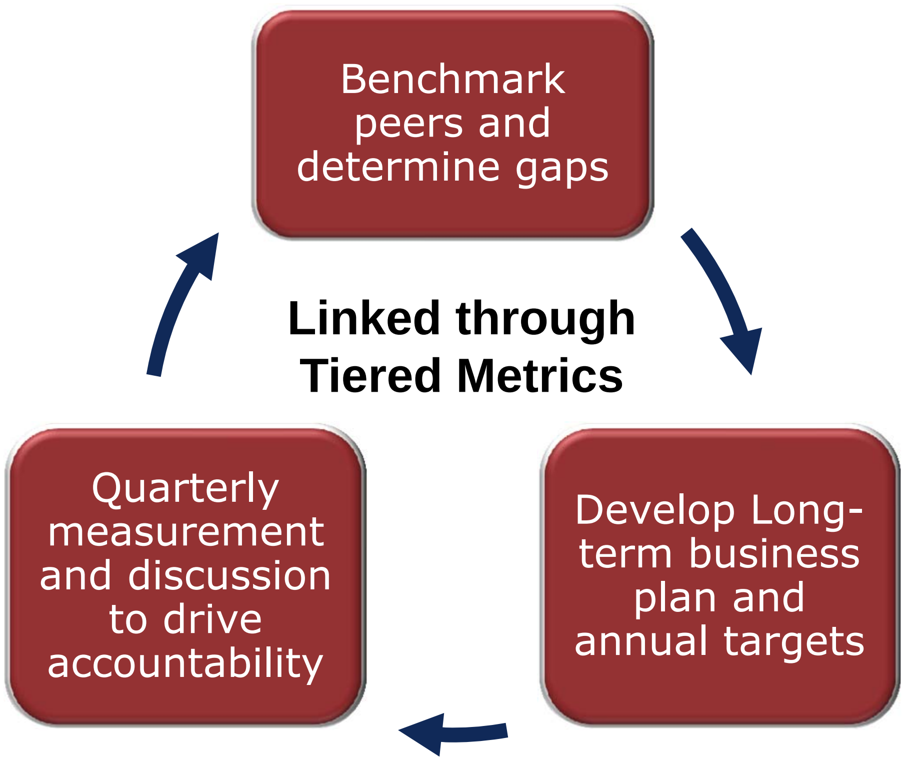
Gross Margin – Related to 2012 Retail Rate Settlement

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)

SUSTAINABLE COST MANAGEMENT INGRAINED IN BUSINESS PLANNING FRAMEWORK

Enterprise Process Improvement *is current phase of Sustainable Cost Management -- a standardized, systematic approach to determining how to do our work better including documentation, driven by retiring workforce and need to control costs*



