



# POWERING GROWTH DELIVERING VALUE

Investor Meetings | May 18 - 24, 2018

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,” “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, ballot 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, 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.

# 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 6%, subject to declaration at Board of Directors' discretion
- ✓ Strong credit ratings and balance sheet
- ✓ Rate base growth of 6-7%

## 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 approximately 550,000 new customers<sup>1</sup>

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

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

## 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

# SUSTAINABILITY

APS's vision is to create a sustainable energy future for Arizona

Pinnacle West and APS have adopted a strategic framework that supports our operating foundation



## Five critical areas of our sustainability efforts

### Carbon Management

- 50% of our diverse energy mix is **carbon-free**
- Plan to **reduce carbon intensity by 23%** over the next 15 yrs

### Energy Innovation

- **More than 1,300 MW** of installed solar capacity
- Plan to add over **500 MW of energy storage** by 2032

### Safety & Security

- **70% reduction** in OSHA recordable injuries over past 10 yrs
- Remain **top decile for safety performance** in the U.S. electric utilities industry

### Water Resources

- **14% reduction** in groundwater use since 2014
- **20B gallons of water recycled** each year to cool Palo Verde

### People

- Avg. **employee tenure of 13 yrs** due to strong talent strategy
- More than 20% of our employees are **veterans**

# TECHNOLOGY INNOVATION

## Technological advancements for a more efficient and informed Worker of the Future

### Advanced Data Analytics

- Leveraging data using state of the art Machine Learning and Artificial Intelligence techniques.
- Driving value via process automation and data-driven decision making.
- Providing tools that identify inefficiencies in Supply Chain and plant operations.



### Workforce Automation

- Utilizing APS's drone program to save over \$1 million dollars through land surveys and faster identification of equipment approaching failure.
- Deploying robotic process automation (bots) to reduce labor hours by implementing simple, agile, standard processes.



### Electronic Work Packages

- Enabling mobile/field workers to react more quickly through access to real-time systems and data
- Making Leaders more efficient with tools to support their workers in real time
- Eliminating inefficient and manual paper processes



# ADVANCED GRID INVESTMENTS

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

## Grid Operations & Investment

Projected \$1.6 Billion from 2018-2020



### Reclosers – Supervisory Controlled Switches, Trip Savers

- Automated switches controlled from the Distribution Operations Center
- Manage load without sending field personnel to manually operate the switch



### Advanced Distribution System Platform

- 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



### Cap Bank Controllers, Substation Regulators, Voltage Management Algorithms

- Controls regulators and capacitor banks to manage power quality such as power factor and voltage



### Monitors – Transformers, Breakers, Bushings

- New technologies such as APS's Transformer Oil Analysis & Notification system leverage advances in communications and sensing to remotely monitor health of transformers, enabling proactive maintenance actions to prevent critical failures and increase reliability



### Communications Backhaul

- Leveraging AMI for distribution automation
- Strategically deploying Fiber for communications backhaul
- Transitioning to Internet Protocol based networks for future growth & scalability



### Sensors – Current, Voltage

- Line sensors to measure & identify fault current, fault location and voltage
- Improves outage restoration time and operations efficiency

# CUSTOMER PROGRAMS

Programs that benefit both the Company and customers

## Smart Thermostats with Demand Response and Pre-Cooling

### Customer Benefits

- Bill credit of \$25/year in exchange for demand response

### APS Benefits

- Partner with customers to reduce system load during peak periods

## Behind the Meter Battery Systems

### Customer Benefits

- Receive battery and one-time incentive of \$500 in exchange for joint use of the battery

### APS Benefits

- APS will own, operate, and maintain the battery systems
- Batteries will help integrate solar resources
- Utilize battery storage as a load balancing mechanism during peak hours

## Residential Grid-Interactive Water Heaters

### Customer Benefits

- Bill savings opportunities
- Customer receive free heat pump water heaters

### APS Benefits

- APS operates water heaters to fill the belly of the duck and avoid peak periods
- Innovative load management initiative

# DEMAND SIDE MANAGEMENT (DSM)

2018 DSM Plan shifts the focus to align with APS's changing resource needs

## School Bus Electrification

- Pilot program to electrify school buses that can charge in the middle of the day

## Managed EV Charging Program

- Fleet, workplace and multifamily charging infrastructure
- Utility controlled providing additional demand response

## Reverse Demand Response Pilot

- Customers take advantage of negative pricing events

## Energy Storage Initiative Expansion

- Focus on C&I energy storage and control

***2018 DSM Plan introduces new high value pilot programs to utilize the mid-day overproduction of energy***



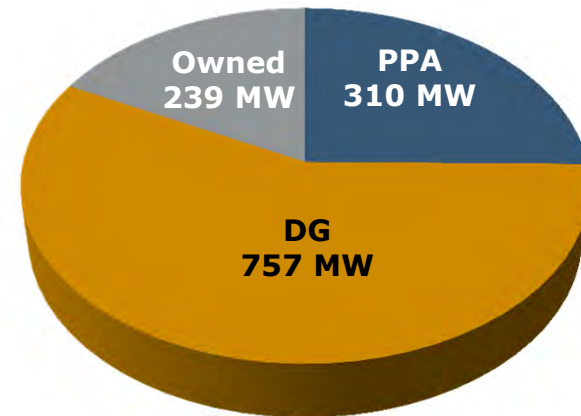
# RENEWABLE RESOURCES

APS has been supporting solar energy for more than 60 years

APS currently has 1,625 MW of renewable resources:

- Solar\* 1,306 MW
- Wind 289 MW
- Biomass 14 MW
- Geothermal 10 MW
- Biogas 6 MW

## APS Solar Portfolio\*



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

\* As of 3/31/18 as reported in the First Quarter 2018 Form 10-Q – with additional 99 MW under development

# APS SOLAR

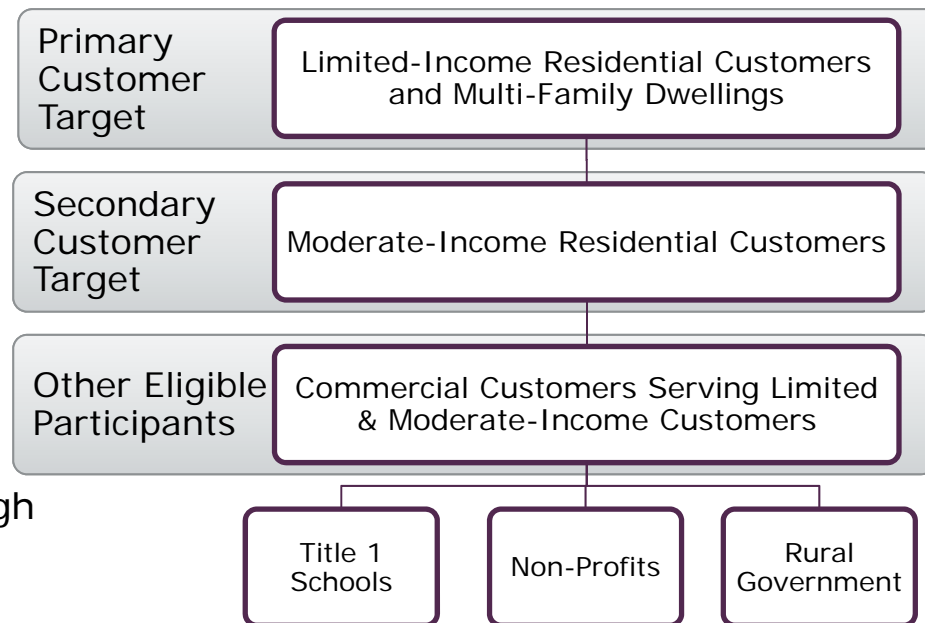
Providing more renewable energy and technology to all customers

