POWERING GROWTH DELIVERING VALUE

PINNACLE WEST
CAPITAL CORPORATION

Investor Meetings I September 26, 2017

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,” “project” 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 high reliability and customer service levels; variations in demand for electricity, including those due to weather seasonality, 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, ballet initiatives and regulation, including those relating to environmental requirements, regulatory policy, 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 and of debt and equity capital investments; 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, including 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, economic and other concerns surrounding coal-fired generation, including regulation of greenhouse gas emissions; 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 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, 2016 and in Part II, Item 1A of the Pinnacle West/APS Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, 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.

PINNACLE WEST: WHO WE ARE

We are a vertically integrated, regulated electric utility in the growing southwest United States

Pinnacle West (NYSE: PNW)

- Market Capitalization*: $10.0 billion
- Enterprise Value*: $15.0 billion
- Consolidated Assets: $16.7 billion
- Indicated Annual Dividend*: $2.62
- Dividend Yield*: 2.9%

Principal subsidiary: aps

- Arizona Public Service Company, Arizona's largest and longest-serving electric utility

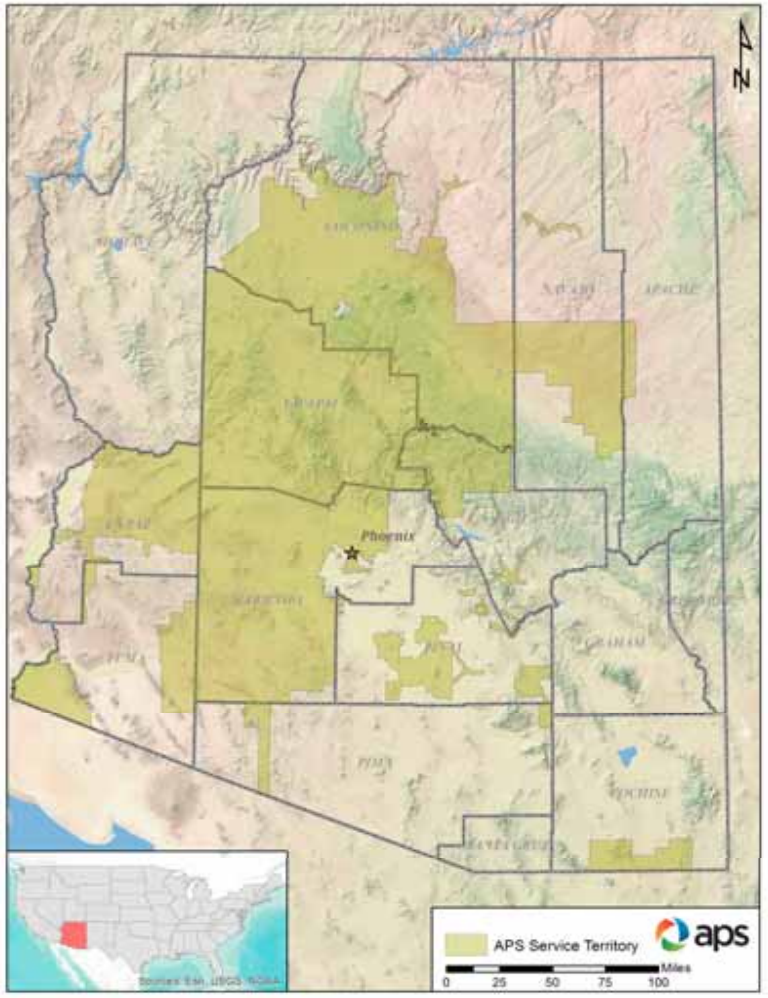
Customers: 1.2 million (89% residential)

2017 YTD Peak Demand: 7,367 MW

- Previous all time high of 7,236 in July 2006

Generation Capacity: About 6,200 MW of owned or leased capacity (~8,600 MW with long-term contracts)

- Including 29.1% interest in Palo Verde Generating Station, the largest nuclear plant in the U.S.
- Regulated utility provides stable, regulated earnings and cash flow base for Pinnacle West



* As of September 15, 2017

PINNACLE WEST CAPITAL CORPORATION

VALUE PROPOSITION

We are executing on our financial and operational objectives …

Operational Excellence

- ✓ Top decile safety performance among peers
- ✓ APS operates the Palo Verde Generating Station
- ✓ Disciplined cost management

Financial Strength

- ✓ Annual dividend growth target of 5%, subject to declaration at Board of Directors discretion
- ✓ Strong credit ratings and balance sheet
- ✓ Rate base growth of 6-7% (2015-2019)

Leverage Economic Growth

- ✓ Arizona's long-term growth fundamentals remain largely intact, including population growth, job growth and economic development
- ✓ By 2032 we expect to add 550,000 new customers[1]

Pinnacle West combines a solid foundation and a clear strategy to build shareholder value through our core utility business

… while also advocating to ensure Pinnacle West and Arizona have a sustainable energy future

Integrating Technology to Modernize the Grid

- ✓ At the forefront of utilities studying and deploying advanced infrastructure to enable reliable and cost-efficient integration of emerging technologies into the grid and with customers

Taking Steps to Address Rate Design

- ✓ Worked with Arizona Corporation Commission and key stakeholders to modernize rates
- ✓ Comprehensive rate review agreement approved in August 2017, enabling investment in smarter, cleaner energy infrastructure

[1] Based on the 2017 Integrated Resource Plan filed April 10, 2017.

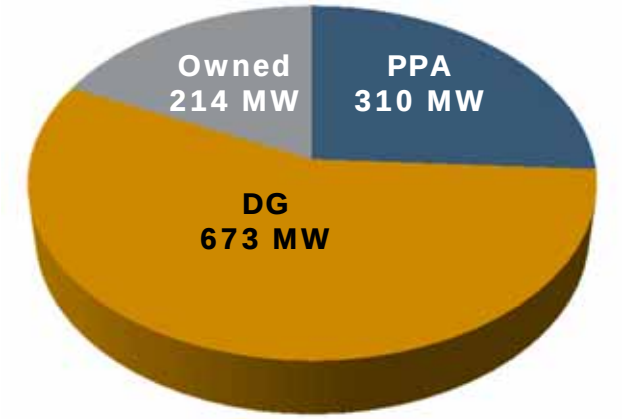
RENEWABLE RESOURCES

APS is a leader in solar

APS currently has 1,516 MW of renewable resources:

• Solar*	1,197 MW
• Wind	289 MW
• Biomass	14 MW
• Geothermal	10 MW
• Biogas	6 MW

APS Solar Portfolio*



Owned solar includes 170 MW AZ Sun Program, 4 MW of other APS owned utility scale solar and 40 MW Red Rock Solar Plant; Distributed Generation (DG) includes 25 MW of APS owned.

PPA is primarily 250 MW Solana Concentrated Solar Facility.

Yuma Foothills
Solar
35 MW

Aragonne Mesa
Wind
90 MW

Snowflake
Biomass
14 MW

Salton Sea
Geothermal
10 MW

Glendale Landfill
Biogas
2.8 MW

* As of Second Quarter 2017 Form 10-Q – with additional 67 MW under development

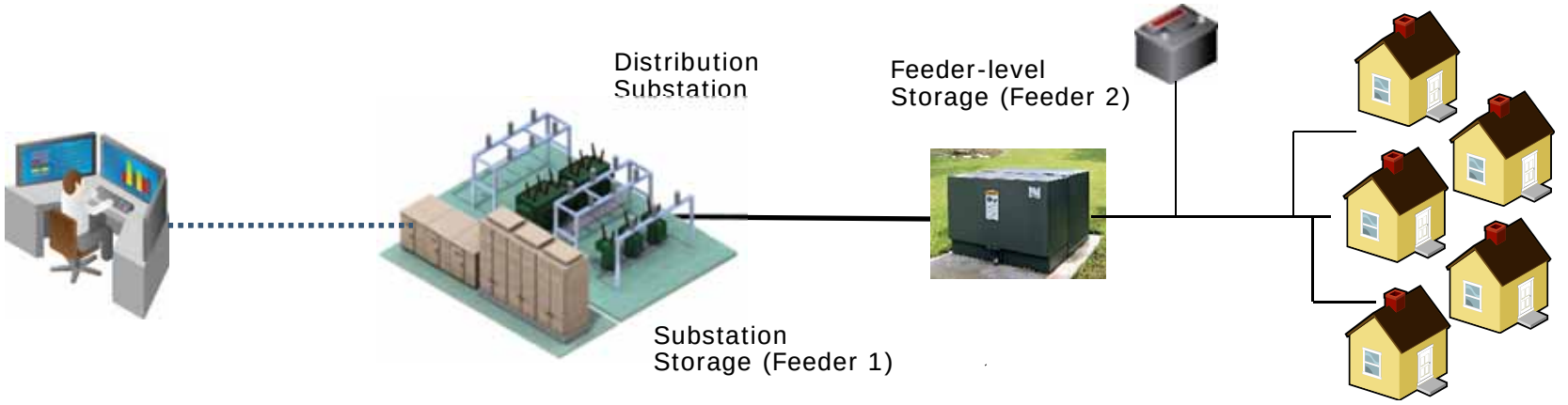
PINNACLE WEST CAPITAL CORPORATION

BATTERY STORAGE

Energy storage is important but will only be cost effective in niche circumstances for the next several years

