PINNACLE WEST
CAPITAL CORPORATION

POWERING GROWTH
DELIVERING VALUE

Fourth Quarter and Full-Year 2020 Results
February 24, 2021

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," "anticipate," "goal," "seek," "strategy," "likely," "should," "will," "could," 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: the potential effects of the continued COVID-19 pandemic, including, but not limited to, demand for energy, economic growth, our employees and contractors, supply chain, expenses, capital markets, capital projects, operations and maintenance activities, uncollectable accounts, liquidity, cash flows, or other unpredictable events; our ability to manage capital expenditures and operations and maintenance costs while maintaining reliability and customer service levels; variations in demand for electricity, including those due to weather seasonality, the general economy or social conditions, customer and sales growth (or decline), the effects of energy conservation measures and distributed generation, and technological advancements; 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 and energy 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 through our rates and adjustor recovery mechanisms, including returns on and of debt and equity capital investments; our ability to meet renewable energy and energy efficiency mandates and recover related costs; the ability of APS to achieve its clean energy goals (including a goal by 2050 of 100% clean, carbon-free electricity) and, if these goals are achieved, the impact of such achievement on APS, its customers, and its business, financial condition and results of operations; 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 direct or indirect effect on our facilities or business from cybersecurity threats or intrusions, data security breaches, terrorist attack, physical attack, severe storms, droughts, or other catastrophic events, such as fires, explosions, pandemic health events, or similar occurrences; 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 continue 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, 2020, which you should review carefully before placing any reliance on our financial statements, disclosures or earnings outlook. Neither Pinnacle West nor APS assumes any obligation to update these statements, even if our internal estimates change, except as required by law.

In this presentation, references to net income and earnings per share (EPS) refer to amounts attributable to common shareholders. We present an adjusted EPS that has been adjusted to exclude the Arizona Attorney General Settlement. Adjusted EPS is a non-GAAP financial measure. The appendix contains a reconciliation to show the impact of the Arizona Attorney General Settlement and 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 Arizona Attorney General Settlement.

We present "gross margin" per diluted share of common stock. Gross margin refers to operating revenues less fuel and purchased power expenses. Gross margin is a "non-GAAP financial measure," as defined in accordance with SEC rules. The appendix contains a reconciliation of this non-GAAP financial measure to the referenced revenue and expense line items on our Consolidated Statements of Income, which are the most directly comparable financial measures calculated and presented in accordance with generally accepted accounting principles in the United States of America (GAAP). We view gross margin as an important performance measure of the core profitability of our operations and is used by our management in analyzing the operations of our business. We believe that investors benefit from having access to the same financial measures that management uses.

We present "adjusted gross margin" and "adjusted operations and maintenance" that have been adjusted to exclude costs and offsetting operating revenues associated with renewable energy and demand side management programs. We also present "adjusted D&A," "adjusted other taxes," "adjusted interest, net of AFUDC," and "adjusted other, net" that have been adjusted for the deferral impacts of the Four Corner's Selective Catalytic Reduction (SCR) equipment and Ocotillo Modernization Project. We also present "adjusted income taxes" that shows the impact of the Tax Cuts and Jobs Act. Adjusted gross margin, adjusted operations and maintenance, adjusted D&A, adjusted other taxes, adjusted interest, net of AFUDC, adjusted other, net, and adjusted income taxes are "non-GAAP financial measures," as defined in accordance with SEC rules. The appendix contains a reconciliation to show the exclusion of costs and offsetting operating revenues associated with renewable energy and demand side management programs, the deferral impacts of the Four Corner's SCR equipment and the Ocotillo Modernization Project, and 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 the installation of the SCR equipment, the Ocotillo Modernization Project and tax reform impacts, and exclude the effects of programs that overstate our gross margin.