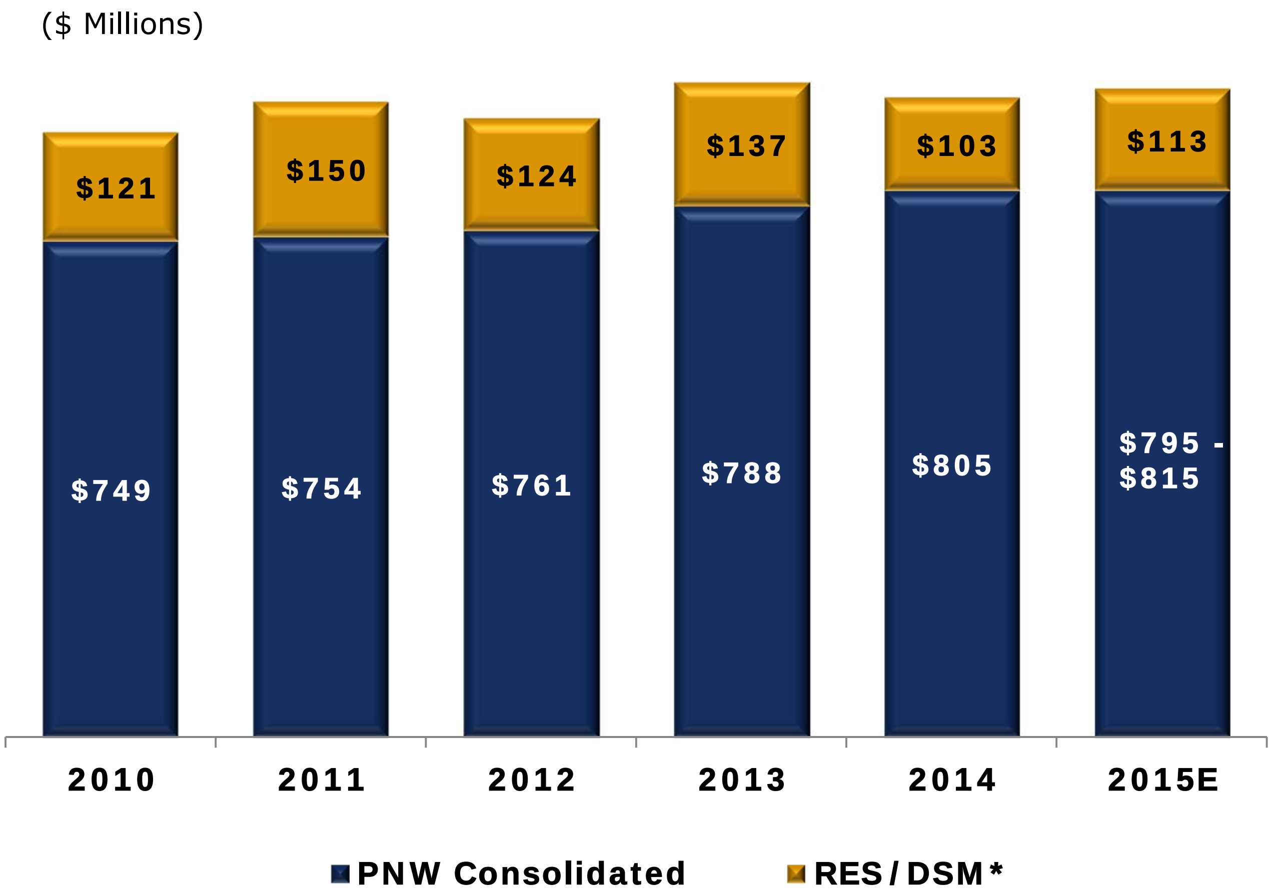
Results to Date:

- Reduction of 300+ positions
- Palo Verde Unit Production Cost reduced from 2.2¢ to 2.0¢ per kWh
- Fossil Generation shifted to fleetwide model in 2010 to streamline costs
- Annual Supply savings of $30 million
- Realigned corporate resource model
- Documented nearly 1,000 policies, processes and procedures documented and completed over 150 process improvements