APS Projects

- Punkin Center, Arizona: 2 X 4MWh Li-ion battery storage systems to be installed in fall 2017 in place of rebuilding 20 miles of distribution lines
- Solar Innovation Study: Residential battery installations for purpose of studying ability of solar-coupled systems to lower peak energy demand
- Solar Partner Program: 2 X 2MWh Li-ion battery storage systems – 1 at substation, 1 mid-feeder, for purposes of researching battery effects on grid and learning most efficient manner to operate



PINNACLE WEST CAPITAL CORPORATION

THE GRID IS EVOLVING

Economics

Distributed Energy Resources

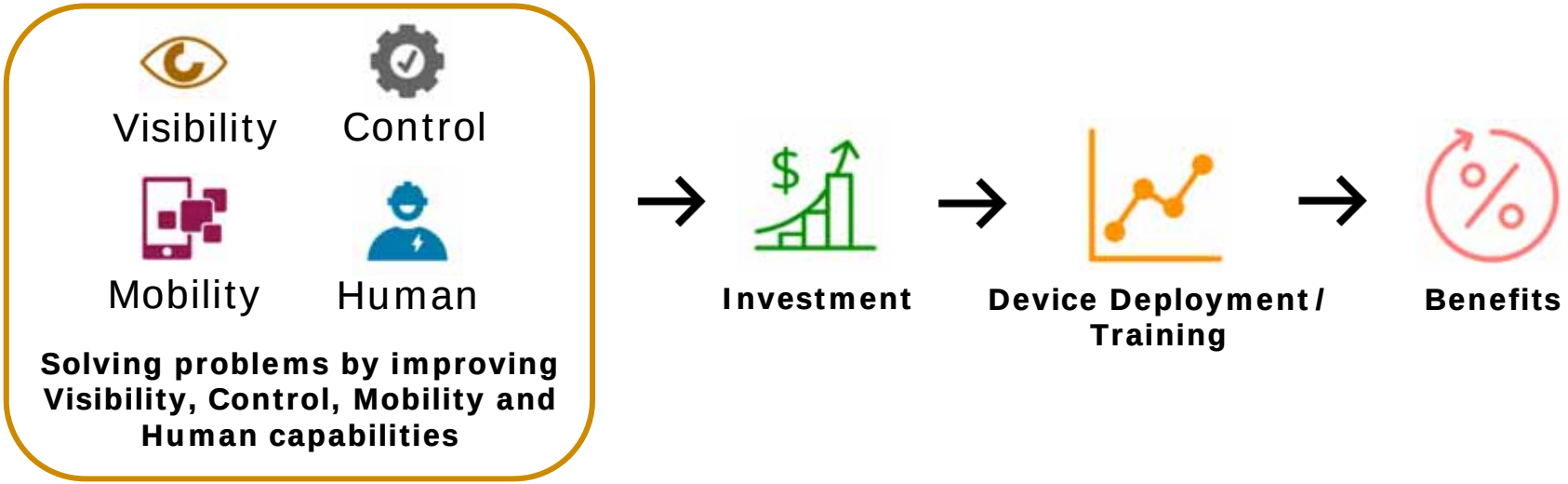
Public Policy

Technology

PINNACLE WEST CAPITAL CORPORATION

SUMMARY

- Long-term vision
- Commitment to strategy
- Enabling customer choice
- Evolution in employee training and capabilities



PINNACLE WEST CAPITAL CORPORATION

APPENDIX

PINNACLE WEST
CAPITAL CORPORATION

LEADERSHIP TEAM

Our top executives have more than 100 combined years of creating shareholder value in the energy industry

Don Brandt
Chairman & Chief Executive Officer

Jim Hatfield
EVP & Chief Financial Officer

Mark Schiavoni
EVP & Chief Operating Officer

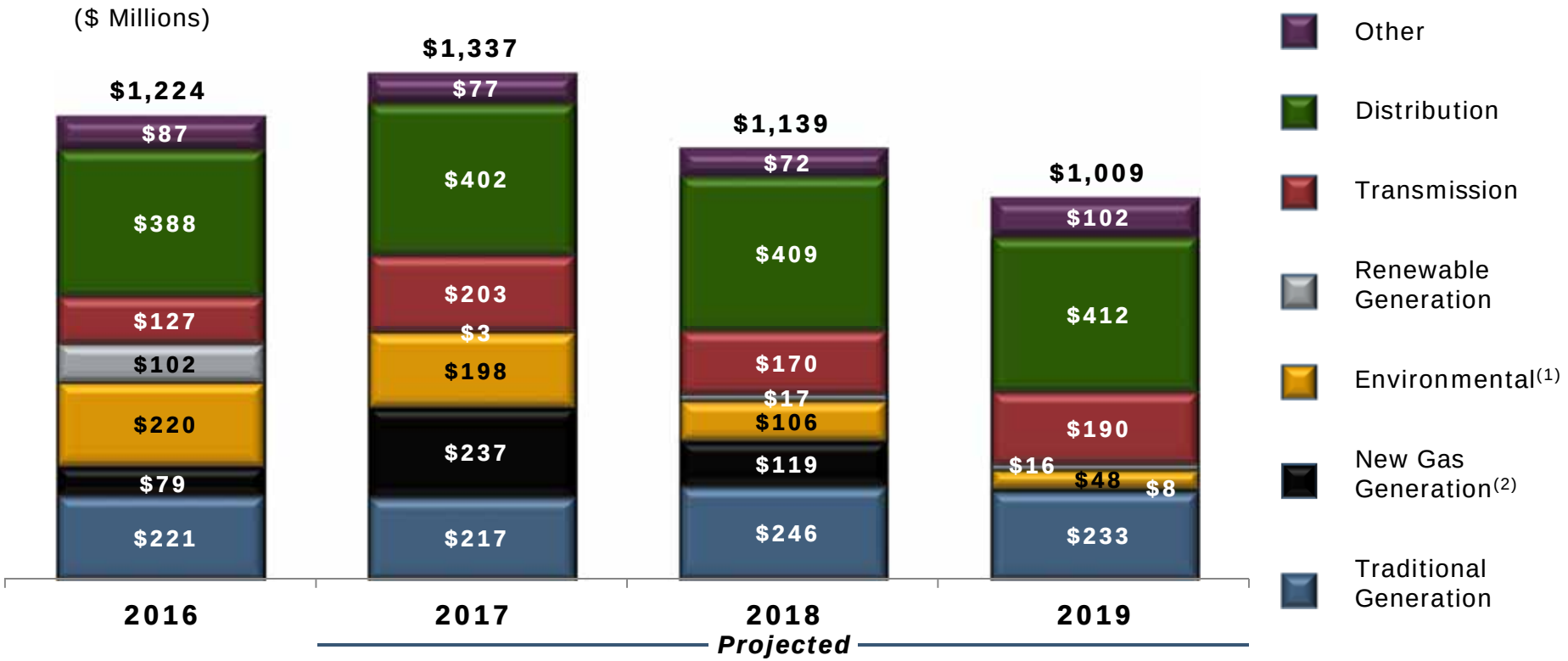
Bob Bement
EVP & Chief Nuclear Officer

Jeff Guldner
EVP Public Policy & General Counsel

PINNACLE WEST CAPITAL CORPORATION

APS CAPITAL EXPENDITURES

Capital expenditures are funded primarily through internally generated cash flow



- The table does not include capital expenditures related to 4CA's 7% interest in the Four Corners Power Plant Units 4 and 5 of $30 million in 2016, $27 million in 2017, $15 million in 2018 and $6 million in 2019.
- 2017 – 2019 as disclosed in Second Quarter 2017 Form 10-Q.