PINNACLE WEST
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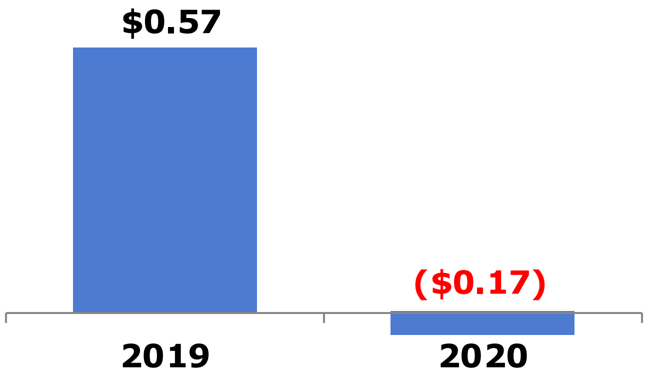
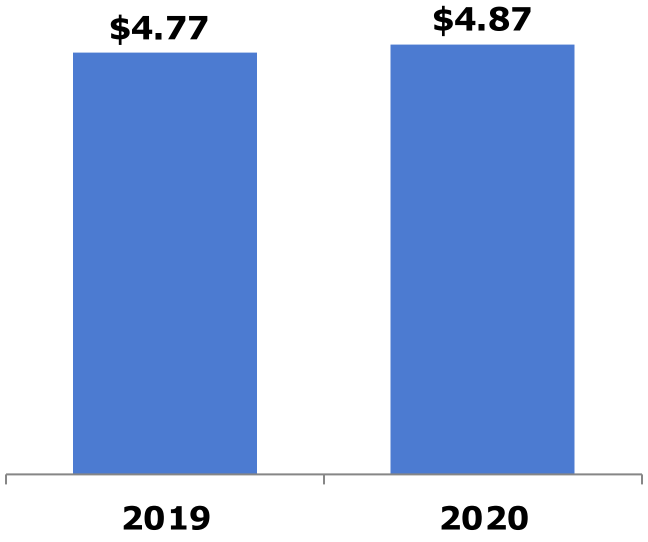
CONSOLIDATED EPS COMPARISON

2019 vs. 2020

4th Quarter Earnings



Full-Year Earnings



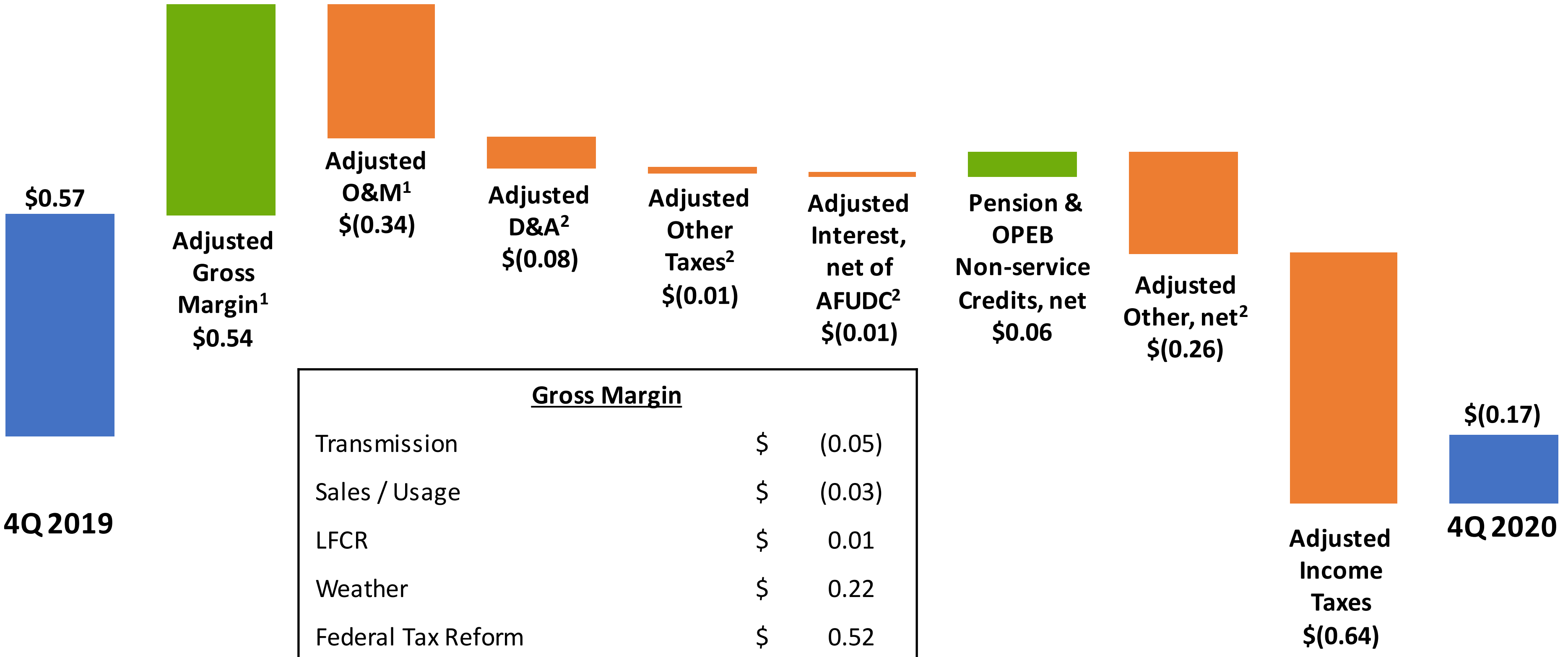
2020 EPS would have been $5.04 excluding the AZ Attorney General Settlement [1]

[1] AZ Attorney General Settlement resulted in a ($0.17) earnings per share impact. See Slide 5.