PINNACLE WEST CAPITAL CORPORATION

OPERATIONS & MAINTENANCE OUTLOOK

Targeting to be top quartile in peer benchmarking for staffing



2015+ Outlook

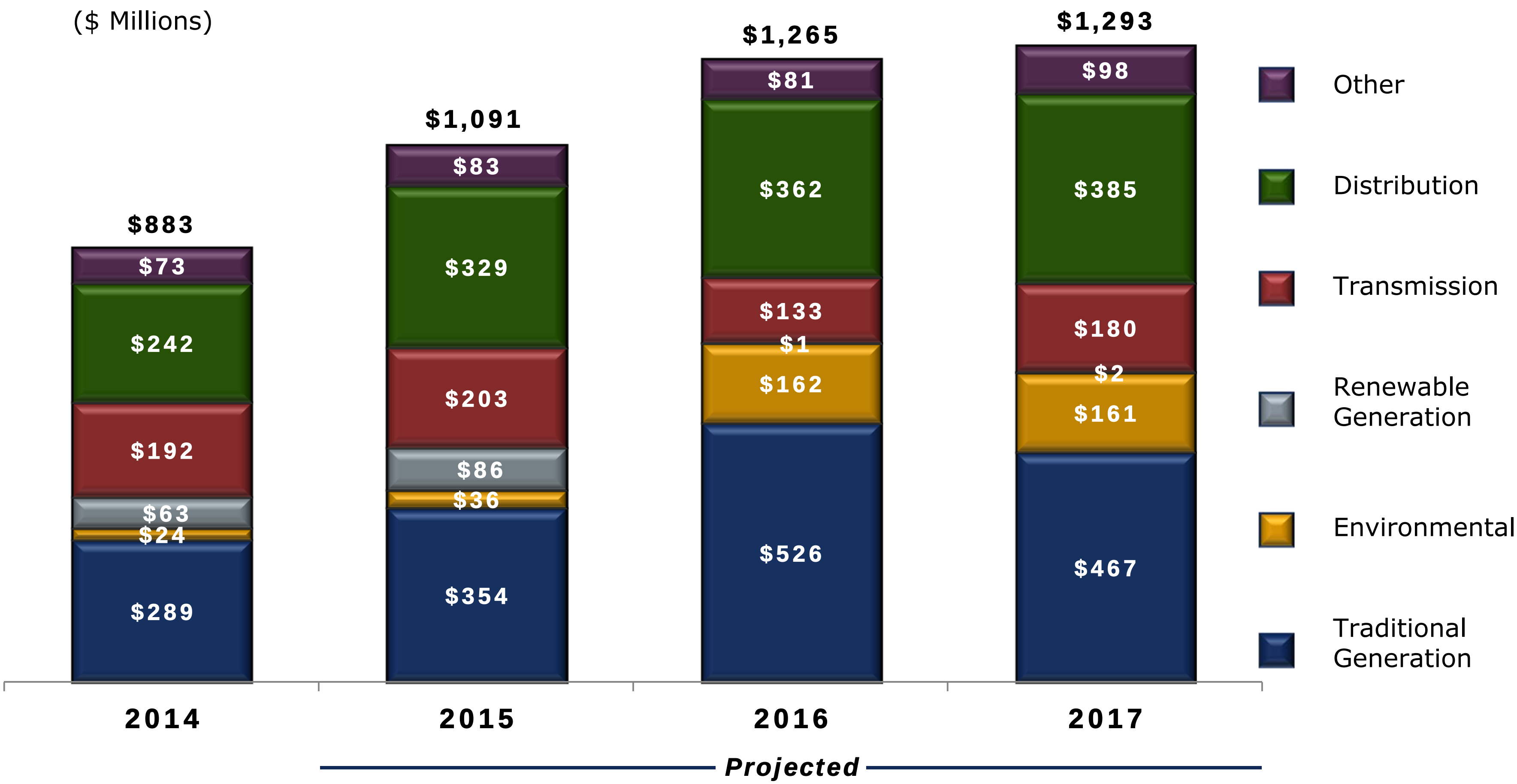
- Goal is to keep O&M per kWh flat
- Complete documentation of over 1,800 policies, processes and procedures, including more than 275 process improvements to drive additional efficiencies
- Execute targeted initiatives to address specific gaps and inefficiencies

*Renewable energy and demand side management expenses are offset by revenue adjustors.