(1) Includes Selective Catalytic Reduction controls at Four Corners with in-service dates of Q4 2017 (Unit 5) and Q1 2018 (Unit 4)

(2) Ocotillo Modernization Project: 2 units scheduled for completion in Q4 2018, 3 units scheduled for completion in Q1 2019

PINNACLE WEST CAPITAL CORPORATION

THE GRID IS EVOLVING – DRIVING NEW INVESTMENTS IN TECHNOLOGY

- Grid stability, power quality and reliability remain the core of a sustainable electrical system
- APS is at the forefront of utilities designing and planning for the next generation electric grid
- New technology advances and changing customer needs are transforming the way we use the grid

Drivers for Change

- Traditional grid built for one-way flow
- Technology advancements (storage, home energy management)
- Changing customer needs and demands
- Proliferation of distributed solar energy, which does not align with peak

The Modern Grid

- New technologies to enable two-way flow
- Proactive vs. reactive operations and maintenance
- Modern rate structure
- New ways to interact with customer
- Mobility for our field personnel
- Smarter, more flexible real-time system operations
- Support consumer products and services
- Addresses cybersecurity

APS Laying Foundation for the Future

- Solar R&D initiatives
  - Solar Partner Program
  - Solar Innovation Study
- Smart meters fully deployed
- Investing in peaking capacity upgrades (Ocotillo)
- Evaluating storage/customer-cited technology
  - Battery pilot investments
  - Microgrids
- Software upgrades for distribution operations and customer service
- Ensuring our people have the relevant skill sets

DISTRIBUTION GRID INVESTMENTS

Modernizing the distribution grid with advanced technology investments – resulting in improved reliability for customers and more efficient operations

Grid Operations & Investment

$1.2 Billion over next 3 years

Integrated Volt/VAR Control (IVVC)

Controls regulators and capacity banks to manage power quality such as power factor and voltage.

Smart Meters

Substation Health Monitoring

New technologies such as APS's Transformer Oil Analysis & Notification (TOAN) system leverage advances in communications and sensing to remotely monitor heath of transformers, enabling proactive maintenance actions to prevent critical failures.

Strategic Fiber

Advanced Distribution Management System

Integrated operational platform. Increases efficiency and life of distribution system; improves safety and communication; increases ability to manage overall reliability; and enables Distributed Energy Resources (DER).

Supervisory Controlled Switches

Automated switches that can be controlled from Distribution Operations Center (DOC). Allows operations to manage load without sending field personnel to manually operate the switch.

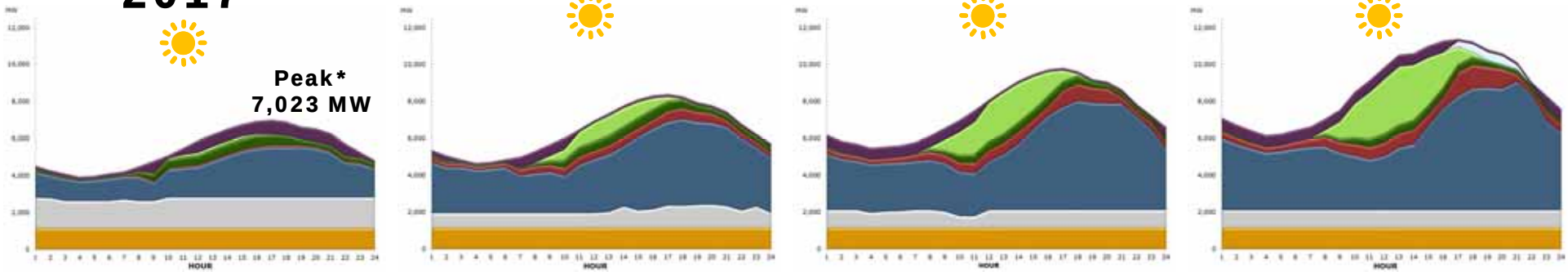
PINNACLE WEST CAPITAL CORPORATION

RESOURCE PLANNING[1]

Peak*	8,405 MW	9,835 MW	11,410 MW
Resource Reductions (Retirements, Expirations)	**2017-2022** **-487 MW** Ocotillo steam unit retirements and Navajo contract expiration **-509 MW** PPA expirations	**2017-2027** **-872 MW** Ocotillo steam unit retirements, Navajo contract expiration and Cholla coal retirement **-1,120 MW** PPA expirations	**2017-2032** **-872 MW** Ocotillo steam unit retirements, Navajo contract expiration and Cholla coal retirement **-1,133 MW** PPA expirations
Resource Additions	**2017-2022** **2,704 MW** Natural gas generating units, short-term market purchases, DSM, microgrids, rooftop solar and storage	**2017-2027** **5,206 MW** Natural gas generating units, short-term market purchases, DSM, microgrids, rooftop solar and storage	**2017-2032** **6,923 MW** Natural gas generating units, short-term market purchases, DSM, microgrids, rooftop solar, storage and wind
Peak Load Growth	**2022** **3.4%** **2017-2022** **20%**	**2027** **3.1%** **2017-2027** **40%**	**2032** **3.0%** **2017-2032** **62%**

Reference Year
2017*

Peak*
7,023 MW

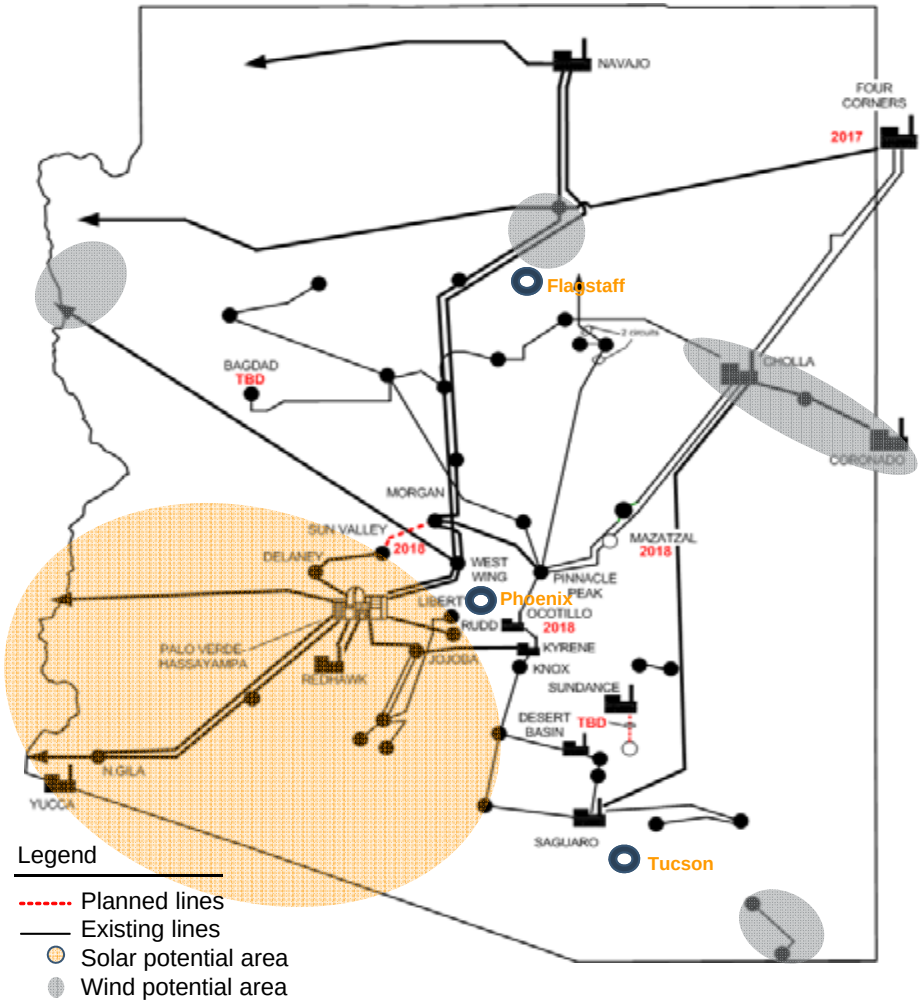


[1] Data shown is based on the 2017 Integrated Resource Plan filed April 10, 2017.
*Normal weather peak, includes planning reserves

PINNACLE WEST CAPITAL CORPORATION

APS TRANSMISSION

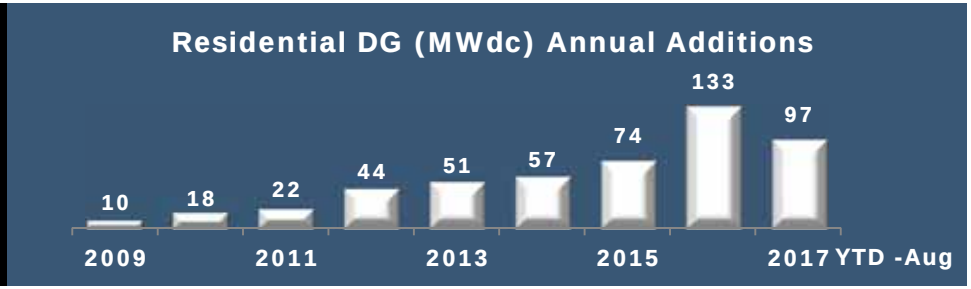
Strategic transmission investment is essential to maintain reliability and deliver diversified resources to customers