See non-GAAP reconciliation in Appendix.

EPS VARIANCES

4th Quarter 2020 vs. 4th Quarter 2019



Gross Margin		
Transmission	$	(0.05)
Sales / Usage	$	(0.03)
LFCR	$	0.01
Weather	$	0.22
Federal Tax Reform	$	0.52
AZ Attorney General Settlement	$	(0.16)
Other	$	0.03

[1] Excludes costs and offsetting operating revenues associated with renewable energy and demand side management programs.
[2] Driver adjusted for the deferral impacts of the Four Corners Selective Catalytic Reduction (SCR) equipment and Ocotillo Modernization Project.

See non-GAAP reconciliation in Appendix.

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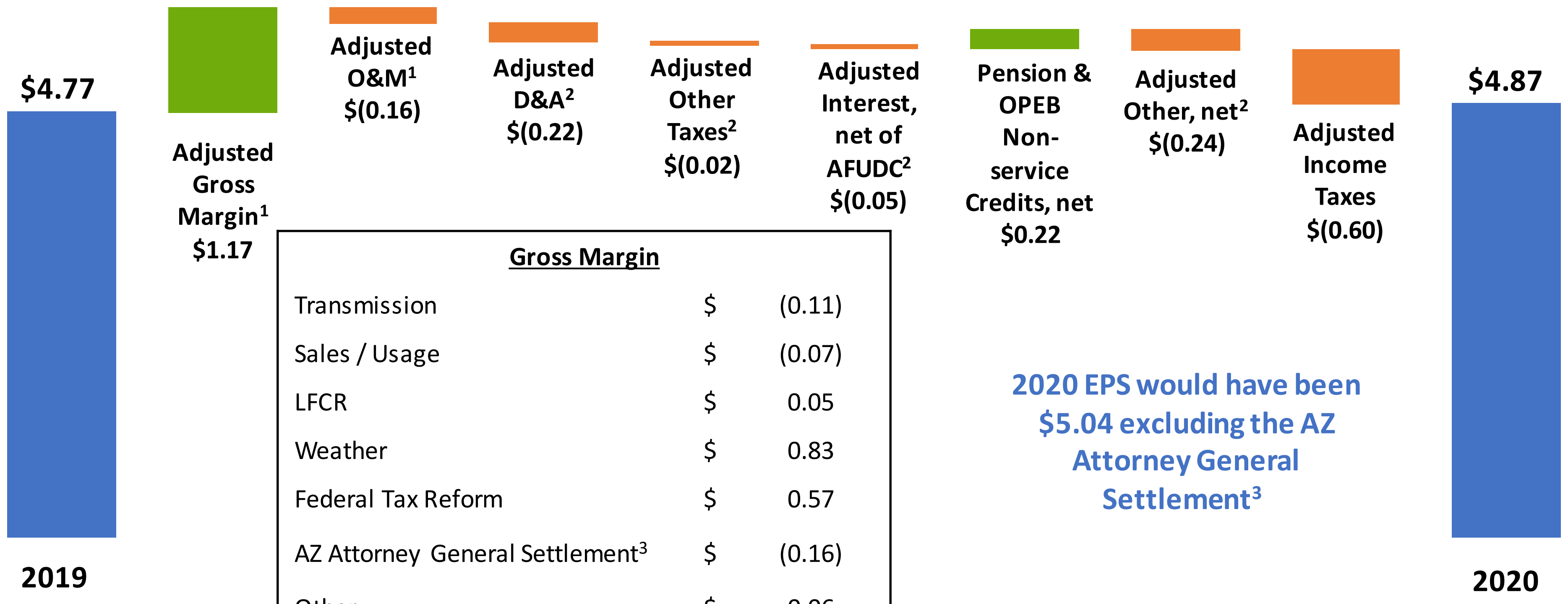
EPS VARIANCES

Full-Year 2020 vs. 2019



Gross Margin		
Transmission	$	(0.11)
Sales / Usage	$	(0.07)
LFCR	$	0.05
Weather	$	0.83
Federal Tax Reform	$	0.57
AZ Attorney General Settlement[3]	$	(0.16)
Other	$	0.06

2020 EPS would have been $5.04 excluding the AZ Attorney General Settlement[3]

[1] