



POWERING GROWTH DELIVERING VALUE

Investor Meetings | January 16-18, 2019

PINNACLE WEST
CAPITAL CORPORATION



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,” “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.

In this presentation, references to earnings per share (EPS) refer to amounts attributable to common shareholders.

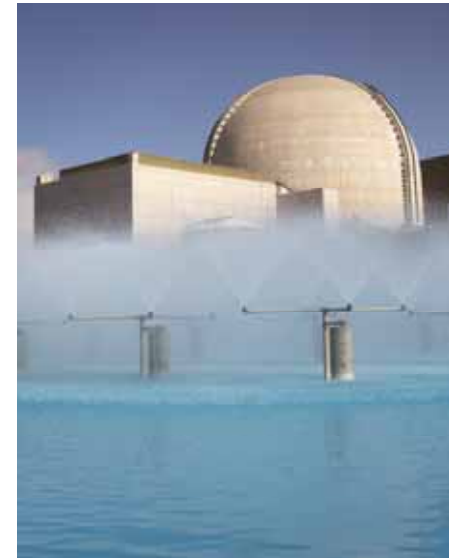
We present “adjusted income taxes” that shows the impact of tax reform. Adjusted income taxes is a “non-GAAP financial measure,” as defined in accordance with SEC rules. The appendix contains a reconciliation to show the impact of tax reform. We believe the information provided in the reconciliation provides 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, such as tax reform impacts.

PINNACLE WEST: OUR FUTURE

We are making clean energy and infrastructure investments to support Arizona's growth

Our future includes:

- More clean energy
- A healthier environment
- Palo Verde Generating Station, the largest clean energy producer in the country
- Infrastructure to power Arizona's growth



To get there we will:

- Continue Arizona's solar leadership
- Invest in battery storage and other clean technologies
- Invest in infrastructure to support electric vehicles
- Partner with customers to achieve their clean-energy goals

We expect 340,000 new customers and a 30% increase in our customer's energy needs by 2030.

SUSTAINABILITY

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

Progress and Achievements

Five critical areas of our sustainability efforts

Carbon Management

- Plan to **reduce carbon intensity by 23%** over the next 15 years
- MSCI Environmental Sustainability and Governance **A rating**¹

Energy Innovation

- **More than 1,300 MW** of installed solar capacity
- Plan to add over **500 MW of energy storage** in next 15 years

Safety & Security

- Yucca Power Plant team achieved **10 years OSHA injury free**
- Remain **top decile for safety** performance in U.S. electric utilities industry

Water Resources

- **16% reduction** in groundwater use since 2014
- **20 billion gallons of water recycled** each year to cool Palo Verde

People

- Average **employee tenure of 13 years** due to strong talent strategy
- More than 20% of our employees are **veterans**

✓ *Board of Directors Nuclear and Operating Committee Charter was amended in 2018 to assign oversight of sustainability initiatives and strategy*

✓ *We continue to be recognized for our sustainability leadership*

✓ *Obtained a "Leadership" rating from CDP for climate change and water management — one of only two U.S. utilities to earn the highest rating in both categories*

¹ As of November 6, 2018


CLEAN ENERGY

Clean energy plays an important role in meeting Arizona's energy needs today

Looking ahead to Arizona's growing population and expanding economic activity, APS continues supporting resources and technology to ensure our energy is clean, reliable and affordable for all Arizonans

50%
CARBON-FREE

Today, we serve customers with an energy mix that is 50% clean


1 MILLION
solar panels

Our 10 grid-scale solar plants are powered by more than 1 million solar panels

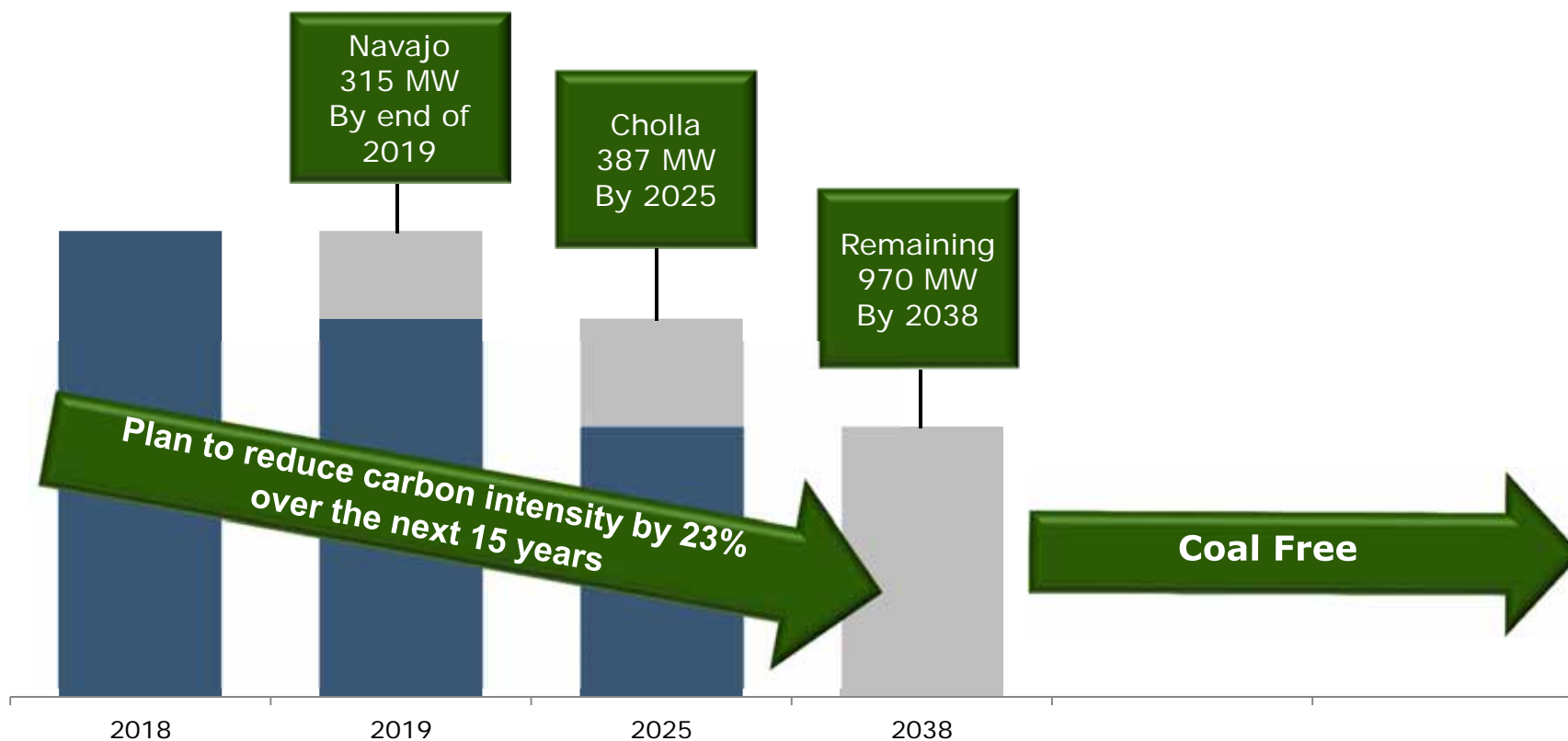
70%

The Palo Verde Generating Station provides more than 70% of Arizona's carbon-free energy and uses recycled wastewater to cool the plant