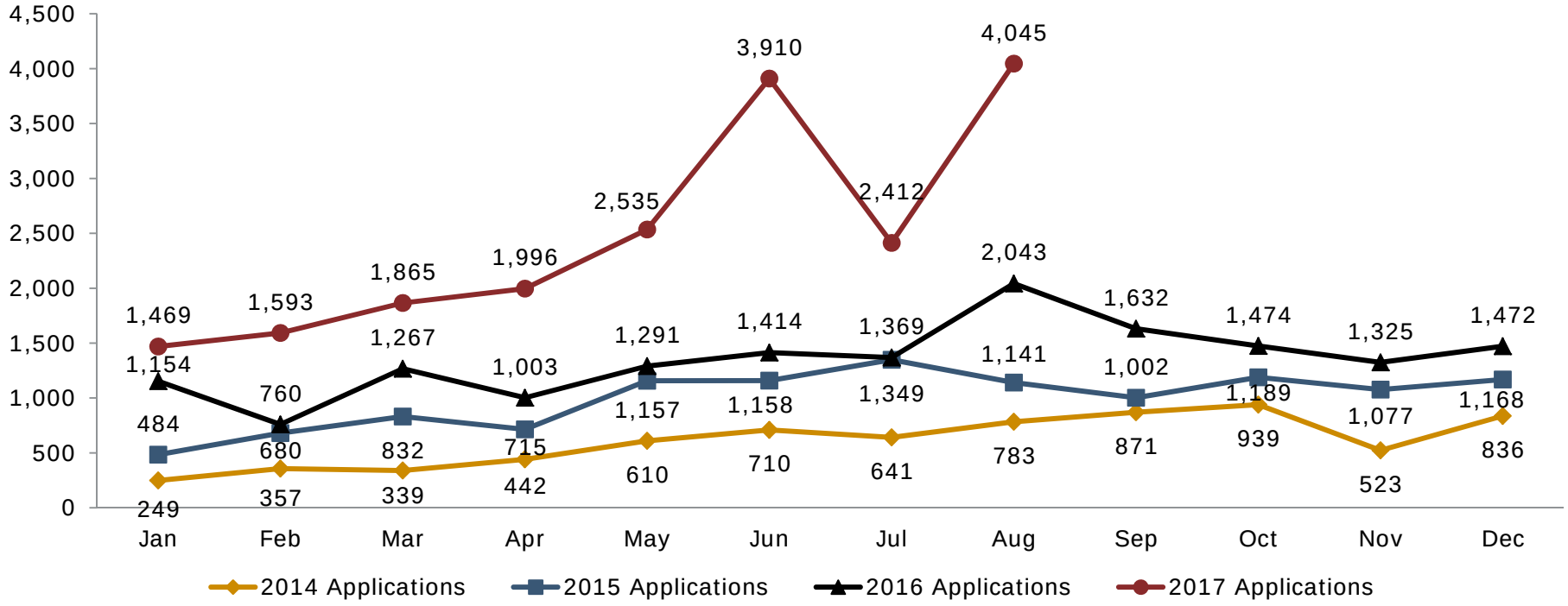


- 10-Year Transmission Plan filed January 2017 (115 kV and above)
  - 52 miles of new lines
  - 5 bulk transformer additions
- Also includes:
  - Sun Valley-Morgan 500kV (2018)
  - North Gila-Orchard 230kV (2021)
- 2 of 3 Projects to deliver renewable energy approved by ACC have been completed
- Transmission investment diversifies regulatory risk
  - Constructive regulatory treatment
  - FERC formula rates and retail adjustor

PINNACLE WEST CAPITAL CORPORATION

RESIDENTIAL PV APPLICATIONS*





* Monthly data equals applications received minus cancelled applications. As of August 31, 2017, approximately 66,000 residential grid-tied solar photovoltaic (PV) systems have been installed in APS's service territory, totaling more than 510 MWdc of installed capacity. Excludes APS Solar Partner Program residential PV systems.

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 chart above.

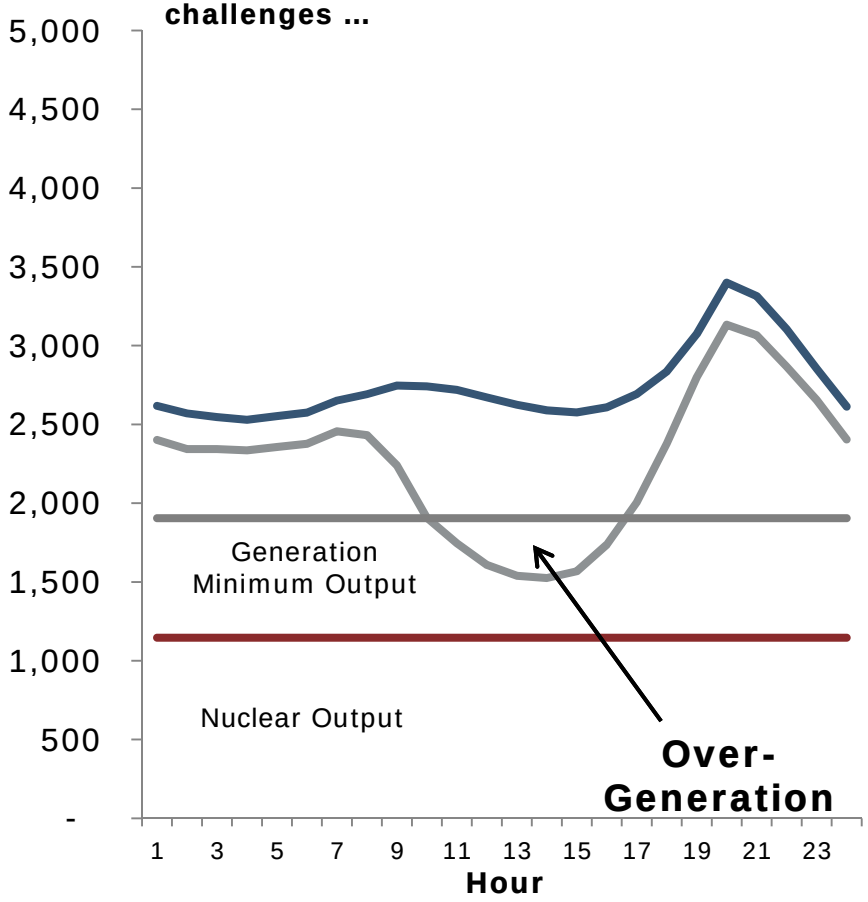
PINNACLE WEST CAPITAL CORPORATION

THE "DUCK CURVE"