## APS Solar Partner Program (Installations Complete)

- Installed 10 MW of APS-owned residential PV systems with advanced controllable inverters that can vary power output
- 4 MWh of grid-tied battery storage on 2 of the participating feeders

## APS Solar Communities (Construction to begin Q2 2018)

- Deploy utility owned photovoltaic solar generation connected directly to the distribution system
- All solar assets will use advanced inverters
- Program spend of \$10-\$15 million in direct capital costs each year for the three-year program period
- Program costs recovered annually through the Renewable Energy Surcharge



# STORAGE PROJECTS

Energy storage is an important part of our Integrated Resource Plan



## Punkin Center Battery Storage Project

- 2 MW / 8 MWH lithium ion battery
- Placed in service March 2018
- Defers the rebuild of around 20 miles of 21 kV distribution line for approximately 5-10 years
- Acts as generating capacity to the system
- Helps regulate the voltage on the feeder



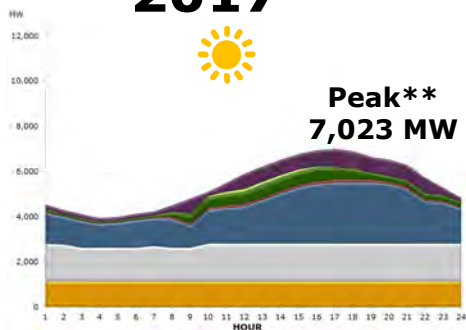
## APS, First Solar Battery Storage Project

- 50 MW battery energy storage; 65 MW solar
- 15-year power purchase agreement
- Anticipated in service in 2021
- APS will be able to store power and deliver energy during peak hours (3-8pm)

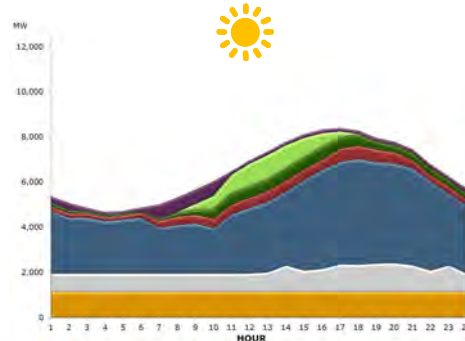
# RESOURCE PLANNING\*

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

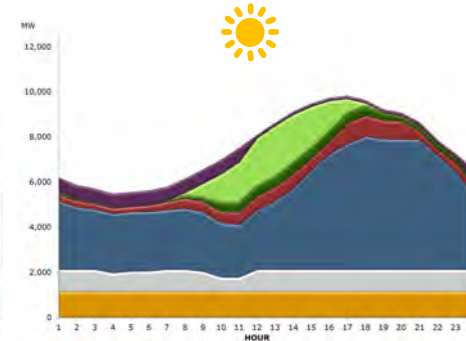
## Reference Year 2017\*\*



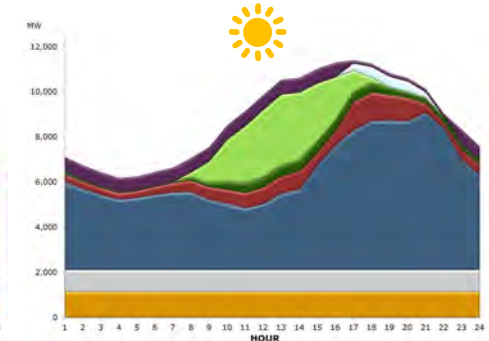
## 2022



## 2027



## 2032



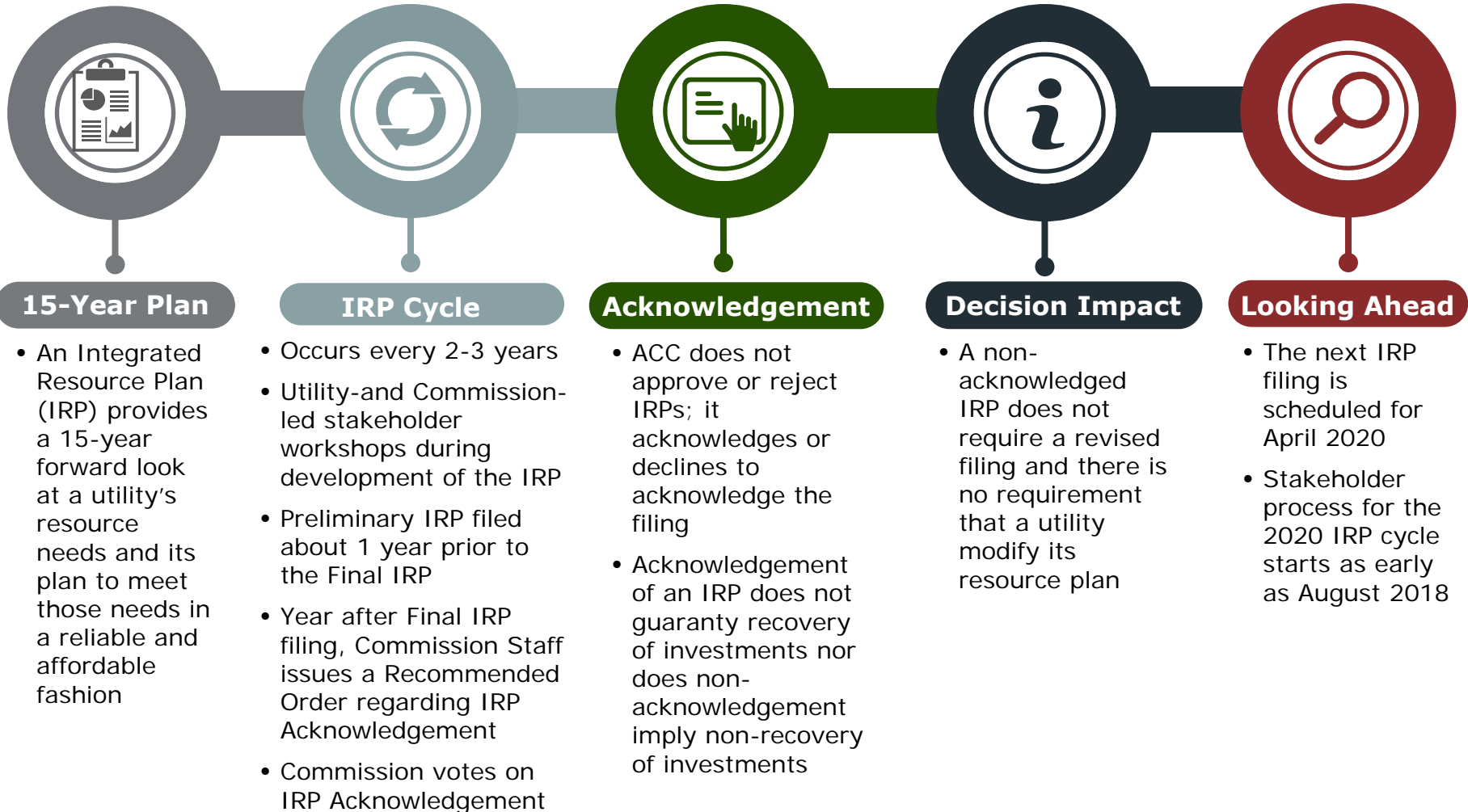
■ Nuclear   
 ■ Coal   
 ■ Natural Gas   
 ■ DSM   
 ■ Utility-Scale Renewable Energy   
 ■ Rooftop Solar   
 ■ Short-Term Market Purchases   
 ■ Storage