We are accomplishing this through innovative customer programs, next-generation energy efficiency programs, energy storage, the APS Solar Partner and APS Solar Communities programs and microgrids

COAL EXIT STRATEGY

We have already retired 849 MWs of coal-fired generation



- Pinnacle West has a long history of transitioning to clean energy resources that reduce carbon emissions.
- Since 2005, baseline carbon emissions have been reduced by more than six million tons per year, which represents a 35% reduction.

CARBON AVOIDANCE AND EMISSION REDUCTIONS

APS has reduced carbon dioxide emissions by 35% since 2005

Carbon Avoidance Metric

- Metric used to measure our overall carbon reduction, not just generation but Company wide

Carbon Avoidance Opportunities

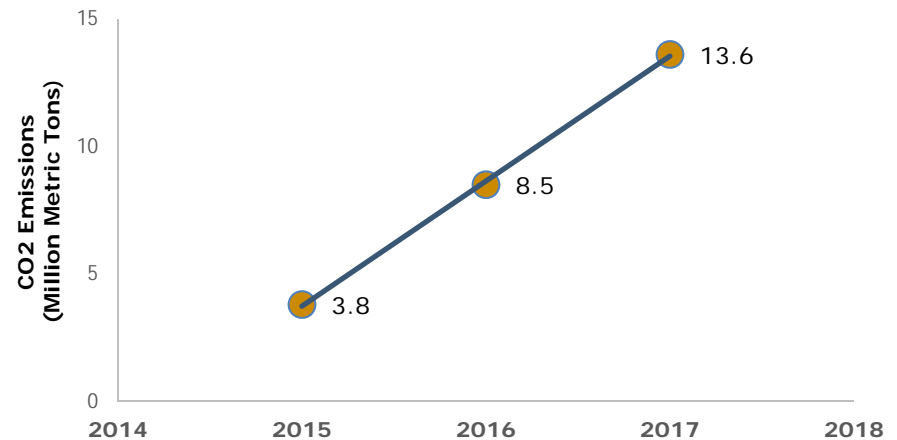
- Retiring coal plants
- Renewable energy generation
- Purchase power agreements
- Energy efficiency programs for customers
- Energy efficient buildings
- Fleet electrification

Since 2015 APS has avoided 13.6 million metric tons of carbon dioxide emissions that would have been emitted – equivalent of removing almost 3 million automobiles from the road

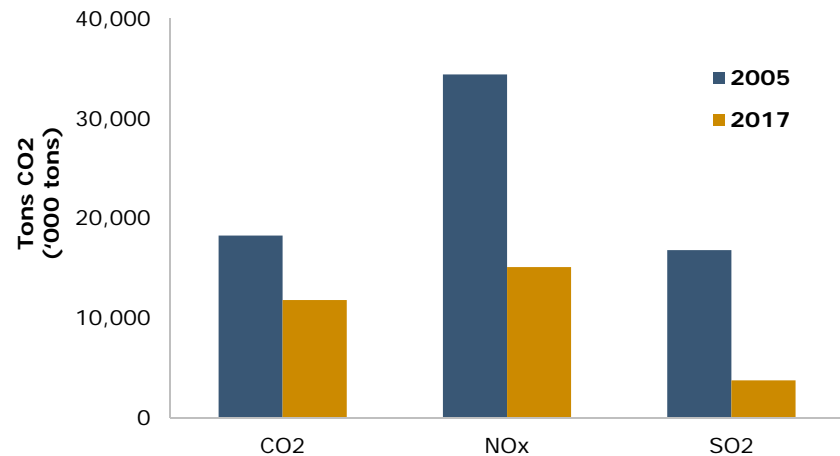
Clean Energy

- Since 2005 we have reduced
 - CO2 emissions by 35%
 - SO2 emissions by 78%
 - NOx emissions by 56%
- As a result of the recent emission controls added to our Four Corners Plant, NOx emission have been reduced by 88% compared to 2005

Cumulative Carbon Avoidance



Emission Reductions



STORAGE PROJECTS

We are leading the solar-plus-battery-storage effort, advancing innovation and conducting ground-breaking research



2018 Battery Storage RFP

- Up to 106 MW located on APS solar plant sites
- Utility owned
- Anticipated in-service by June 2020

Punkin Center Battery Storage Project

- 2 MW/8 MWH lithium ion battery
- Placed in service March 2018
- Deferred 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

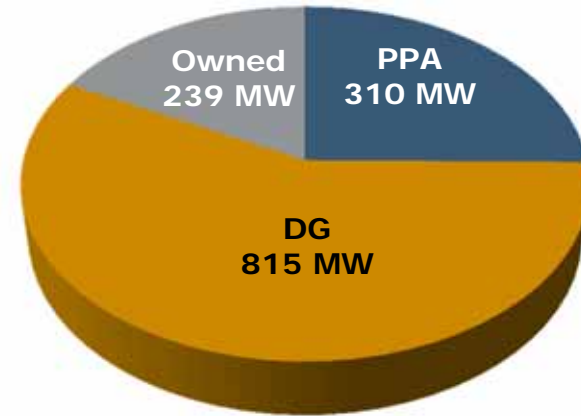
- 50 MW battery energy storage; 65 MW solar
- 15-year power purchase agreement
- Anticipated in-service 2021
- APS will be able to store power and deliver energy during peak hours (3-8 p.m.)