Distributed generation is changing the load shape of the grid

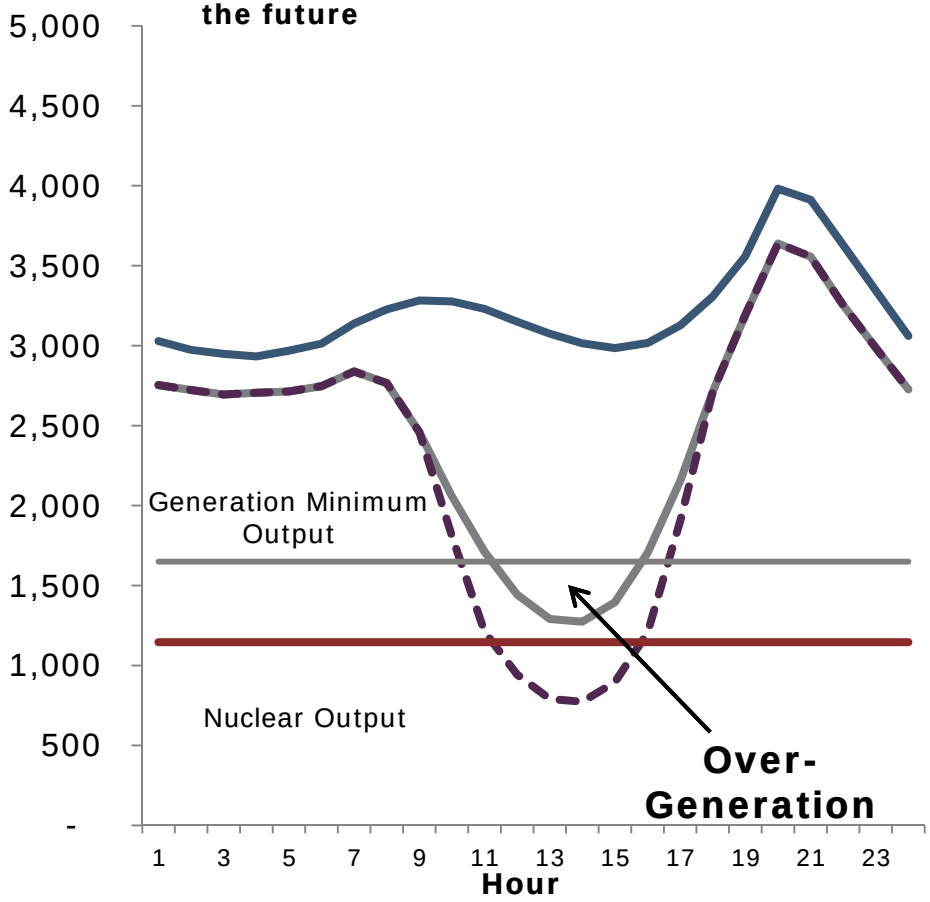
Current Spring Day

Excess renewables creates over-generation challenges …



Spring Day 2022

… and potentially for nuclear generation in the future



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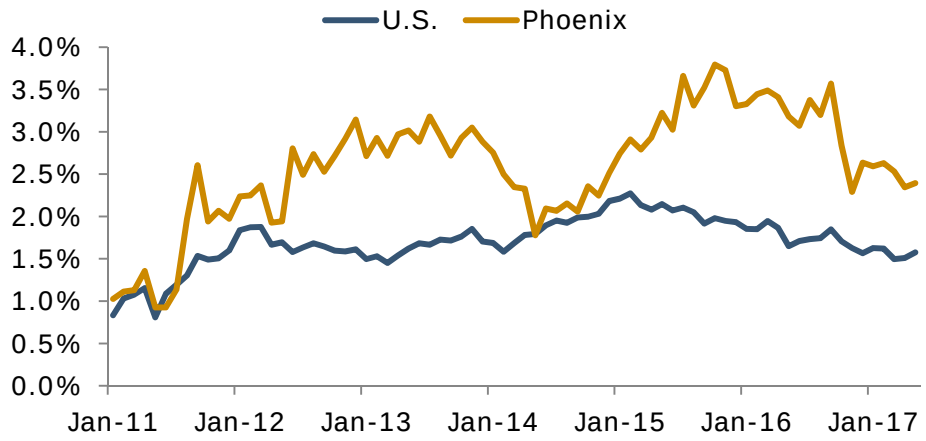
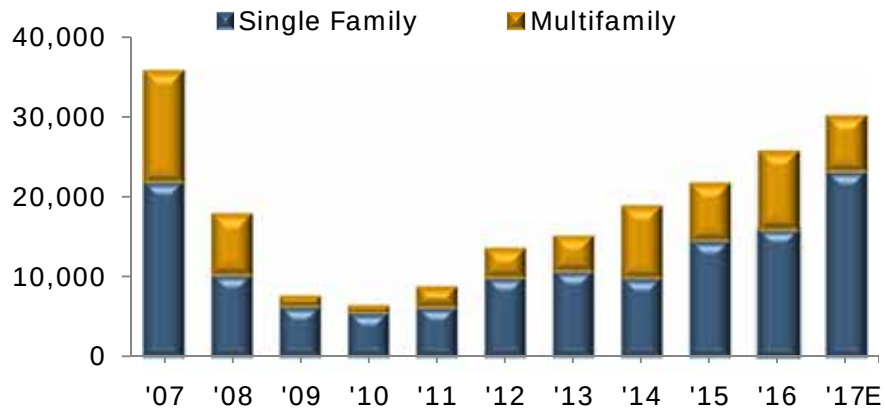
ECONOMIC INDICATORS

Arizona and Metro Phoenix remain attractive places to live and do business

Year Over Year Employment Growth



Single Family & Multifamily Housing Permits
Maricopa County



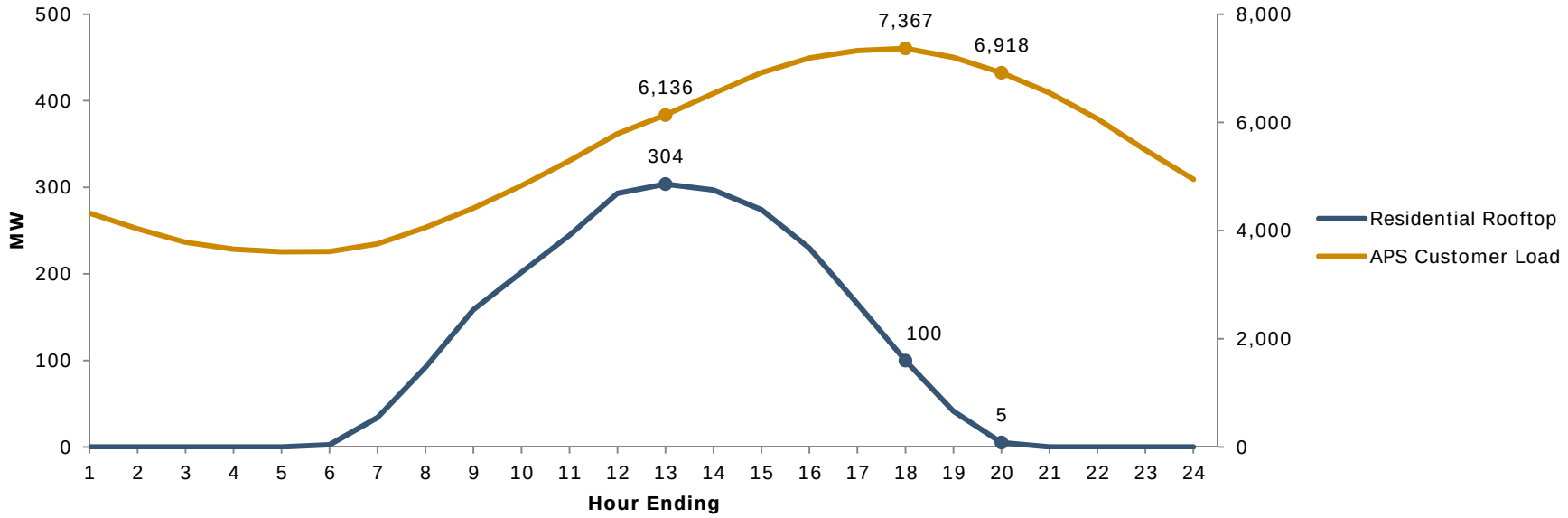
- ✔ Maricopa County ranked #1 in U.S. for population growth in 2016
  - U.S. Census Bureau March 2017
- ✔ Above-average job growth in financial services
- ✔ Vacancy rates in office and retail space have fallen to pre-recessionary levels
- ✔ Housing construction on pace to have its best year since 2007
- ✔ Scottsdale ranked best place in the U.S. to find a new job in 2017; 4 other valley cities ranked in Top 20
  - WalletHub January 2017

PINNACLE WEST CAPITAL CORPORATION

RESIDENTIAL SOLAR VS. APS CUSTOMER LOAD

Performance at system peak

On June 20th, APS customers hit "peak demand" for 2017 using more than 7,300 MW of electricity