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

\*\*Normal weather peak, includes planning reserves

# INTEGRATED RESOURCE PLAN

The ACC can acknowledge the filing of an IRP, but they do not approve IRP's





# APPENDIX

PINNACLE WEST  
CAPITAL CORPORATION



# SENIOR MANAGEMENT TEAM

Our management team has more than 100 combined years of creating shareholder value in the energy industry

## Don Brandt

Chairman of the Board, President and Chief Executive Officer, Pinnacle West & APS



- Joined Pinnacle West in 2002
- Elected to Pinnacle West Board and named Chairman, CEO in 2009
- Recognized industry leader with 30+ years in the nuclear and energy industries
- Vice Chairman of the Institute of Nuclear Power Operations and Chairman of the Nuclear Energy Institute

## Jim Hatfield

Executive Vice President and Chief Financial Officer, Pinnacle West & APS



- Joined as SVP and CFO in 2008 from OGE Energy Corp.
- Responsible for corporate functions including finance, investor relations, and risk management
- 37+ years of financial experience in the utility and energy business

We maintain a robust pipeline of talent to serve our complex operations and facilitate effective succession planning in a highly competitive talent environment

## Daniel Froetscher

Executive Vice President of Operations, APS



- Joined APS in 1980
- Appointed EVP of Operations, February 2018
- Responsible for overseeing T&D, fossil generation, resource management, sustainability, supply chain and security
- Significant leadership and industry experience

## Jeff Guldner

Executive Vice President, Public Policy & General Counsel, Pinnacle West & APS



- Joined APS in 2004 from Snell & Wilmer
- Appointed EVP and GC, April 2017
- Responsible for overseeing regulatory and government affairs and legal activities
- Significant experience in public utility and energy law and regulation

## Bob Bement

Executive Vice President and Chief Nuclear Officer, APS

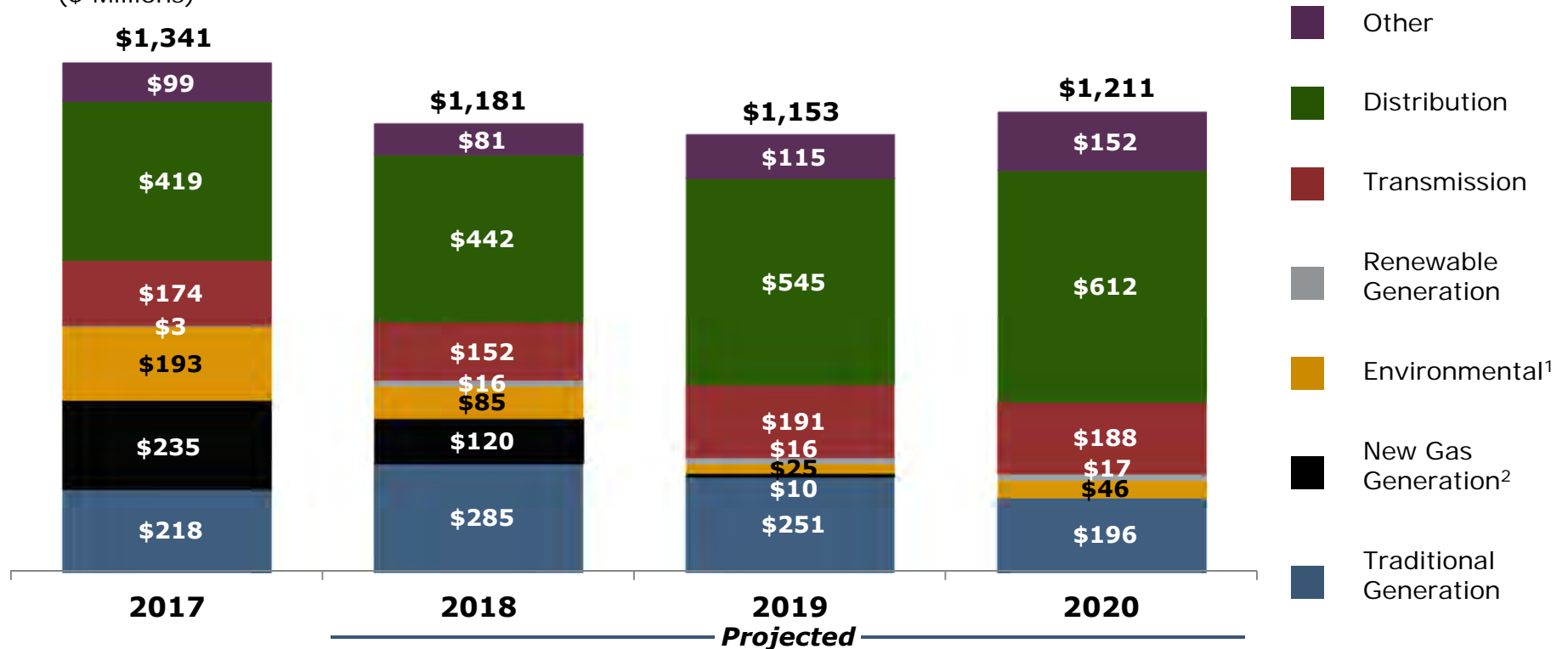


- Joined APS in 2007 from Arkansas Nuclear One
- Promoted from SVP of Site Operations to EVP and Chief Nuclear Officer in 2016
- Responsible for all nuclear-related activities associated with Palo Verde
- Seasoned nuclear industry expert serving on several industry committees

# APS CAPITAL EXPENDITURES

Capital expenditures are funded primarily through internally generated cash flow

(\$ Millions)



- The chart does not include capital expenditures related to 4CA's 7% interest in the Four Corners Power Plant Units 4 and 5 of \$29 million in 2017, or projected capital expenditures of \$15 million in 2018, \$7 million in 2019 and \$6 million in 2020.
- 2018 – 2020 as disclosed in First Quarter 2018 Form 10-Q.