RENEWABLE RESOURCES

APS currently has 1,683 MW of renewable resources:

- Solar* 1,364 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

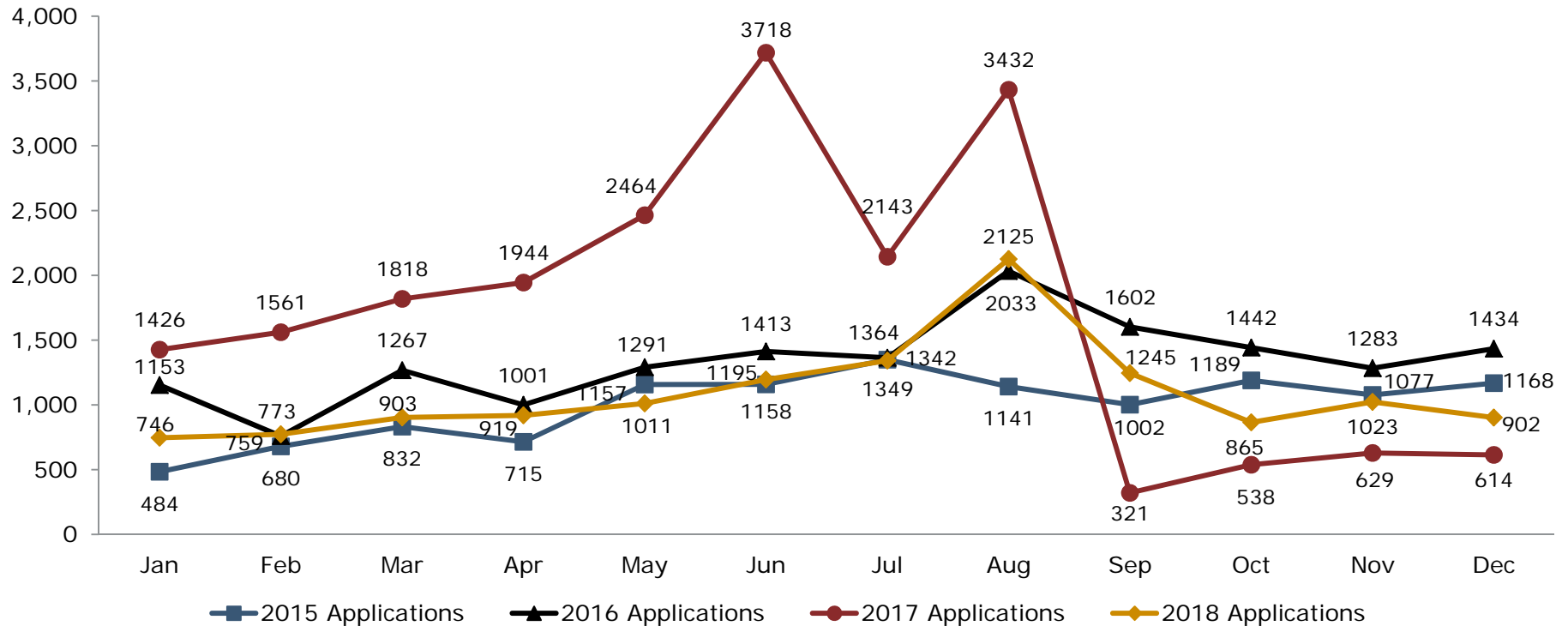
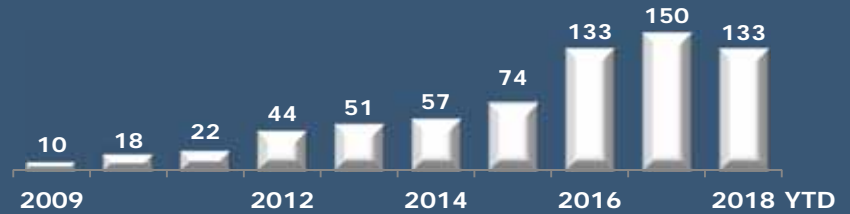


Glendale Landfill
Biogas
3 MW

* As of 9/30/18 as reported in the Third Quarter 2018 Form 10-Q – with additional 110 MW under development

RESIDENTIAL PV APPLICATIONS¹

Residential DG (MWdc) Annual Additions



¹ Monthly data equals applications received minus cancelled applications. As of December 31, 2018, approximately 88,800 residential grid-tied solar photovoltaic (PV) systems have been installed in APS's service territory, totaling approximately 710 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.

ECONOMIC DEVELOPMENT

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

Arizona is the 4th fastest-growing state in the U.S. according to new Census data.¹

2018 – APS partnered with Greater Phoenix Economic Council and Arizona Commerce Authority to welcome 17 new companies to the state, adding an estimated:

- 43 MW
- 3,800 new jobs
- \$1.3B in capital investment
- Notable corporations include Anderson Windows, Nikola Motors and Seattle Box Company

Arizona is now ranked No. 1 in construction growth and No. 2 in manufacturing.²

¹ "Arizona one of the fastest-growing states, Census says," Phoenix Business Journal, https://www.bizjournals.com/phoenix/news/2018/12/20/arizona-one-of-the-fastest-growing-states-census.html?ana=e_phx_bn_breakingnews&u=pcR1pSxgF6wglCVQko3euQ02582bd6&t=1546012673&j=85664821, by Tim Gallen.

² "Arizona economy to shine in 2019," Chamber Business News, <http://chamberbusinessnews.com/2018/11/30/arizona-economy-to-shine-in-2019/>, by Victoria Harker.



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 and Chairman and Chief Executive Officer, APS



- Joined Pinnacle West in 2002 from Ameren
- 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
- 38+ 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

Jeff Guldner

President, APS



- Joined APS in 2004 from Snell & Wilmer
- Promoted to President in 2018
- Responsible for all areas of APS excluding nuclear
- Significant experience in public utility and energy law and regulation

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, security and customer service
- Significant leadership and industry experience