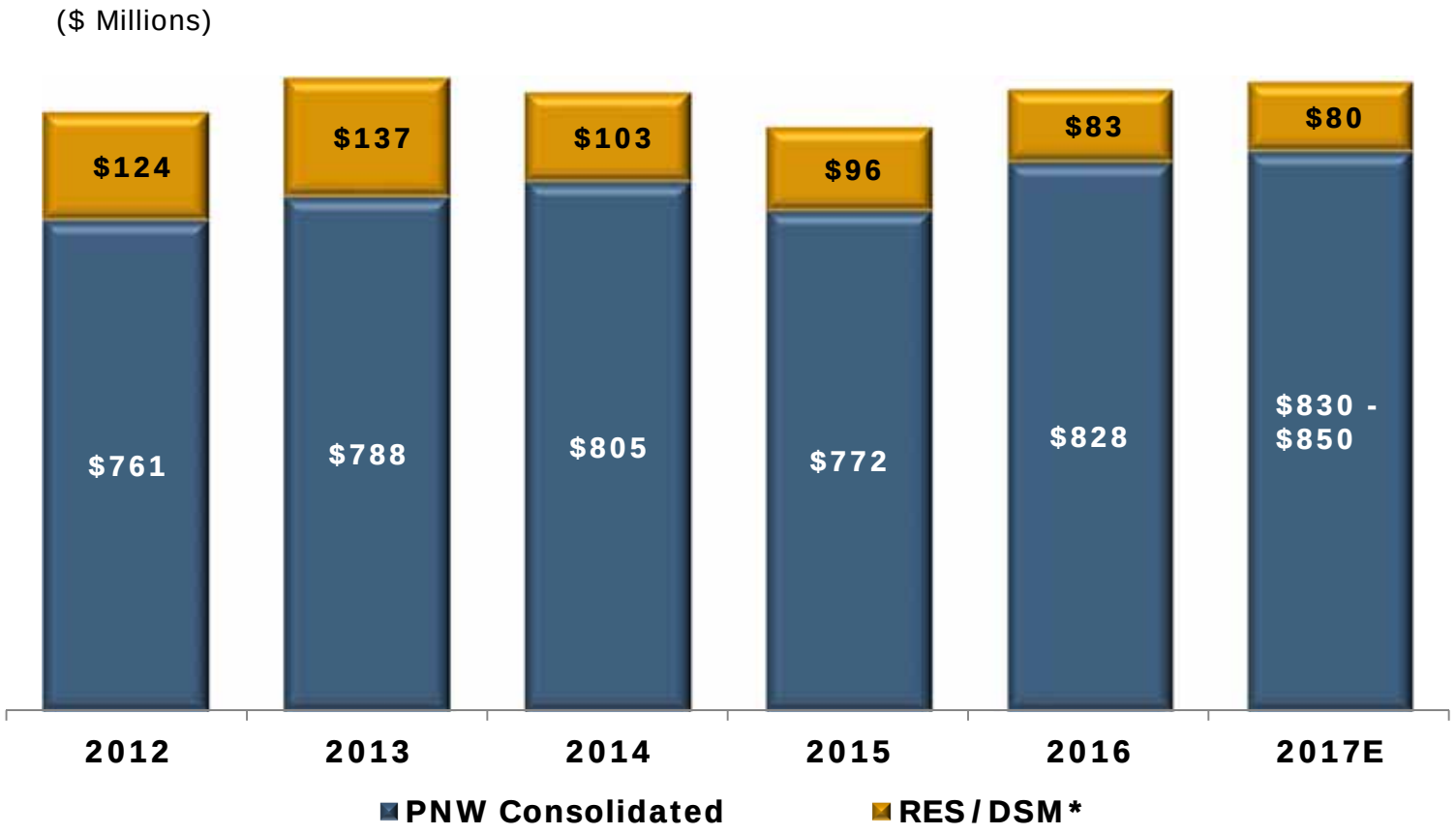


- 1-2 PM: Customer demand still increasing; rooftop solar peaks and begins to decline
- 5-6 PM: Between 5-6 pm, when customer demand reaches peak, rooftop solar producing at approximately 30% of total capacity
- 8 PM: Rooftop output near zero, but customer demand still above 6,900 MW of power

PINNACLE WEST CAPITAL CORPORATION

OPERATIONS & MAINTENANCE

Goal is to keep O&M per kWh flat, adjusted for planned outages



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

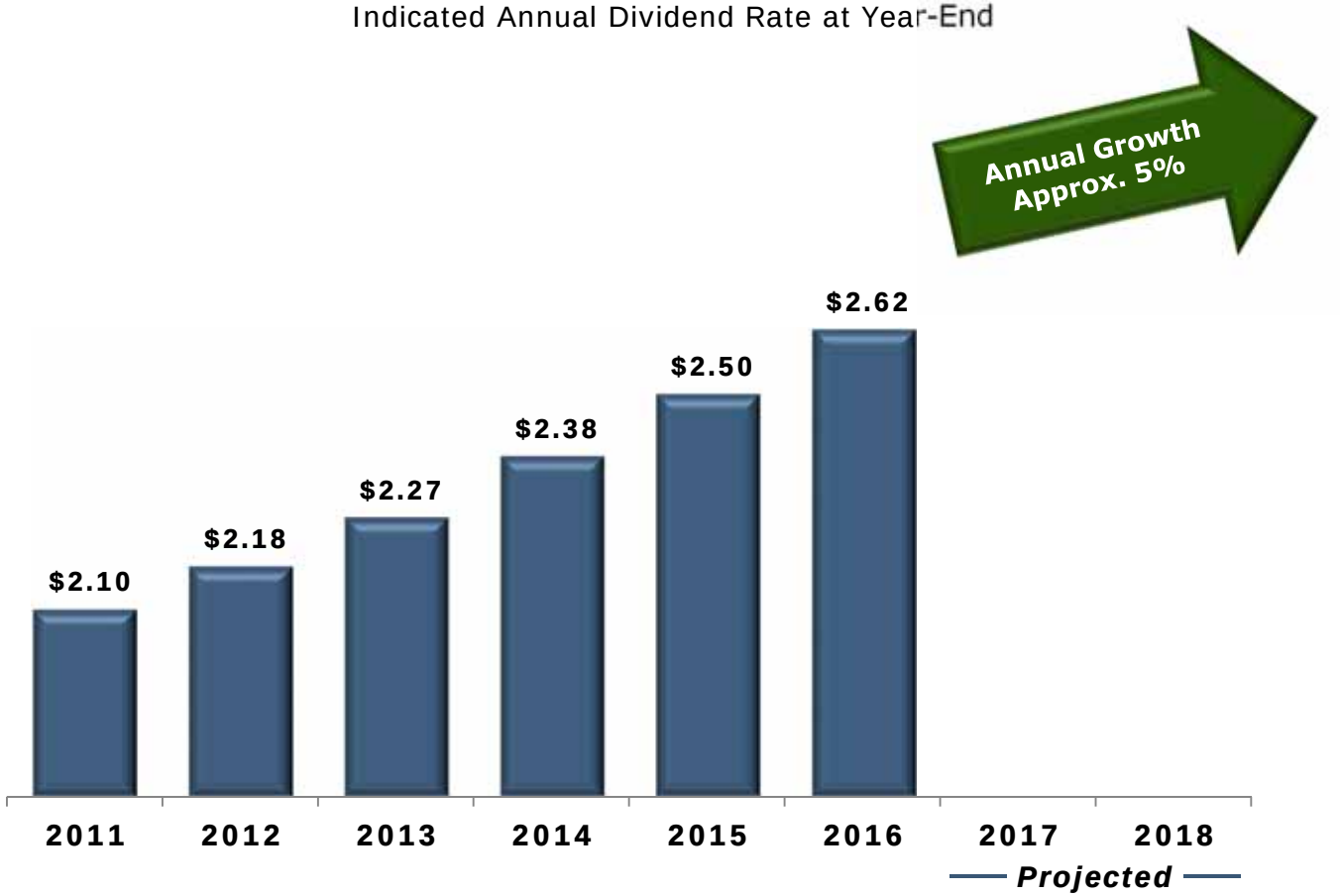
PINNACLE WEST CAPITAL CORPORATION

DIVIDEND GROWTH

Pinnacle West's indicated annual dividend is $2.62 per share; targeting ~5% annual dividend growth

Dividend Growth Goal

Indicated Annual Dividend Rate at Year-End



Future dividends subject to declaration at Board of Directors' discretion.

PINNACLE WEST CAPITAL CORPORATION

ARIZONA CORPORATION COMMISSION

Terms to January 2019

Tom Forese (R) Chairman

Doug Little (R)*

Terms to January 2020

Bob Burns (R)**

Boyd Dunn (R)

Andy Tobin (R)

Other State Officials

ACC Executive Director – Ted Vogt
RUCO Director – David Tenney

* Resigned from the ACC to work for the U.S. Department of Energy. His last day is September 29th.
** Term limited - elected to four-year terms (limited to two consecutive)

PINNACLE WEST CAPITAL CORPORATION

2017 RATE CASE ORDER*
EFFECTIVE AUGUST 19, 2017

Key Financial Proposals – Base Rate Changes

Annualized Base Rate Revenue Changes ($ millions)		
Non-fuel, Non-depreciation Base Rate Increase	$	87.2
Decrease fuel and Purchased Power over Base Rates		(53.6)
Increase due to Changes in Depreciation Schedules		61.0
Total Base Rate Increase	**$**	**94.6**

Key Financial Assumptions

Allowed Return on Equity	**10.0%**
Capital Structure	
Long-term debt	44.2%
Common equity	55.8%
Base Fuel Rate (¢/kWh)	**3.0168**
Post-test year plant period	**12 months**

*The ACC's decision is subject to requests for rehearing and potential appeal.