PINNACLE WEST CAPITAL CORPORATION

CAPITAL EXPENDITURES

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



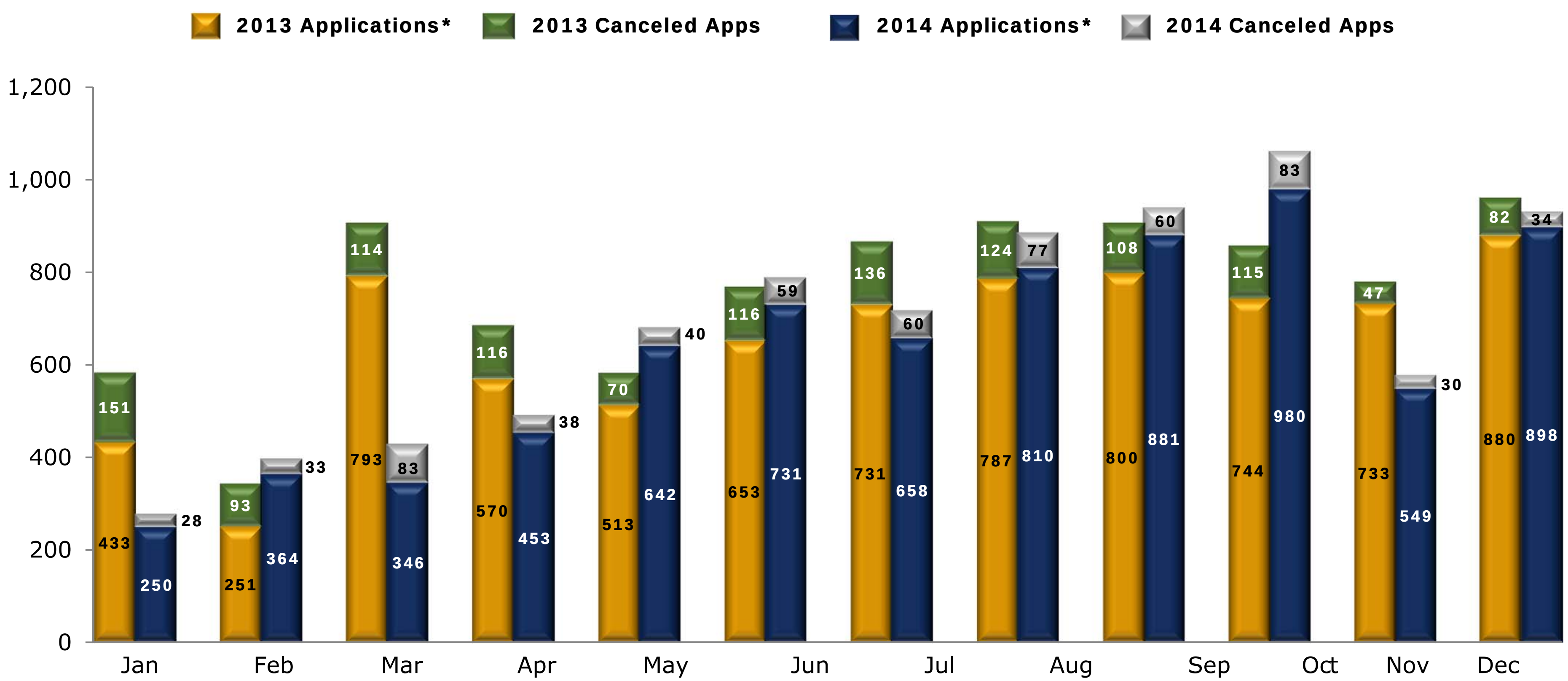
2015 – 2017 as disclosed in 2014 Form 10-K

APS SOLAR PARTNER PROGRAM

- APS to implement 10 MW of APS-owned residential rooftop solar in 2015
  - On December 19, 2014, ACC voted that it had no objection to APS implementing the program
  - Equates to approximately 1,500 customers
  - Will be filed for recovery in next general rate case
  - 2 MW (of the 10 MW) will only be deployed if coupled with distributed storage
- Benefits:
  - Provides an alternative for those who cannot afford solar or do not want a lease
  - Study system benefits (i.e. west or SW oriented panels, advanced inverters, etc.)
  - Participating customers receive monthly credit on their bill through the 20-year life
  - Support and partner with Arizona solar installers
- APS has track record through the Flagstaff Community Power Project
  - Launched in 2010
  - 1.5 MW of distributed energy from solar panels owned by APS, spread across:
    - 125 residential rooftops
    - Schools
    - Neighborhood-scale solar power plant