<sup>1</sup> Includes Selective Catalytic Reduction controls at Four Corners with in-service dates of Q4 2017 (Unit 5) and Q2 2018 (Unit 4)

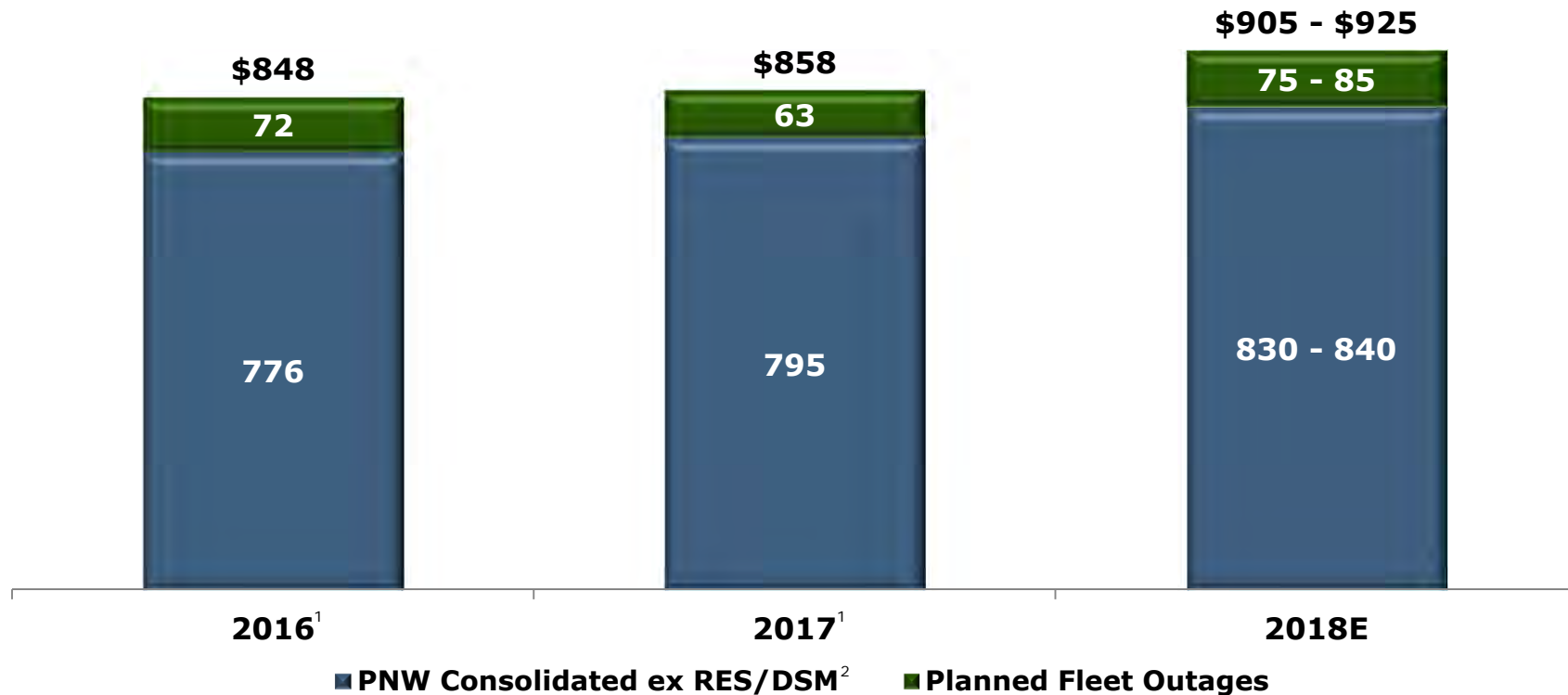
<sup>2</sup> Ocotillo Modernization Project: 2 units scheduled for completion in Q4 2018, 3 units scheduled for completion in Q1 2019.



# OPERATIONS & MAINTENANCE

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

(\$ Millions)



<sup>1</sup> Reclassified to reflect the adoption of the new accounting requirements for presenting pension and other postretirement non-service costs ("Pension & OPEB Presentation"). Increases in O&M due to the Pension & OPEB Presentation change are approximately \$20 million in 2016, \$25 million in 2017 and \$35 million in 2018, which are offset in pension and other post-retirement non-service credits on the income statement. See Notes 1, 5 and 13 in the First Quarter 2018 Form 10-Q for additional information.

<sup>2</sup> Excludes RES/DSM of \$83 million in 2016, \$91 million in 2017 and \$105 million in 2018E.

# TAX REFORM

**Tax Cuts and Jobs Act provides benefits to both our customers and shareholders**

## Regulatory Steps

- Received ACC approval of \$119 million annual rate reduction reflecting lower corporate tax rate through the Tax Expense Adjustor Mechanism (TEAM)
- Second filing under the TEAM expected later in 2018 to return excess deferred income taxes to customers
- FERC guidance on the rate reduction for transmission customers expected in 2018

Recap of Excess Deferred Taxes (\$ millions)	As of March 31, 2018
Total Regulated Excess Deferred Taxes	\$1,140
Depreciation Related Excess Deferred Taxes (to be returned over the life of property)	\$1,020 - \$1,040
Non-Depreciation Related Excess Deferred Taxes	\$100 - \$120

## Cash Taxes

- Minimal cash tax payments through 2018 due to existing \$85 million in tax credit carryforwards

## Timing Impacts

- The impact of the lower federal income tax rate is based on our quarterly pre-tax earnings
- The reduction to customers' rates through the TEAM is based on a per kWh sales credit
- Our typical seasonal pre-tax earnings and kWh sales patterns are as follows<sup>1</sup>:

	Q1	Q2	Q3	Q4
Pre-Tax Earnings	5%	30%	55%	10%
Kilowatt Hour Sales	21%	25%	33%	21%

<sup>1</sup> Based on historical five-year average

## Rate Base Growth

- Higher incremental rate base of \$150 million per year in 2018 and 2019

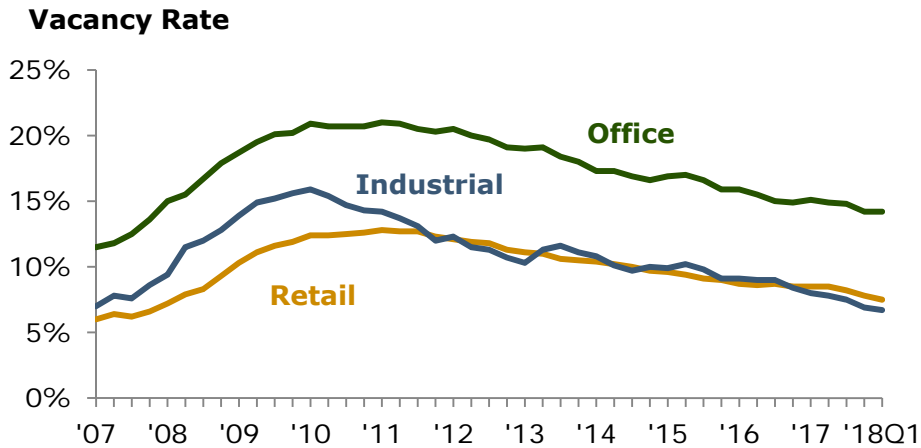
## Continued Interest Deductibility

- Majority of Pinnacle West debt likely allocable to regulated operations and excluded from any limitation