2017 RATE CASE ORDER*
EFFECTIVE AUGUST 19, 2017

Key Proposals – Revenue Requirement	
Four Corners	• Cost deferral order from in-service dates to incorporation of SCRs in rates using a step-increase no later than January 1, 2019
Ocotillo Modernization Project	• Cost deferral order from in-service dates to effective date in next rate case
Power Supply Adjustor (PSA)	• Modified to include certain environmental chemical costs and third-party battery storage
Property Tax Deferral	• Defer for future recovery the Arizona property tax expense above or below the test year rate
Key Proposals – Rate Design	
Lost Fixed Cost Recovery (LFCR)	• Modified to be applied as a capacity (demand) charge per kW for customer with a demand rate and as a kWh charge for customers with a two-part rate without demand
Environmental Improvement Surcharge (EIS)	• Increased cumulative per kWh cap rate from $0.00016 to a new rate of $0.00050 and include a balancing account
Time-of-Use Rates (TOU)	• Modified on-peak period for residential, and extra small through large general service to 3:00 pm – 8:00 pm weekdays • After September 1, 2018, a new TOU rate will be the standard rate for all new customers (except small use)
Distributed Generation	• New DG customers eligible for TOU rate with Grid Access Charge or Demand rates • Resource Comparison Proxy (RCP) for exported energy of $0.129/kWh in year one
AZ Sun II	• New program for utility-owned solar distributed generation, recoverable through the Renewable Energy Adjustment Clause (RES), to be no less than $10 million per year, and not more than $15 million per year
Other Considerations	
Rate Case Moratorium	• No new general rate case application before June 1, 2019 (3-year stay-out)
Self-Build Moratorium	• APS will not pursue any new self-build generation (with exceptions) having an in-service date prior to January 1, 2022 (extended to December 31, 2027 for combined-cycle generating units) unless expressly authorized by the ACC

*The ACC's decision is subject to requests for rehearing and potential appeal.

OCOTILLO MODERNIZATION PROJECT AND FOUR CORNERS SCRs

- Included in the 2017 rate case Order*, APS has been granted Accounting Deferral Orders for two large generation-related capital investments
  - Ocotillo Modernization Project: Retiring two aging, steam-based, natural gas units, and replacing with 5 new, fast-ramping, combustion turbine units
  - Four Corners Power Plant: Installing Selective Catalytic Reduction (SCR) equipment to comply with Federal environmental standards

	Ocotillo Modernization Project	Four Corners SCRs
In-Service Dates	Units 6, 7 – Fall 2018 Units 3, 4 and 5 – Spring 2019	Unit 5 – Late 2017 Unit 4 – Spring 2018
Total Cost (APS)	$500 million	$400 million
Estimated Cost Deferral	$45 million (through 2019)	$30 million (through 2018)
Accounting Deferral	Cost deferral from date of commercial operation to the effective date of rates in next rate case	Cost deferral order from time of installation to incorporation of the SCR costs in rates using a step increase beginning in 2019

*The ACC's decision is subject to requests for rehearing and potential appeal.

2017 KEY DATES

ACC Key Dates / Docket #	Q1	Q2	Q3	Q4
Key Recurring Regulatory Filings				
Lost Fixed Cost Recovery **E-01345A-11-0224**	Jan 15			
Transmission Cost Adjustor **E-01345A-11-0224**		May 15		
2018 DSM/EE Implementation Plan **E-01345A-17-0134**			Sep 1	
2018 RES Implementation Plan **E-01345A-17-0224**			Jul 1	Decision expected by end of 2017
APS Rate Case E-01345A-16-0036			Aug 18: Decision No. 76295 Aug 19: Effective Date of Rates	
Resource Planning and Procurement E-00000V-15-0094		April 10: Final 2017 IRP		Oct 1: Staff Report Due
Reducing System Peak Demand Costs E-00000J-16-0257	---------- *TBD* ----------			
Review, Modernization and Expansion of Arizona Renewable Energy Standards E-00000Q-16-0289	---------- *TBD* ----------			
Inquiry into the Role of Forest Bioenergy in Arizona E-00000Q-17-0138				10/19: Workshop 11/18: Report due
Review and Modification of Current Net Metering Rules RE-00000A-17-0260			---------- *TBD* ----------	

Other Key Dates	Q1	Q2	Q3	Q4
Arizona State Legislature	In session Jan 9 – May 10 (Adjourned)			

PINNACLE WEST CAPITAL CORPORATION

ENVIRONMENTAL PLAN

Regional Haze compliance is the biggest driver of environmental spend over the next few years

	Regional Haze / BART (SCR)	Mercury and Other Hazardous Air Pollutants (ACI + Baghouse)	Coal Combustion Residuals
EPA Ruling	Announced in 1999, with site-specific requirements announced more recently	MATS compliance by April 2015, with potential for one-year extension	Announced on December 19, 2014 (Subtitle D)
Four Corners Units 4 & 5	Approximately $400M for SCRs in 2016-2018 (does not include CAPEX related to 4CA 7% interest)	$0	APS estimates its share of incremental costs to comply with the CCR rule for Four Corners is approximately $22 million, and its share of incremental costs for Cholla is approximately $20 million. APS expects to incur certain of these costs during 2016-2018 timeframe.
Cholla Units 1-3	On April 26, 2017, APS's BART Reassessment for Cholla took effect, which avoids the need for additional pollution controls. This BART compliance approach required the closure of Unit 2 by April 2016 and the cessation of coal-burning for Units 1 and 3 by April 2025.[1]	$8M	
Navajo Units 1-3[2]	Up to ~$200M for SCRs and baghouses; on March 20, 2017, the Ninth Circuit Court of Appeals denied petitions for review challenging this better-than-BART compliance alternative	Approximately $1M	Approximately $1M

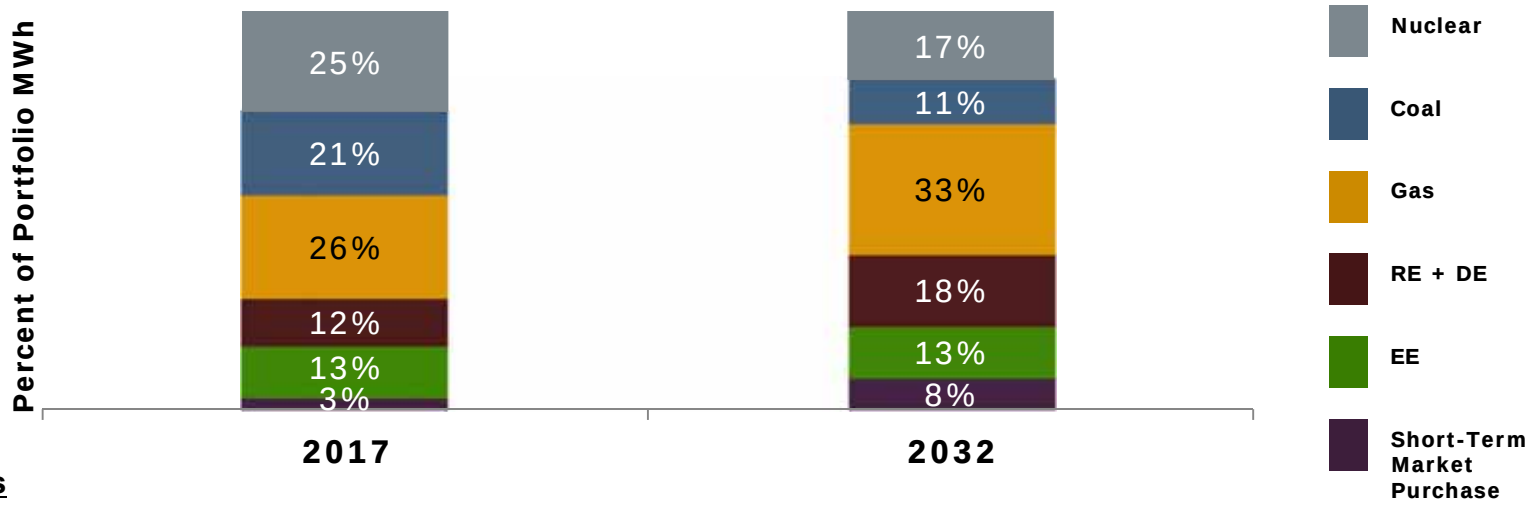
[1] Because the parties opposed to this BART compliance approach did not file petitions for review as to the EPA's final rule, the Cholla BART Reassessment is now effectively final without risk of further judicial intervention.
[2] On February 13, 2017, the co-owners of the Navajo Plant voted not to pursue continued operation beyond December 2019, the expiration of the current lease term.

Note: Dollars shown at ownership. Estimates as of June 30, 2017.