PINNACLE WEST CAPITAL CORPORATION

RESIDENTIAL PV APPLICATIONS

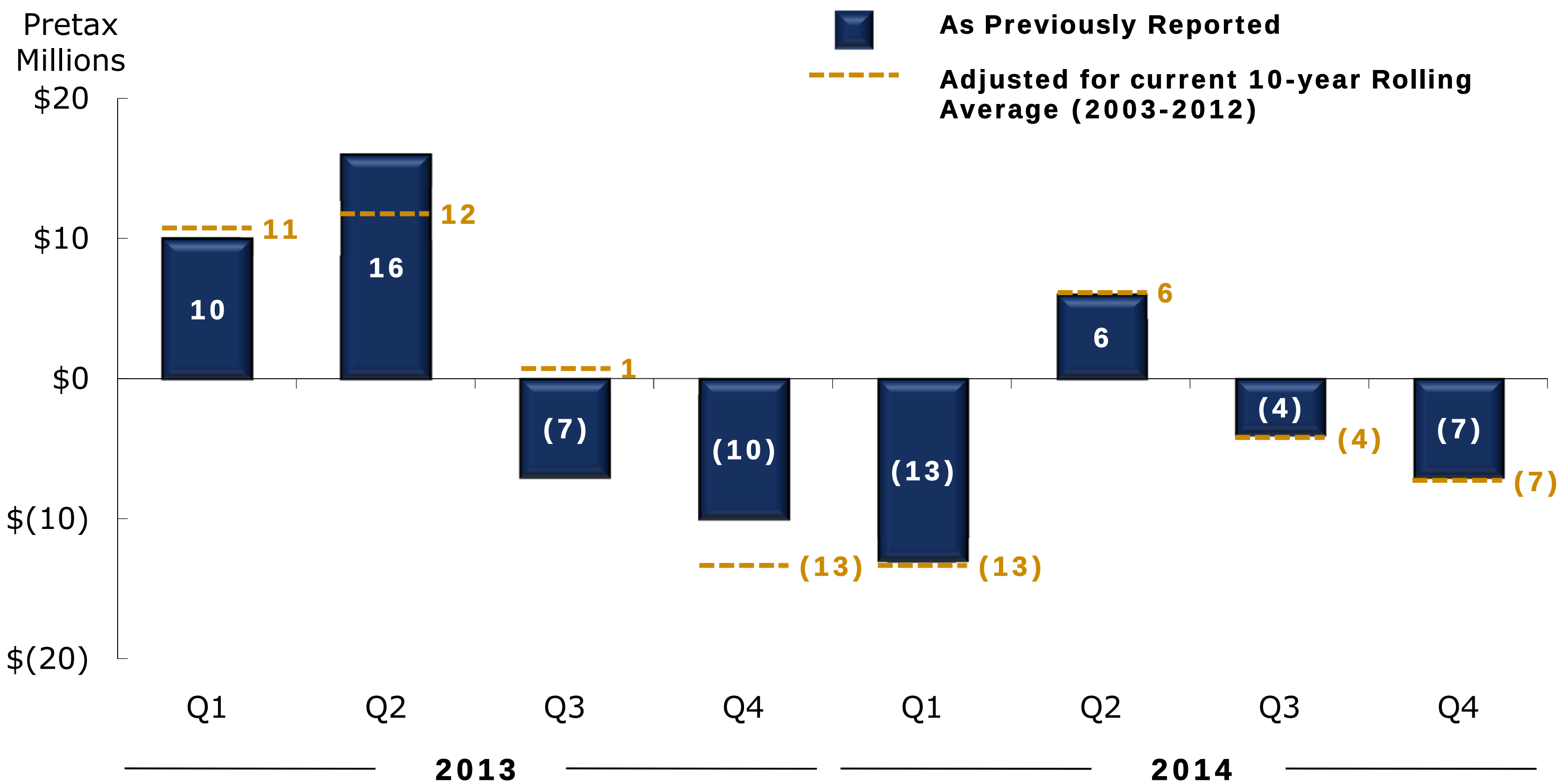


As of December 31, 2014, about 30,000 residential grid-tied solar photovoltaic (PV) systems have been installed in APS's service territory, equivalent to over 200 MW.

*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.