Bob Bement

Executive Vice President and Chief Nuclear Officer, APS

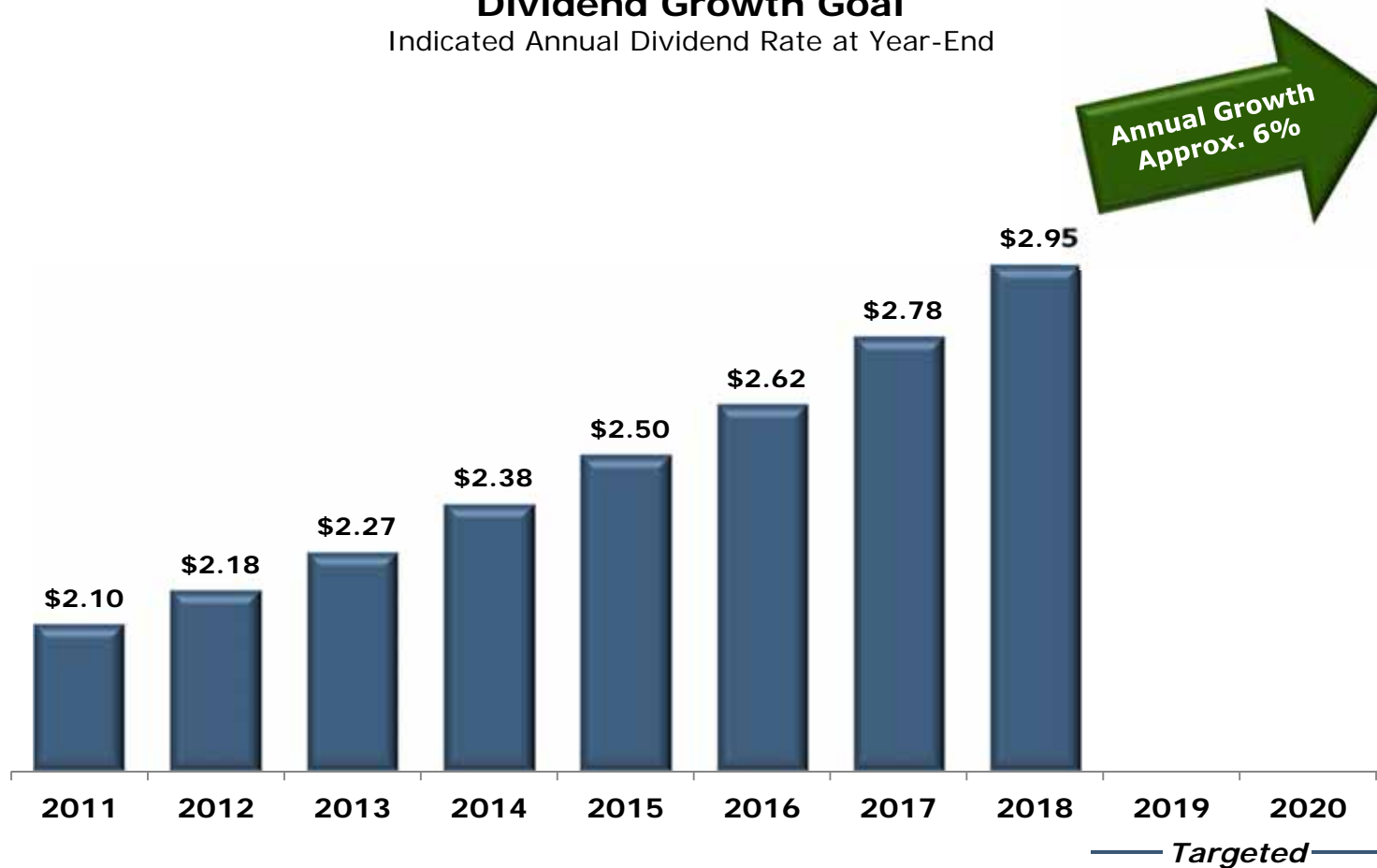


- Joined APS in 2007 from Arkansas Nuclear One
- Promoted from SVP of Site Operations to EVP and Chief Nuclear Officer in 2016
- Responsible for all nuclear-related activities associated with Palo Verde
- Seasoned nuclear industry expert serving on several industry committees

DIVIDEND GROWTH

Pinnacle West's indicated annual dividend is \$2.95 per share; targeting ~6% annual dividend growth

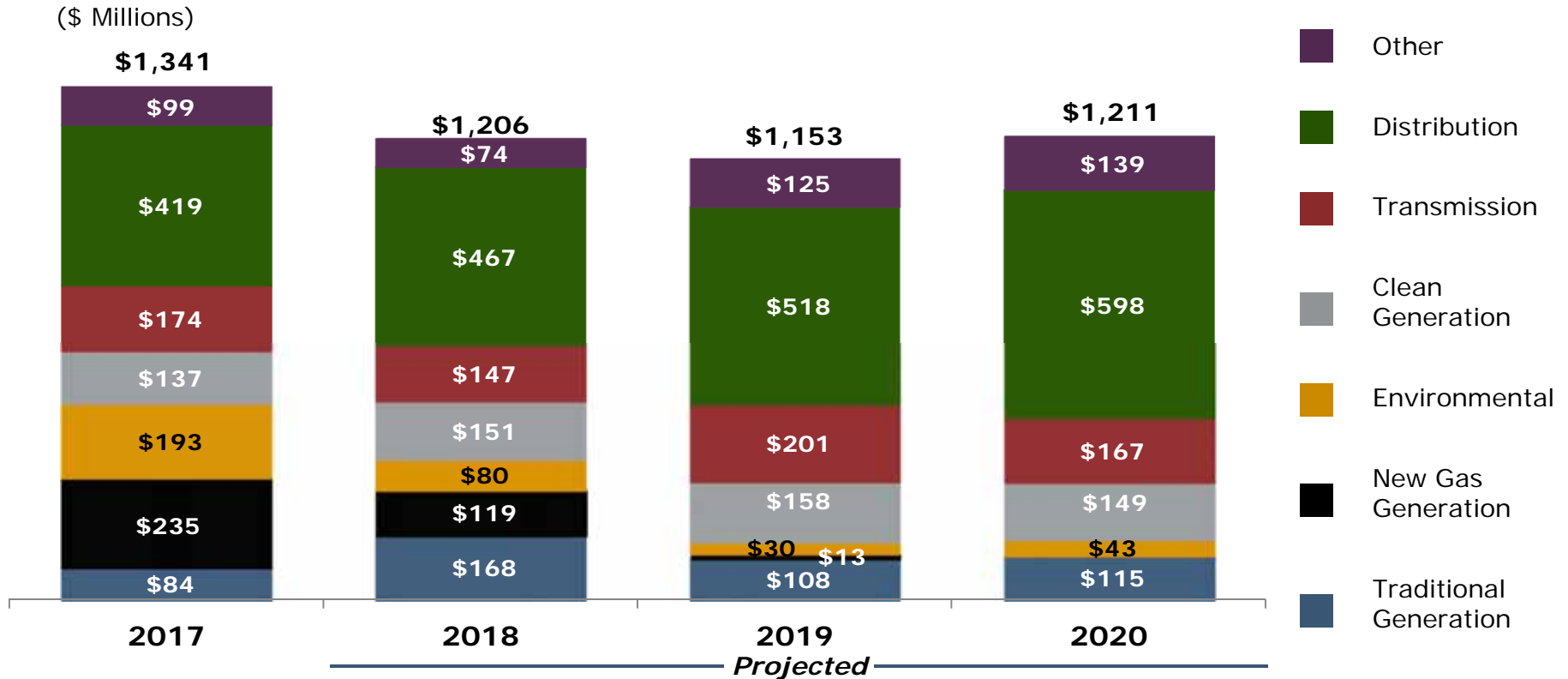
Dividend Growth Goal
Indicated Annual Dividend Rate at Year-End



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

APS CAPITAL EXPENDITURES

Capital expenditures will support our growing customer base and utilization of advanced technology



- 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 and \$10 million in 2018.
- 2018 – 2020 as disclosed in the Third Quarter 2018 Form 10-Q.

DISTRIBUTION GRID INVESTMENTS

Grid Operations and Investment Projected to be \$1.6 billion from 2018-2020

Customer Growth

Approximately 51% of distribution capex



Reclosers – Supervisory Controlled Switches, Trip Savers
Average annual spend ~ \$13M

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



Monitors – Transformers, Breakers, Bushings
Average annual spend ~ \$0.5M

- 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

Grid Modernization

Approximately 9% of distribution capex



Advanced Distribution System Platform
Project in planning phase

- 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



Communications Backhaul
Average annual spend ~ \$4M

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

Run and Maintain

Approximately 40% of distribution capex



Cap Bank Controllers, Substation Regulators, Voltage Management Algorithms
Average annual spend ~ \$7M

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



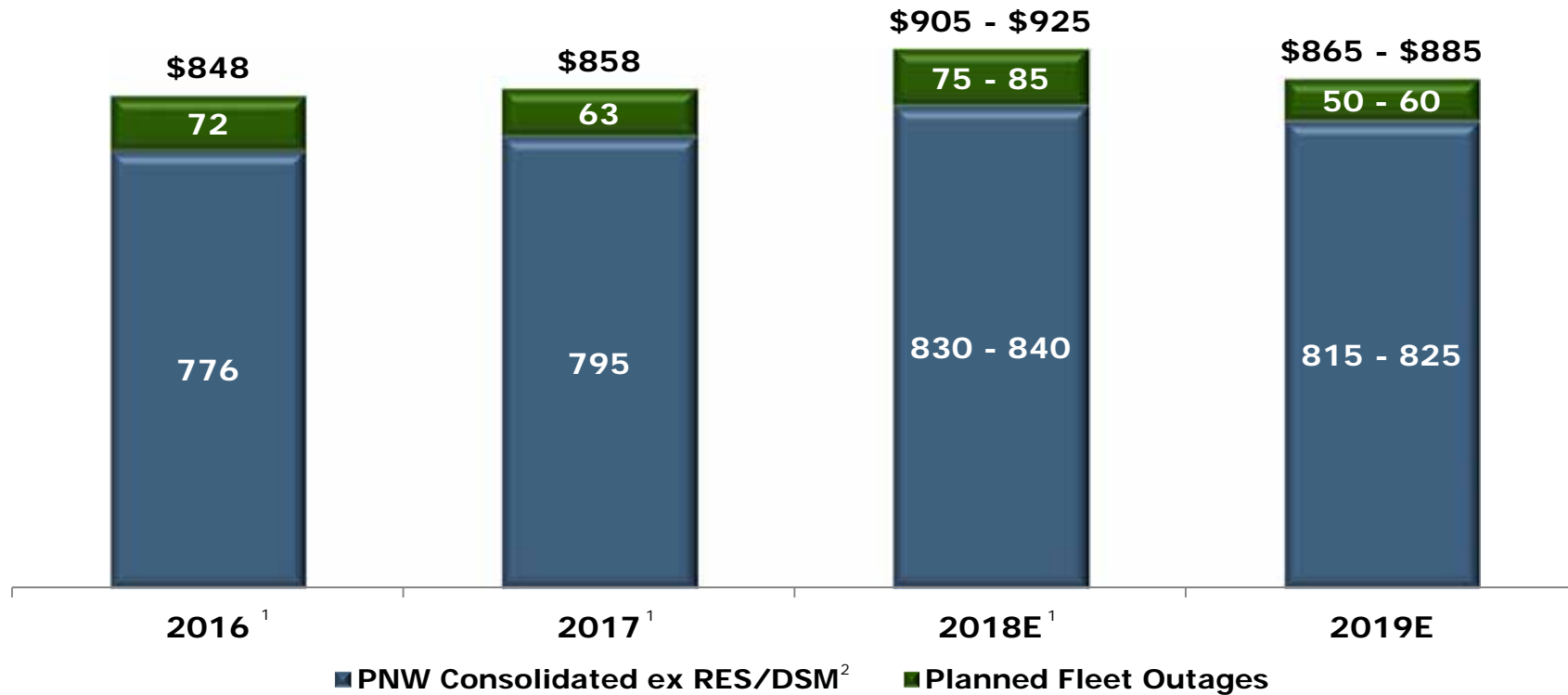
Sensors – Current, Voltage
Average annual spend ~ \$2.5M

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

OPERATIONS & MAINTENANCE

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

(\$ Millions)



¹ 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 postretirement non-service credits on the income statement. See Notes 5 and 13 in the Third Quarter 2018 Form 10-Q for additional information.

² Excludes RES/DSM of \$83 million in 2016, \$91 million in 2017, \$105 million in 2018E, and \$80 million in 2019E.

2019 PLANNED OUTAGE SCHEDULE

Coal, Nuclear and Large Gas and Oil Planned Outages

Q1		
Plant	Unit	Estimated Duration in Days
Four Corners	4	12
Four Corners	5	12
Cholla*	1	30
Redhawk*	2	29

Q2		
Plant	Unit	Estimated Duration in Days
Palo Verde	1	30
Cholla*	1	16
Redhawk*	2	28

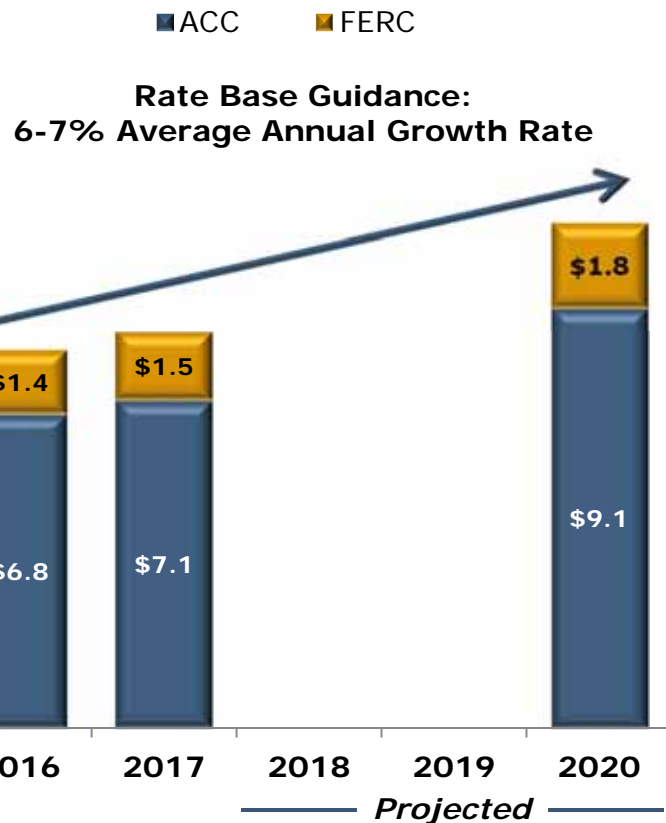
Q4		
Plant	Unit	Estimated Duration in Days
Palo Verde	3	44
West Phoenix	4	62

*Outage duration spans Q1-Q2. Number of days noted per quarter.