- Cholla: Unit 1 is not BART-eligible; Unit 2 retired on October 1, 2015; Unit 4 is owned by PacifiCorp.
- SO_2 NAAQS and greenhouse gas-related costs will be determined based upon EPA rule makings, with no spend occurring before 2016.
- ACI = Activated Carbon Injection; NAAQS = National Ambient Air Quality Standard; SCR = Selective Catalytic Reduction control technology

COAL FLEET STRATEGY

APS's proactive approach to reducing emissions leads to coal's expected share of the energy mix being reduced to 11% (970 MW)



Emissions

- 820 MW of coal has been retired including 560 MW at Four Corners Units 1-3 in 2013 and 260 MW at Cholla Unit 2 as of October 1, 2015.
- **Four Corners:** The 2013 transaction to purchase Southern California Edison's ownership in Units 4 and 5 led to the closure of units 1, 2 & 3. We are currently installing $400 million in pollution control equipment on Units 4 and 5 that is designed to reduce NOx emissions from those units up to 90%. When the new pollution control equipment comes on line in 2018, the total NOx emissions from all APS power plants will be 83% lower than our total NOx emissions were in 2012.
- **Cholla Power Plant**: Closure of Unit 2 as of October 1, 2015 will reduce mercury emissions by 51%, particulates by 34%, NOx by 32%, and CO2 and SO2 by 23% each. We also announced plans to work with the U.S. EPA to stop burning coal at our remaining Cholla units by mid-2025.
- **Navajo Generating Station:** On February 13, 2017, the co-owners voted not to pursue continued operation of the plant beyond December 2019, the expiration of the current lease term (*2032 includes NGS generation*).

Note: RE = Renewable Energy; DE = Distributed Energy; EE = Energy Efficiency

Data shown is based on the 2017 Integrated Resource Plan filed April 10, 2017.

PINNACLE WEST CAPITAL CORPORATION

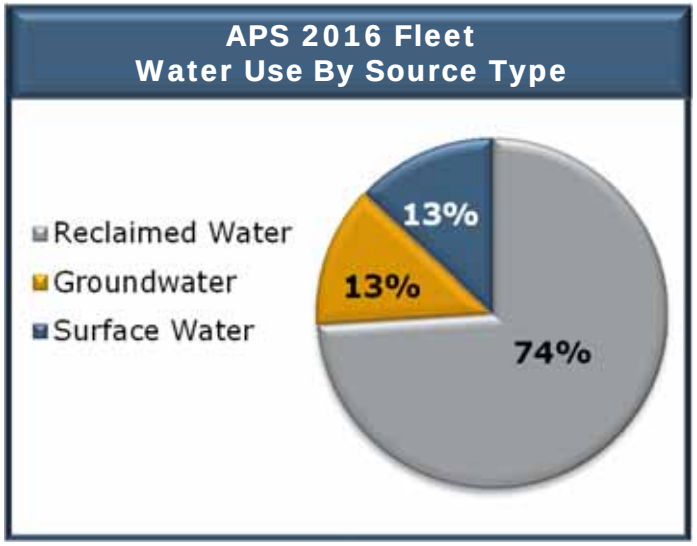
WATER STRATEGY

APS, and Palo Verde in particular, has provided national and international leadership on the use of reclaimed water for power generation

Vision: APS continues to strive for sustainable and cost-effective water supplies for energy production for APS customers.

Mission: To execute a strategic water resource management program that provides APS timely and reliable information to manage our water resources portfolio efficiently and effectively, and helps ensure long-term water supplies and water contingency plans for each of our facilities, even in times of extended drought.

- Each APS power plant has a unique water strategy, developed to promote efficient and sustainable use of water. In 2016, we reduced groundwater use by 28% compared to 2014 usage, far surpassing our goal of 8%.



Water Usage and Intensity: Over the next 10 years, our goal is to reduce water intensity company-wide by 20% compared to a 2014 baseline. Our current initiatives include:

- Reducing consumption of non-renewable water resources by 10% in 2017 over 2014 baseline, and
- Reducing consumption of non-renewable water resources by 12% in 2018 over 2014 baseline.

Palo Verde Generating Station: The only nuclear power plant in the world that is not located next to a large body of water. Instead, it uses treated effluent, or wastewater, from several area municipalities, recycling approximately 20 billion gallons of wastewater each year

Ocotillo Modernization Project: State-of-the-art hybrid cooling technology for new units being constructed will decrease water use from 900 gallons per MWh to 140 per gallon, a reduction of more than 80%.

GENERATION PORTFOLIO*

	Plant	Location	No. of Units	Dispatch	COD	Ownership Interest[1]	Net Capacity (MW)
NUCLEAR 1,146 MW	Palo Verde	Wintersburg, AZ	3	Base	1986-1989	29.1%	1,146
COAL 1,672 MW	Cholla	Joseph City, AZ	2	Base	1962-1980	100	387
	Four Corners	Farmington, NM	2	Base	1969-1970	63	970
	Navajo	Page, AZ	3	Base	1974-1976	14	315
GAS - COMBINED CYCLE 1,871 MW	Redhawk	Arlington, AZ	2	Intermediate	2002	100	984
	West Phoenix	Phoenix, AZ	5	Intermediate	1976-2003	100	887
GAS - STEAM TURBINE 220 MW	Ocotillo	Tempe, AZ	2	Peaking	1960	100	220
GAS / OIL COMBUSTION TURBINE 1,088 MW	Sundance	Casa Grande, AZ	10	Peaking	2002	100	420
	Yucca	Yuma, AZ	6	Peaking	1971-2008	100	243
	Saguaro	Red Rock, AZ	3	Peaking	1972-2002	100	189
	West Phoenix	Phoenix, AZ	2	Peaking	1972-1973	100	110
	Ocotillo	Tempe, AZ	2	Peaking	1972-1973	100	110
	Douglas	Douglas, AZ	1	Peaking	1972	100	16
SOLAR 239 MW	Hyder & Hyder II	Hyder, AZ	-	As Available	2011-2013	100	30
	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
	Foothills	Yuma, AZ	-	As Available	2013	100	35
	Distributed Energy	Multiple AZ Facilities	-	As Available	Various	100	25
	Gila Bend	Gila Bend, AZ	-	As Available	2015	100	32
	Luke Air Force Base	Glendale, AZ	-	As Available	2015	100	10
	Desert Star	Buckeye, AZ	-	As Available	2015	100	10
	Red Rock	Red Rock, AZ	-	As Available	2016	100	40
	Various	Multiple AZ Facilities	-	As Available	1996-2006	100	4
	Total Generation Capacity						**6,236 MW**

* As disclosed in 2016 Form 10-K. [1] Includes leased generation plants

PINNACLE WEST CAPITAL CORPORATION

PURCHASED POWER CONTRACTS*

	Contract	Location	Owner / Developer	Status[1]	PPA Signed	COD	Term (Years)	Net Capacity (MW)
SOLAR 310 MW	Solana	Gila Bend, AZ	Abengoa	IO	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	Jan - 2011	2012	30	15
	Badger	Tonopah, AZ	PSEG	IO	Jan-2012	2013	30	15
	Gillespie	Maricopa County, AZ	Recurrent Energy	IO	Jan-2012	2013	30	15
WIND 289 MW	Aragonne Mesa	Santa Rosa, NM	Ingifen 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
GEOTHERMAL 10 MW	Salton Sea	Imperial County, CA	Cal Energy	IO	Jan-2006	2006	23	10
BIOMASS 14 MW	Snowflake	Snowflake, AZ	Novo Power	IO	Sep-2005	2008	15	14
BIOGAS 6 MW	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
INTER-UTILITY 540 MW	PacifiCorp Seasonal Power Exchange	-	PacifiCorp	IO	Sep-1990	1991	30	480
	Not Disclosed	Not Disclosed	Not Disclosed	IO	May-2009	2010	10	60
CONVENTIONAL TOLLING 1,639 MW	CC Tolling	Not Disclosed	Not Disclosed	IO	Mar-2006	2007	10	514
	CC Tolling	Not Disclosed	Not Disclosed	IO	Aug-2007	2010	10	560
	CC Tolling	Arlington, AZ	Arlington Valley	IO	Dec-2016	2020	6	565
DEMAND RESPONSE 25 MW	Demand Response	Not Disclosed	Not Disclosed	IO	Sep-2008	2010	15	25
	Total Contracted Capacity							**2,833 MW**

* As disclosed in 2016 Form 10-K.

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

PINNACLE WEST CAPITAL CORPORATION

INVESTOR RELATIONS CONTACTS

Paul J. Mountain, CFA
General Manager, Investor Relations & Audit Services
(602) 250-4952
paul.mountain@pinnaclewest.com

Stefanie Layton
Director, Investor Relations
(602) 250-4541
stefanie.layton@pinnaclewest.com

Chalese Haraldsen
(602) 250-5643
chalese.haraldsen@pinnaclewest.com

Pinnacle West Capital Corporation
P.O. Box 53999, Mail Station 9998
Phoenix, Arizona 85072-3999

Visit us online at: www.pinnaclewest.com