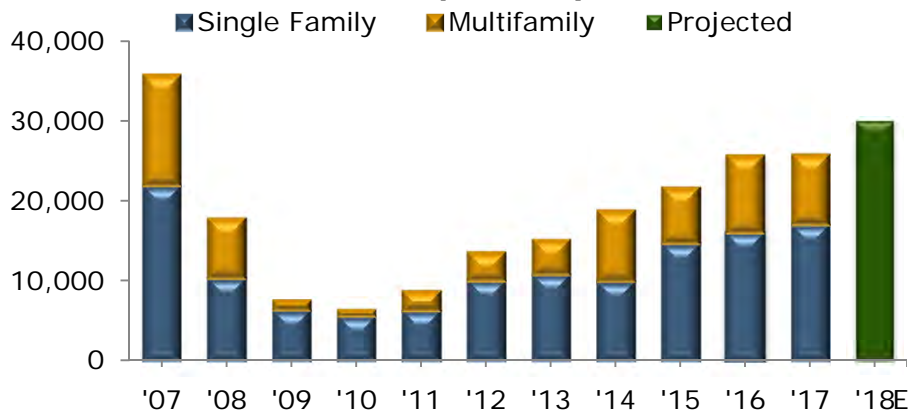
# ECONOMIC INDICATORS

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

### Nonresidential Building Vacancy – Metro Phoenix



### Single Family & Multifamily Housing Permits Maricopa County



- ✓ Maricopa County ranked #1 in U.S. for population growth for second straight year - *U.S. Census Bureau March 2018*
- ✓ Arizona population surpassed 7 million in 2017
- ✓ Arizona #1 state in the country in 2017 for in-bound moves - *North American Moving Services January 2018*
- ✓ 2017 housing construction at highest level since 2007
- ✓ Above-average job growth in tourism, health care, manufacturing, financial services, and construction
- ✓ Vacancy rates in office and retail space have fallen to pre-recessionary levels

# ECONOMIC DEVELOPMENT

Arizona's focus on economic development continues to support growth in the state

## 2017

APS partnered with Greater Phoenix Economic Council and Arizona Commerce Authority to welcome 21 new companies to the state, adding an estimated:

- 39.8 MW
- 4,300 new jobs
- \$659.9M in capital investment
- Notable corporations include UPS, Ball Corporation, Aldi and Chewy.com

## 2018

Nikola Motors selected Arizona for its new headquarters and manufacturing facility adding an estimated:

- 10 MW
- 1,500 new jobs
- \$900M in capital investment
- Nikola sited Arizona's quality workforce, pro-business atmosphere and inexpensive housing as differentiating factors

Governor Ducey approves budget for the Arizona Commerce Authority

- Supports business expansion and attraction efforts, workforce development and job training, and tax credit administration

# RATE BASE

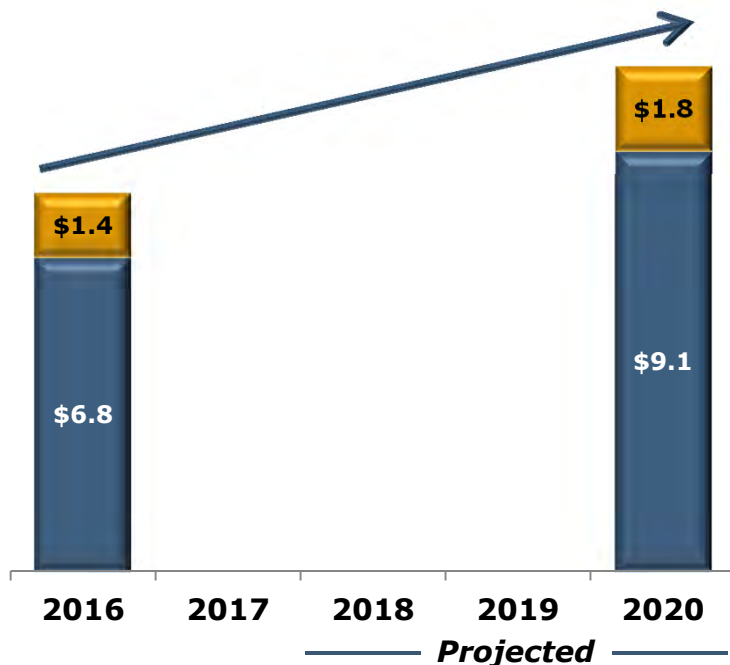
APS's revenues come from a regulated retail rate base and meaningful transmission business

## APS Rate Base Growth

Year-End

■ ACC ■ FERC

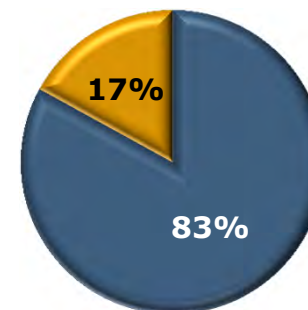
Rate Base Guidance:  
6-7% Average Annual Growth Rate



Rate base \$ in billions, rounded

## Total Approved Rate Base

■ Generation & Distribution ■ Transmission

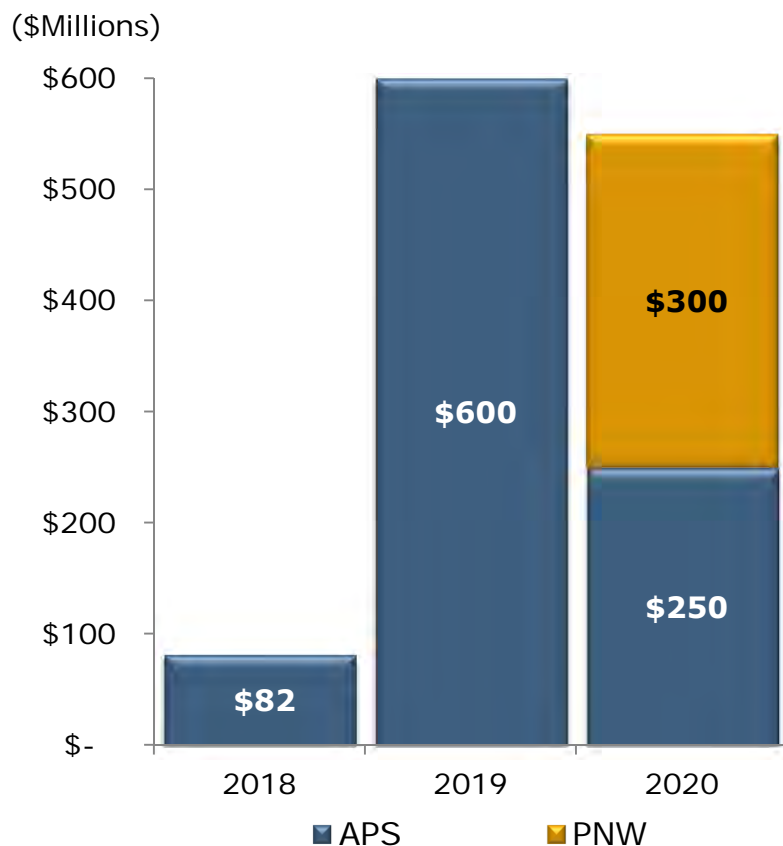


	ACC	FERC
Rate Effective Date	8/19/2017	6/1/2017
Test Year Ended	12/31/2015 <sup>1</sup>	12/31/2016
Rate Base	\$6.8B	\$1.4B
Equity Layer	55.8%	55%
Allowed ROE	10.0%	10.75%