RATE BASE

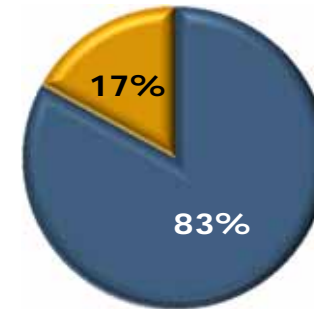
APS's revenues come from a regulated retail rate base and meaningful transmission business

APS Rate Base Growth
Year-End



Total Approved Rate Base

■ Generation & Distribution ■ Transmission



	ACC	FERC
Rate Effective Date	8/19/2017	6/1/2018
Test Year Ended	12/31/2015 ¹	12/31/2017 ¹
Rate Base	\$6.8B	\$1.6B
Equity Layer	55.8%	53.4%
Allowed ROE	10.0%	10.75%

¹ Adjusted to include post test-year plant in rates

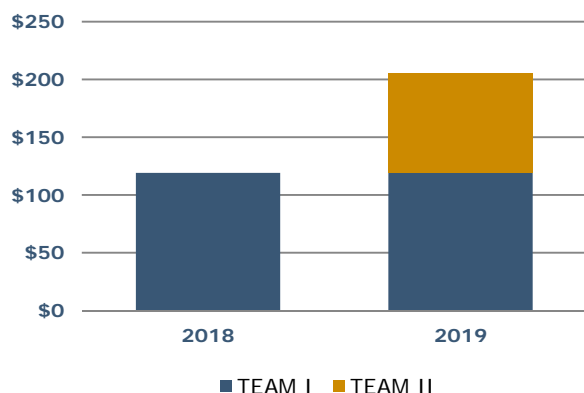
Rate base \$ in billions, rounded

TAX REFORM

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

- **TEAM PHASE I:** The ACC approved \$119 million annual rate reduction reflecting the lower federal tax rate. Effective for the March 2018 billing cycle
- **TEAM PHASE II:** Filed in August 2018, returns an additional \$86.5 million in “excess” deferred taxes previously collected to ACC customers. Currently pending subject to ACC approval

APS Retail Customer Savings
(in millions)



- **FERC FORMULA:** In May 2018, APS received approval from FERC to provide for a \$57 million annual rate reduction, beginning June 1, 2018 through its wholesale transmission rates

EPS 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

EPS Variances

	Q1	Q2	Q3	YTD
Gross Margin (Rate Refunds)	(\$0.20)	(\$0.20)	(\$0.34)	(\$0.74)
Adjusted Income Taxes	\$0.00	\$0.30	\$0.48	\$0.78

Rate Base Growth

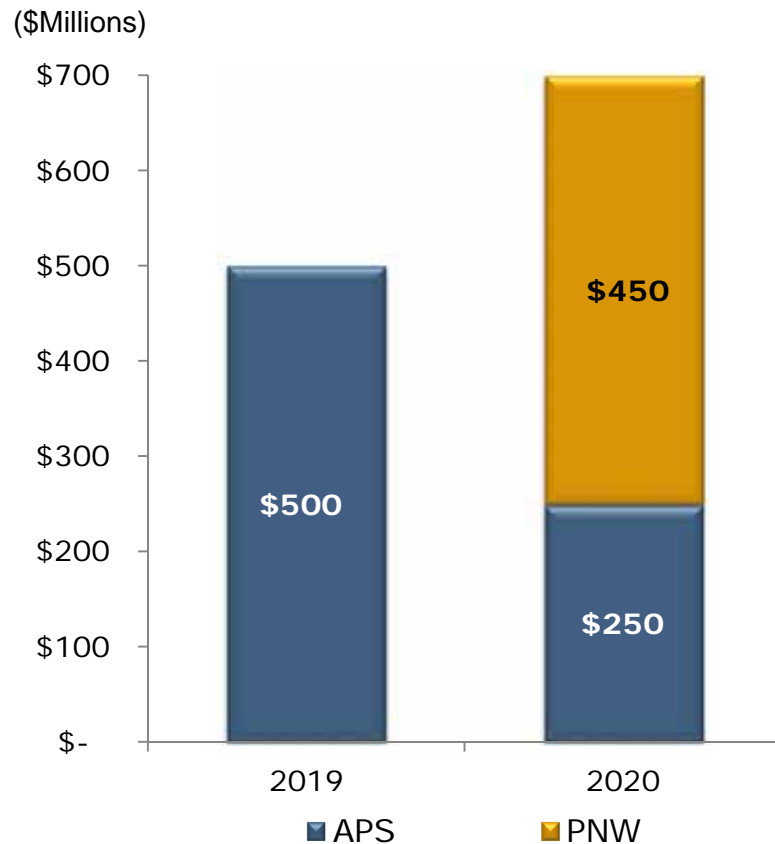
- Higher incremental rate base of \$110 million in 2018 and \$150 million in 2019

Cash Taxes

- Minimal cash tax payments in 2018 and 2019 due to utilization of existing tax credit carryforwards
- Cash taxes trend to normalized level in 2020 after tax credit carryforward balance is fully utilized

BALANCE SHEET STRENGTH

Long-Term Debt Maturity Schedule



Credit Ratings¹

- **APS Senior Unsecured:** A- or equivalent ratings or better at S&P, Moody's and Fitch
- **PNW Senior Unsecured:** BBB+ or equivalent ratings or better at S&P, Moody's and Fitch

2018 Major Financing Activities

- \$300 million 30-year 4.20% APS senior unsecured notes issued August 2018
- \$150 million PNW unsecured term loan due December 2020

2019 Major Financing Activities

- Currently expect up to \$950 million of term debt issuance at APS

¹ 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

	APS	Pinnacle West
Corporate Credit Ratings¹		
Moody's	A2	A3
S&P	A-	A-
Fitch	A-	A-
Senior Unsecured¹		
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.		

	2015	2016	2017
APS			
FFO / Debt	29.7%	26.5%	26.9%
FFO / Interest	5.8x	5.0x	5.2x
Debt / Capitalization	45.8%	47.7%	47.3%
Pinnacle West			
FFO / Debt	28.9%	25.1%	24.7%
FFO / Interest	5.6x	4.9x	4.8x
Debt / Capitalization	47.0%	49.0%	50.3%

Source: Standard & Poor's

¹We 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_s

- Included in the 2017 Rate Review Order¹, 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: Installed Selective Catalytic Reduction (SCR) equipment to comply with Federal environmental standards

	Ocotillo Modernization Project	Four Corners SCR _s
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	<ul style="list-style-type: none"> • Cost deferral from date of commercial operation to the effective date of rates in next rate case • Includes depreciation, O&M, property taxes, and capital carrying charge² 	<ul style="list-style-type: none"> • Cost deferral from time of installation to incorporation of the SCR costs in rates using a step increase beginning in 2019 • Includes depreciation, O&M, property taxes, and capital carrying charge²

¹ The ACC's decision is subject to appeals.

² 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

The Administrative Law Judge issued a Recommended Opinion and Order on November 27, 2018²

Key Components of APS's Filed Request

Financial	Cost of Capital	Bill Impact
<ul style="list-style-type: none"> Consistent with prior disclosed estimates 	<ul style="list-style-type: none"> 7.85% Return on Rate Base¹ <ul style="list-style-type: none"> Weighted Average Cost of Capital (WACC) 	<ul style="list-style-type: none"> Rate rider applied as a percentage of base rates for all applicable customers
<ul style="list-style-type: none"> \$390 million direct costs vs. \$400 million¹ contemplated in APS's recent rate case 	<ul style="list-style-type: none"> 5.13% Return on Deferral¹ <ul style="list-style-type: none"> Embedded Cost of Debt 	<ul style="list-style-type: none"> \$67.5 million revenue requirement²
<ul style="list-style-type: none"> \$40 million in indirect costs (overhead, AFUDC) 	<ul style="list-style-type: none"> 5% Depreciation Rate <ul style="list-style-type: none"> 20-year useful life (2038-depreciation study) 	<ul style="list-style-type: none"> ~2% bill impact
	<ul style="list-style-type: none"> 5-year Deferral Amortization 	

¹ Based on 2017 Rate Review Order

² Arizona Corporation Commission Staff recommended a \$58.5 million revenue increase and the Administrative Law Judge issued a Recommended Opinion and Order consistent with Commission Staff's requests.

ARIZONA CORPORATION COMMISSION

Terms to January 2023

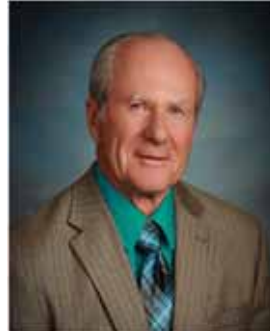


**Sandra
Kennedy (D)**



**Justin
Olson (R)**

Terms to January 2021



**Bob
Burns (R)***



**Boyd
Dunn (R)**



**Andy
Tobin (R)**

Other State Officials

ACC Executive Director – Matthew Neubert

RUCO Director – David Tenney

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

2019 KEY DATES

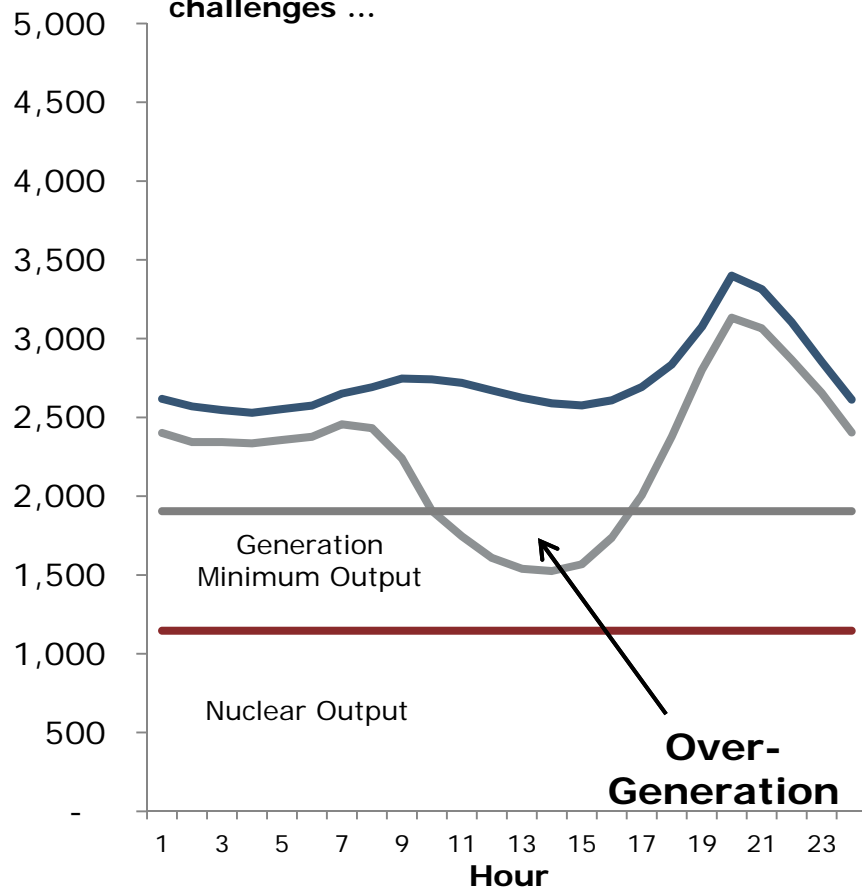
ACC Key Dates / Docket #	Q1	Q2	Q3	Q4
Power Supply Adjustor (PSA) E-01345A-16-0036	Implementation: Feb 1			
Lost Fixed Cost Recovery E-01345A-16-0036	To be Filed: Feb 15			
Transmission Cost Adjustor E-01345A-16-0036		To be Filed: May 1 Implementation: Jun 1		
2020 DSM/EE Implementation Plan New Docket to be Assigned		2020 To be Filed: Jun 1		
2020 RES Implementation Plan New Docket to be Assigned			To be Filed: Jul 1	
APS Rate Review/ Four Corners SCR Step Increase E-01345A-16-0036	Rate Review Expected to Begin	Rate Review Expected Completion: May		
Resource Planning and Procurement New Docket to be Assigned		Preliminary 2020 IRP To be Filed: Apr 1		
Tax Expense Adjustor (TEAM) E-01345A-18-0003				
Resource Comparison Proxy (RCP) New Docket to be Assigned		Year 3 To be Filed: May 1	Year 3 Implementation Anticipated: Sep 1	
Possible Modification to Commission's Energy Rules RU-00000A-18-0284				
Modification to Retail Competition Rules RE-00000A-18-0405				
Customer Complaint – Stacey Champion E-01345A-18-0002				

THE "DUCK CURVE"