PINNACLE WEST CAPITAL CORPORATION

GROSS MARGIN EFFECTS OF WEATHER
VARIANCES VS. NORMAL



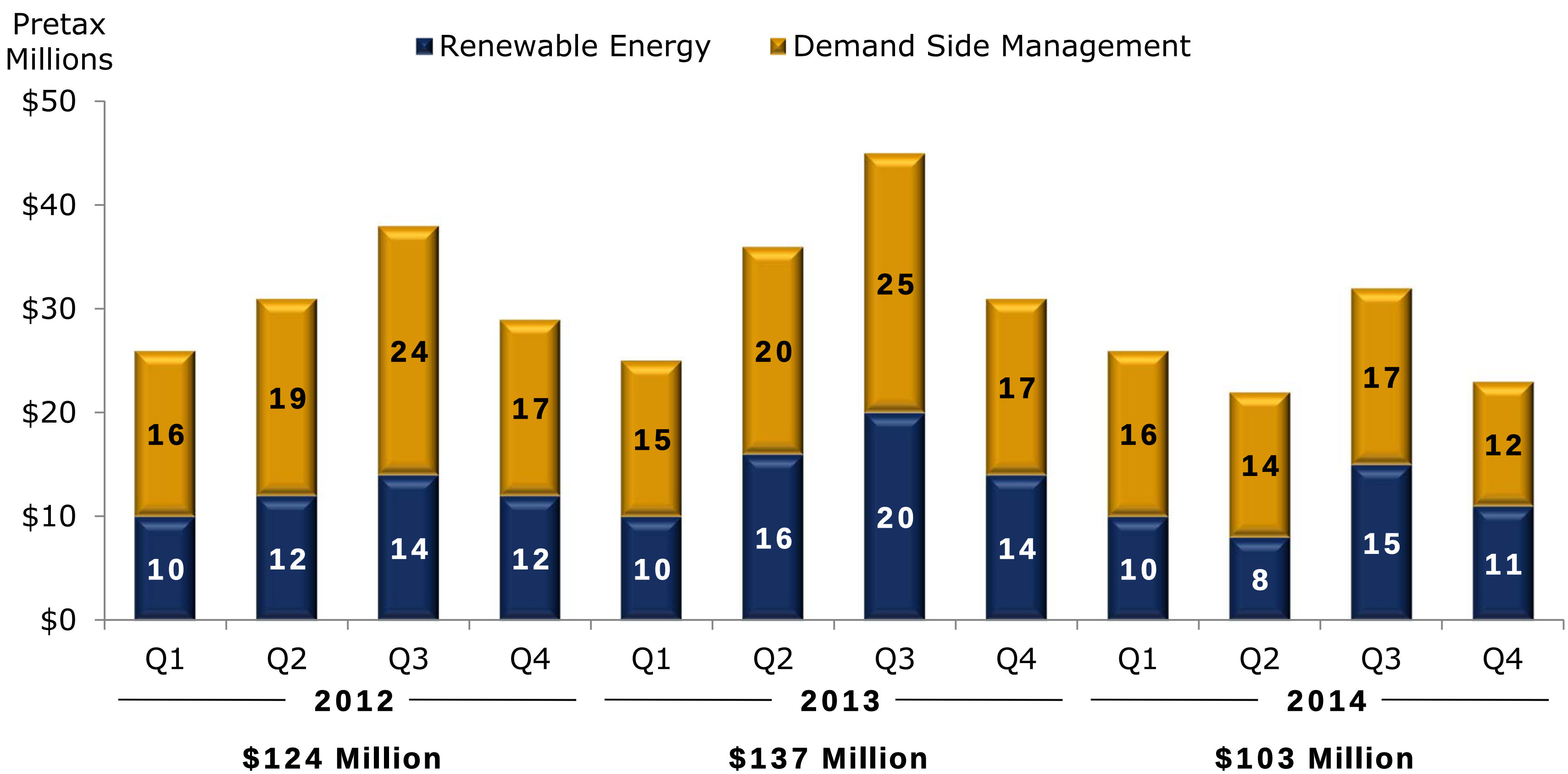
$9 Million, as previously reported

$11 Million, adjusted for current normals

$(18) Million

PINNACLE WEST CAPITAL CORPORATION

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 December 31, 2014	Three Months Ended December 31, 2013	EPS Impact
Operating revenues*	$ 727	$ 700	
Fuel and purchased power expenses*	(257)	(237)	
Gross margin	470	463	$ 0.03
Adjustments:			
Renewable energy (excluding AZ Sun), demand side management and similar regulatory programs	(20)	(27)	$ 0.04
Gross margin - adjusted	$ 450	$ 436	$ 0.07