<sup>1</sup> Adjusted to include post test-year plant in service through 12/31/2016

# BALANCE SHEET STRENGTH

## Long-Term Debt Maturity Schedule



## Credit Ratings<sup>1</sup>

- A- or equivalent ratings or better at S&P, Moody's and Fitch

## 2018 Major Financing Activities

- Currently expect up to \$600 million of long-term debt issuance at APS

<sup>1</sup> We are disclosing credit ratings to enhance understanding of our sources of liquidity and the effects of our ratings on our costs of funds.

# CREDIT RATINGS AND METRICS

Credit metrics remain a key focus

	APS	Pinnacle West
<b>Corporate Credit Ratings<sup>1</sup></b>		
Moody's	A2	A3
S&P	A-	A-
Fitch	A-	A-
<b>Senior Unsecured<sup>1</sup></b>		
Moody's	A2	A3
S&P	A-	BBB+
Fitch	A	A-

Note: Moody's, Fitch and S&P rate the outlooks for APS and Pinnacle West as Stable.

	2012	2013	2014	2015	2016	2017
<b>APS</b>						
FFO / Debt	27.7%	31.5%	27.5%	29.7%	26.5%	26.9%
FFO / Interest	4.8x	5.6X	5.5x	5.8x	5.0x	5.2x
Debt / Capitalization	50.7%	47.7%	45.3%	45.8%	47.7%	47.3%
<b>Pinnacle West</b>						
FFO / Debt	26.7%	29.8%	26.5%	28.9%	25.1%	24.7%
FFO / Interest	4.4x	4.9X	5.2x	5.6x	4.9x	4.8x
Debt / Capitalization	52.1%	49.1%	46.7%	47.0%	49.0%	50.3%

Source: Standard & Poor's

<sup>1</sup>We are disclosing credit ratings to enhance understanding of our sources of liquidity and the effects of our ratings on our costs of funds.

# OCOTILLO MODERNIZATION PROJECT AND FOUR CORNERS SCR<sub>s</sub>

- Included in the 2017 Rate Review Order<sup>1</sup>, 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 SCR <sub>s</sub>
<b>In-Service Dates</b>	Units 6, 7 – Fall 2018 Units 3, 4 and 5 – Spring 2019	Unit 5 – Late 2017 Unit 4 – Spring 2018
<b>Total Cost (APS)</b>	\$500 million	\$400 million
<b>Estimated Cost Deferral</b>	\$45 million (through 2019)	\$30 million (through 2018)
<b>Accounting Deferral</b>	<ul style="list-style-type: none"> <li>– Cost deferral from date of commercial operation to the effective date of rates in next rate case</li> <li>– Includes depreciation, O&amp;M, property taxes, and capital carrying charge<sup>2</sup></li> </ul>	<ul style="list-style-type: none"> <li>– Cost deferral from time of installation to incorporation of the SCR costs in rates using a step increase beginning in 2019</li> <li>– Includes depreciation, O&amp;M, property taxes, and capital carrying charge<sup>2</sup></li> </ul>

<sup>1</sup> The ACC's decision is subject to appeals.

<sup>2</sup> APS will calculate the capital carrying charge using the 5.13% embedded cost of debt established in the 2017 Rate Review Order.



# FOUR CORNERS SCR STEP INCREASE

APS filed for a rate increase  
on April 27, 2018

## Key Components of APS's Filed Request

Financial	Cost of Capital	Bill Impact
<ul style="list-style-type: none"> <li>Consistent with prior disclosed estimates</li> </ul>	<ul style="list-style-type: none"> <li>7.85% Return on Rate Base<sup>1</sup> <ul style="list-style-type: none"> <li>Weighted Average Cost of Capital</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Rate rider applied as a percentage of base rates for all applicable customers</li> </ul>
<ul style="list-style-type: none"> <li>\$390 million direct costs vs. \$400 million<sup>1</sup> contemplated in APS's recent rate case</li> </ul>	<ul style="list-style-type: none"> <li>5.13% Return on Deferral<sup>1</sup> <ul style="list-style-type: none"> <li>Embedded Cost of Debt</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>\$67.5 million revenue requirement</li> </ul>
<ul style="list-style-type: none"> <li>\$40 million in indirect costs (overhead, AFUDC)</li> </ul>	<ul style="list-style-type: none"> <li>5% Depreciation Rate                             <ul style="list-style-type: none"> <li>20 year useful life (2038-depreciation study)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>~2% bill impact</li> </ul>
	<ul style="list-style-type: none"> <li>5 Year Deferral Amortization</li> </ul>	

<sup>1</sup> Based on 2017 Rate Review Order

# ARIZONA CORPORATION COMMISSION

## Terms to January 2019



**Tom  
Forese (R)  
Chairman**



**Justin  
Olson (R)\*\***

## Terms to January 2021



**Bob  
Burns (R)\***



**Boyd  
Dunn (R)**



**Andy  
Tobin (R)**

## Other State Officials

**ACC Executive Director – Ted Vogt  
RUCO Director – David Tenney**

\* Term limited - elected to four-year terms (limited to two consecutive)