Distributed generation is changing the load shape of the grid

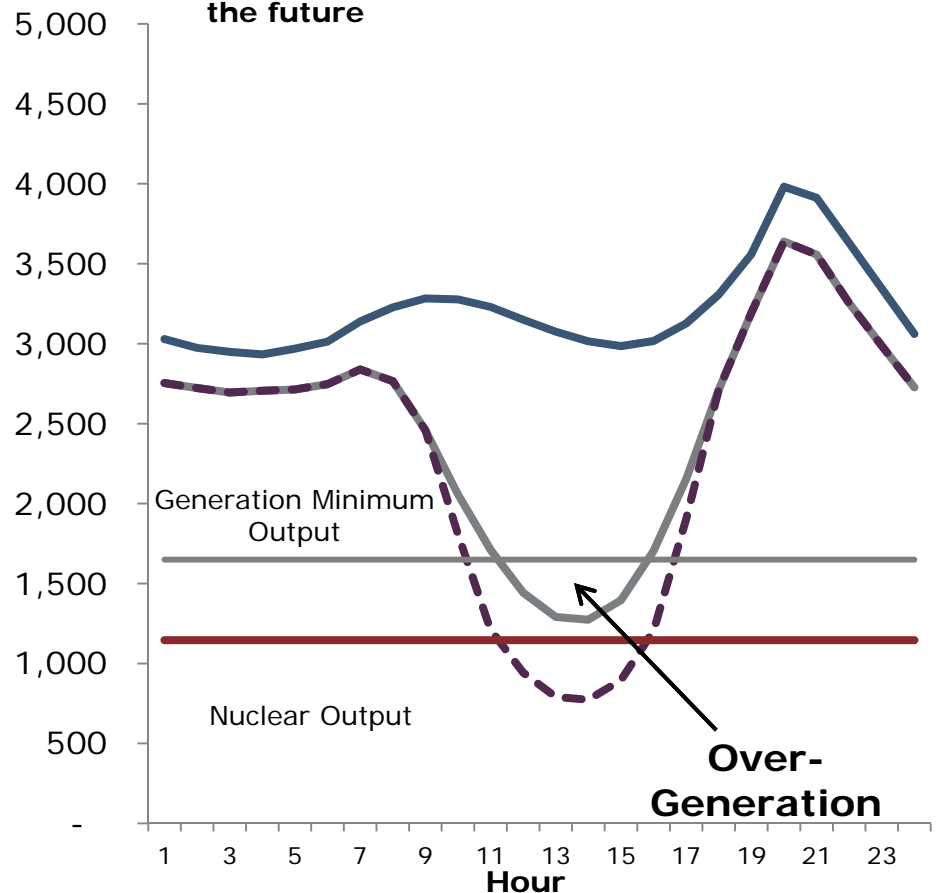
Current Spring Day

Excess renewables create over-generation challenges ...



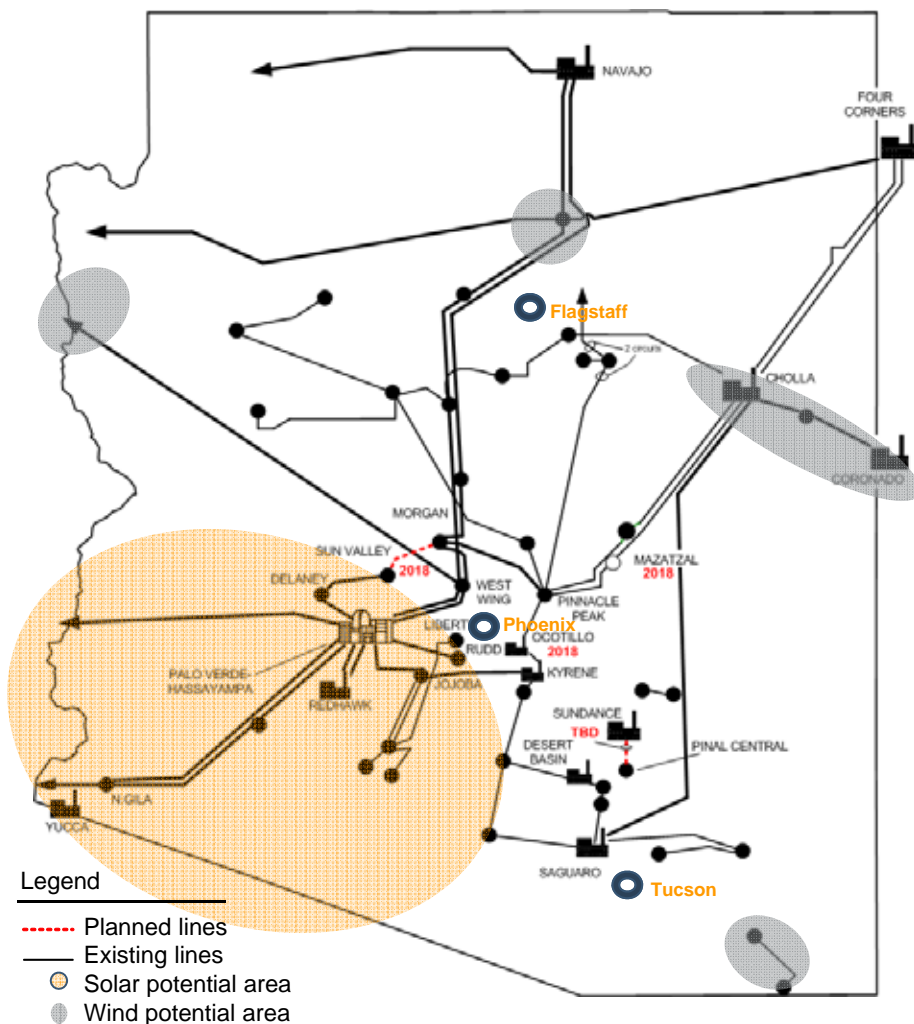
Spring Day 2022

... 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

NON-GAAP MEASURE RECONCILIATION

	Three Months Ended September 30,								
	2018 ¹	RES/ DSM	Four Corners Deferral ²	Tax Benefit of Lower Pre-Tax Income	2018 Adjusted	2017 ^{1,3}	RES/ DSM	2017 Adjusted	EPS Impact
\$ millions pretax, except per share amounts									
Operating revenues	\$1,268	\$ (27)	\$ -	\$ -	\$ 1,241	\$1,183	\$ (28)	\$ 1,155	
Fuel and purchased power expenses	(390)	-	-	-	(390)	(310)	-	(310)	
Gross margin	878	(27)	-	-	851	873	(28)	845	\$ 0.04
Operations and maintenance	247	(26)	-	-	221	231	(28)	203	\$ (0.12)
Allowance for equity funds used during construction	(12)	-	-	-	(12)	(13)	-	(13)	
Interest charges	62	-	(5)	-	57	56	-	56	
Allowance for borrowed funds used during construction	(6)	-	-	-	(6)	(6)	-	(6)	
Interest expense, net of AFUDC	44	-	(5)	-	39	37	-	37	\$ (0.01)
Other expenses (operating)	1	-	-	-	1	3	-	3	
Other income	(7)	-	5	-	(2)	(1)	-	(1)	
Other expense	5	-	-	-	5	5	-	5	
Renewable energy and demand side management and similar regulatory programs, net	-	(1)	-	-	(1)	-	-	-	
Other	(1)	(1)	5	-	3	7	-	7	\$ 0.03
Income taxes	84	-	-	6	90	144	-	144	\$ 0.48

¹ Line items from Consolidated Statements of Income.

² See Note 4, Regulatory Matters, in Form 10-Q for the period ended September 30, 2018, for total Four Corners deferral impacts.

³ No impact to 2017 Consolidated Statements of Income related to Four Corners deferral.

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