*** Line items from Consolidated Statements of Income**

PINNACLE WEST CAPITAL CORPORATION

NON-GAAP MEASURE RECONCILIATION
OTHER NON-GAAP

$ millions pretax, except per share amounts	2014	Four Corners Deferral	Palo Verde Lease Extensions[2]	2014 Adjusted	2013	Four Corners Deferral	2013 Adjusted	EPS Impact
	Three Months Ended December 31,							
Operations and maintenance[1]	**$ 261**	**$ (5)**	**$ -**	**$ 256**	**$239**	**$ (9)**	**$ 230**	
Renewable energy (excluding AZ Sun), demand side management and similar regulatory programs	23	-	-	23	31	-	31	
Net O&M	**238**	**(5)**	**-**	**233**	**208**	**(9)**	**199**	**$(0.18)**
Depreciation and amortization[1]	**107**	**7**	**(5)**	**109**	**98**	**9**	**107**	**$ 0.01**
Taxes other than income taxes[1]	**42**	**(2)**	**-**	**40**	**40**	**-**	**40**	**$ -**
Allowance for equity funds used during construction[1,2]	(9)	-	-	(9)	(7)	-	(7)	
Interest charges[1]	49	(2)	-	47	51	-	51	
Allowance for borrowed funds used during construction[1]	(4)	-	-	(4)	(4)	-	(4)	
Interest expense, net of AFUDC	**36**	**(2)**	**-**	**34**	**40**	**-**	**40**	**$ 0.04**
Other expenses (operating)[1]	1	-	-	1	2	-	2	
Other income[1]	(2)	2	-	-	-	-	-	
Other expense[1]	12	-	-	12	3	-	3	
Other	**11**	**2**	**-**	**13**	**5**	**-**	**5**	**$(0.05)**
Net income attributable to noncontrolling interests[1]	**4**	**-**	**5**	**9**	**9**	**-**	**9**	**N/A**

[1] Line items from Consolidated Statements of Income
[2] Not tax effected
Totals may not sum due to rounding

PINNACLE WEST CAPITAL CORPORATION

NON-GAAP MEASURE RECONCILIATION
GROSS MARGIN

$ millions pretax, except per share amounts	Twelve Months Ended December 31, 2014	2013	EPS Impact
Operating revenues*	$ 3,492	$ 3,455	
Fuel and purchased power expenses*	(1,180)	(1,096)	
Gross margin	2,312	2,359	$ (0.26)
Adjustments:			
Renewable energy (excluding AZ Sun), demand side management and similar regulatory programs	(85)	(119)	$ 0.19
Gross margin - adjusted	$ 2,227	$ 2,240	$ (0.07)

*** Line items from Consolidated Statements of Income**

PINNACLE WEST CAPITAL CORPORATION

NON-GAAP MEASURE RECONCILIATION
OTHER NON-GAAP

$ millions pretax, except per share amounts	2014	Four Corners Deferral	Palo Verde Lease Extensions[2]	2014 Adjusted	2013	Four Corners Deferral	2013 Adjusted	EPS Impact
	Twelve Months Ended December 31,							
Operations and maintenance[1]	**$ 908**	**$ (18)**	**$ -**	**$ 890**	**$925**	**$ (9)**	**$ 916**	
Renewable energy (excluding AZ Sun), demand side management and similar regulatory programs	103	-	-	103	137	-	137	
Net O&M	**805**	**(18)**	**-**	**787**	**788**	**(9)**	**779**	**$(0.04)**
Depreciation and amortization[1]	**417**	**24**	**(10)**	**431**	**416**	**9**	**425**	**$ -**
Taxes other than income taxes[1]	**172**	**(6)**	**-**	**166**	**164**	**-**	**164**	**$(0.01)**
Allowance for equity funds used during construction[1,2]	(31)	-	-	(31)	(26)	-	(26)	
Interest charges[1]	201	(8)	-	193	202	-	202	
Allowance for borrowed funds used during construction[1]	(15)	-	-	(15)	(15)	-	(15)	
Interest expense, net of AFUDC	**155**	**(8)**	**-**	**147**	**161**	**-**	**161**	**$ 0.10**
Other expenses (operating)[1]	3	-	-	3	8	-	8	
Other income[1]	(10)	8	-	(2)	(2)	-	(2)	
Other expense[1]	22	-	-	22	16	-	16	
Other	**15**	**8**	**-**	**23**	**22**	**-**	**22**	**$(0.01)**
Net income attributable to noncontrolling interests[1]	**26**	**-**	**10**	**36**	**34**	**-**	**34**	**N/A**

[1] Line items from Consolidated Statements of Income
[2] Not tax effected
Totals may not sum due to rounding

PINNACLE WEST CAPITAL CORPORATION