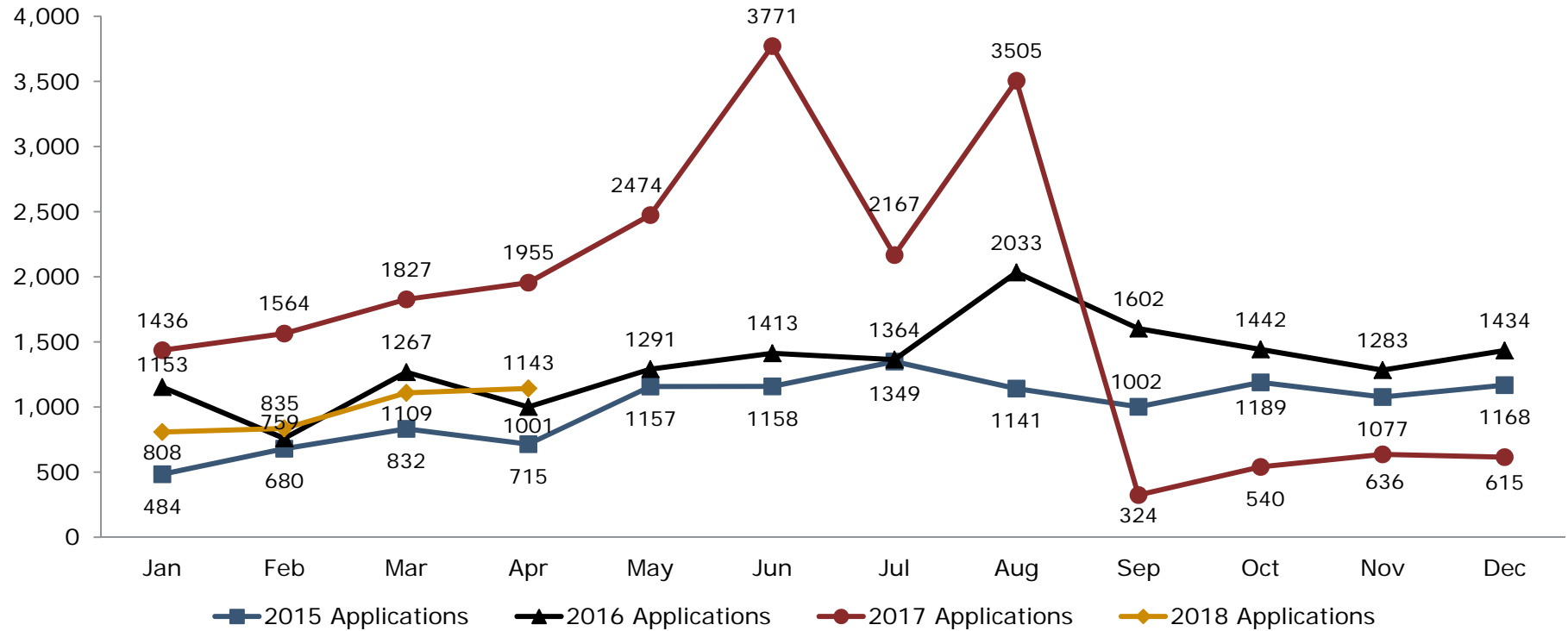
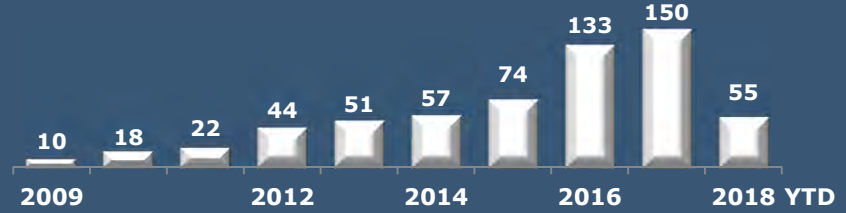
\*\*Governor Doug Ducey appointed Justin Olson to fill the remainder of former Commissioner Doug Little's term.

# 2018 KEY DATES

ACC Key Dates / Docket #	Q1	Q2	Q3	Q4
<b>Key Recurring Regulatory Filings</b>				
Lost Fixed Cost Recovery <b>E-01345A-11-0224</b>	Filed Feb 15	Implemented May 1		
Transmission Cost Adjustor <b>E-01345A-11-0224</b>		Filed May 15 Implement Jun 1		
2019 DSM/EE Implementation Plan <b>TBD</b>		2018 DSM Decision Expected Q2	Sep 7: File 2019 Plan	
2019 RES Implementation Plan <b>TBD</b>		2018 RES Decision Expected Q2	Jul 1: File 2019 Plan	
APS Rate Review/ Four Corners SCR Step Increase <b>E-01345A-16-0036</b>	Feb: Customer Transition Begins	May 1: Filed Year Two RCP Export Rate Apr 27: Filed Four Corners SCR Request	Sep 1: Year Two RCP Export Rate Implemented	
Resource Planning and Procurement <b>E-00000V-15-0094</b>	ACC declined to acknowledge Arizona utility's IRPs		Workshops begin for APS 2020 IRP	
Review and Modification of Current Net Metering Rules <b>RE-00000A-17-0260</b>		Staff Draft Rules Expected		
Modification of the Federal Tax Reform Rate Adjustment <b>AU-00000A-17-0379</b>	Implemented March 1			
Energy Modernization Plan <b>E-00000Q-16-0289</b>	Staff Notice of Inquiry opened February 22	Apr 23: Responses to NOI		
<b>Other Key Dates</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
<b>Arizona State Legislature</b>	In session Jan 8 – End of Q2			
<b>Elections</b>			Aug 28: Primary	Nov 6: General

# RESIDENTIAL PV APPLICATIONS<sup>1</sup>

Residential DG (MWdc) Annual Additions



<sup>1</sup> Monthly data equals applications received minus cancelled applications. As of April 30, 2018, approximately 78,500 residential grid-tied solar photovoltaic (PV) systems have been installed in APS's service territory, totaling approximately 620 MWdc of installed capacity. Excludes APS Solar Partner Program residential PV systems.

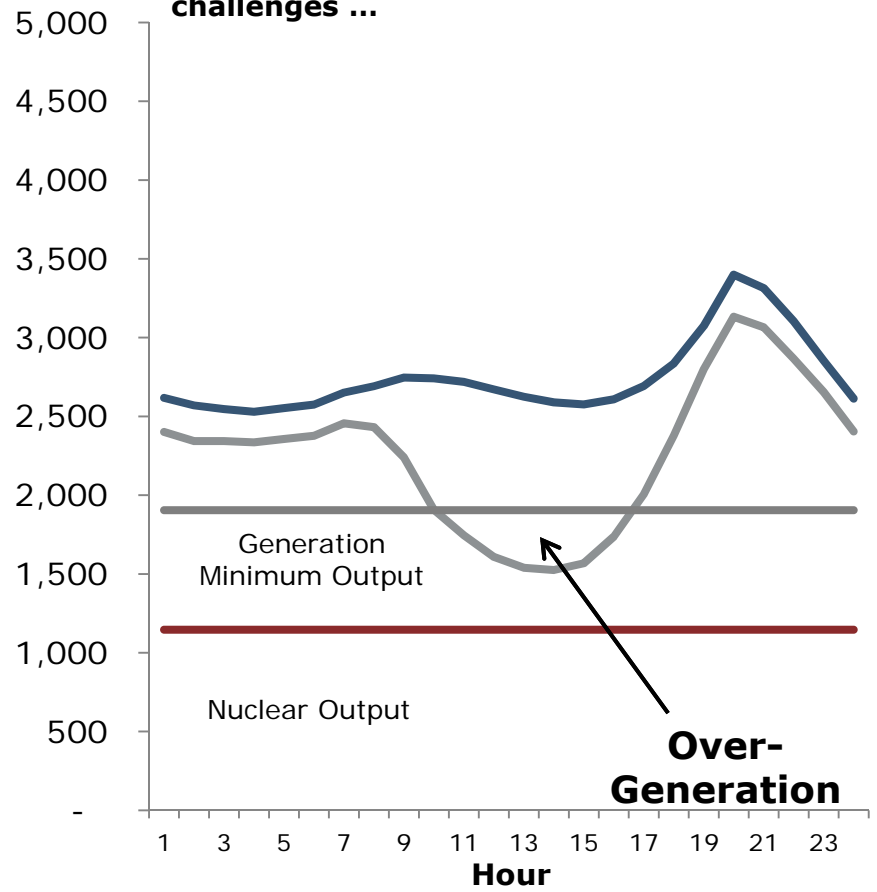
Note: [www.arizonagoessolar.org](http://www.arizonagoessolar.org) logs total residential application volume, including cancellations. Solar water heaters can also be found on the site, but are not included in the chart above.

# THE "DUCK CURVE"

Distributed generation is changing the load shape of the grid

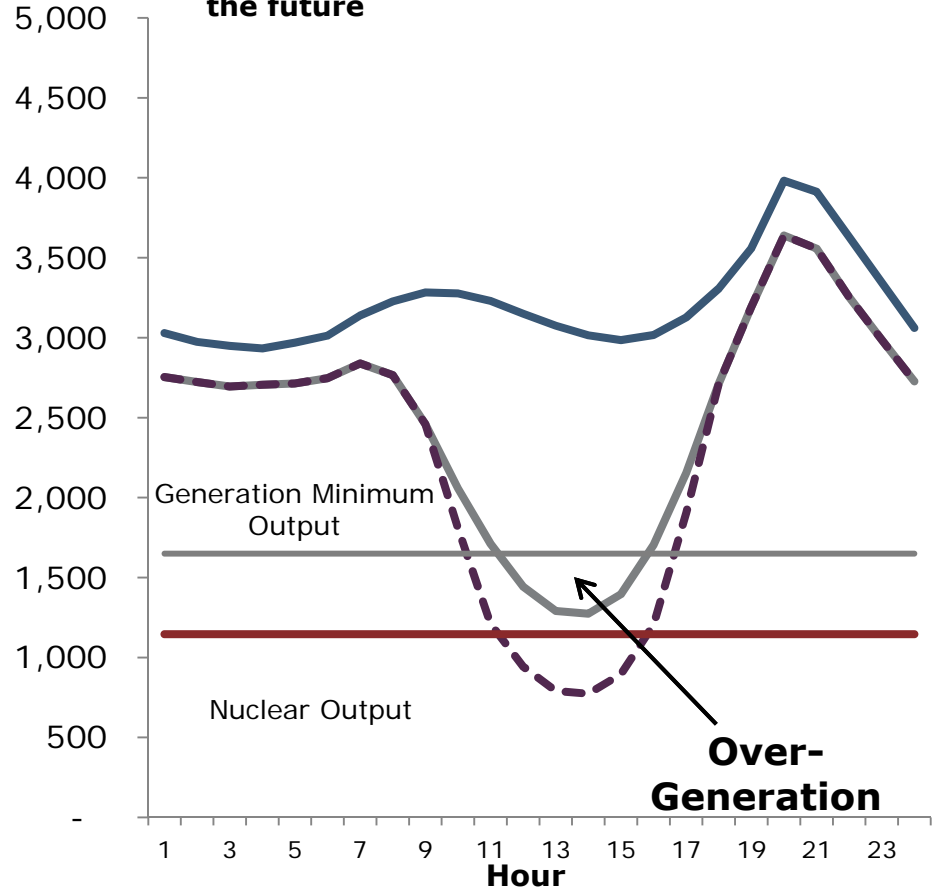
## Current Spring Day

Excess renewables create over-generation challenges ...



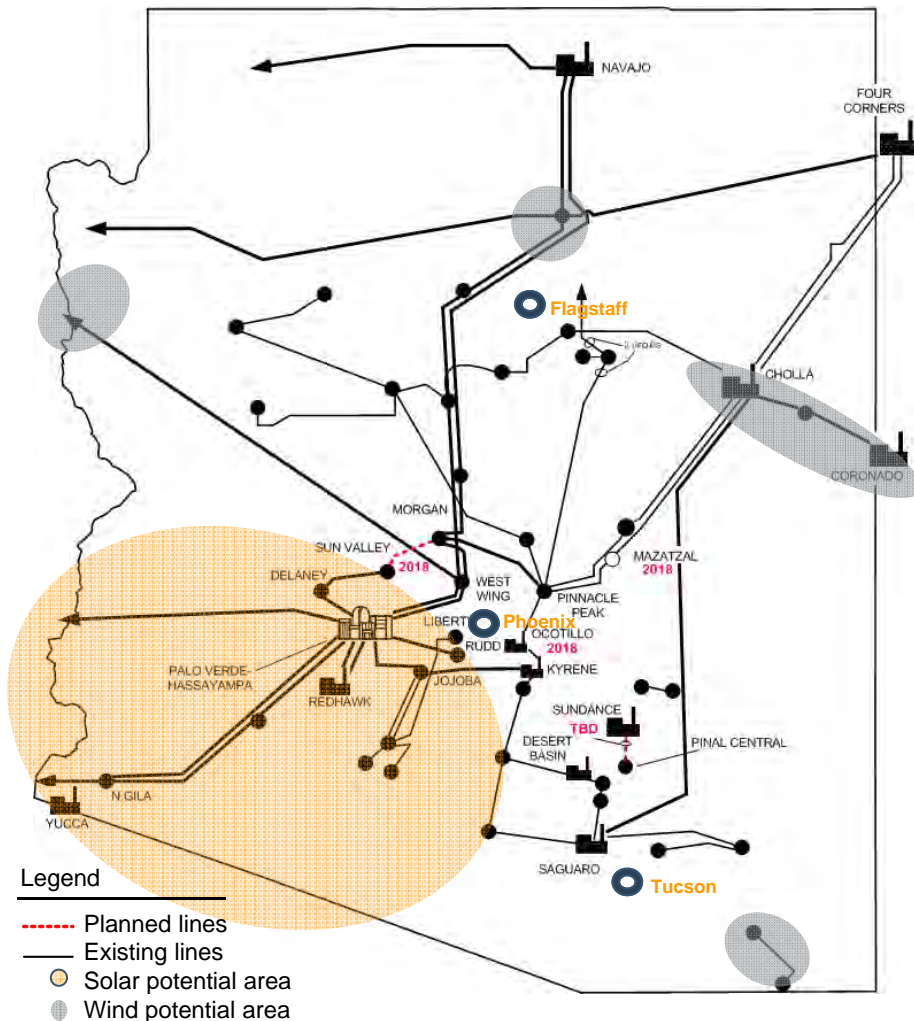
## Spring Day 2022

... and potentially for nuclear generation in the future



# APS TRANSMISSION

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



- 10-Year Transmission Plan filed January 2018 (115 kV and above)
  - 52 miles of new lines
  - 13 bulk transformer additions
- Also includes:
  - Sun Valley-Morgan 500kV (2018)
  - North Gila-Orchard 230kV (2021)
  - Cholla Synchronous Condenser (2019)
- Transmission investment diversifies regulatory risk
  - Constructive regulatory treatment
  - FERC formula rates and retail adjustor

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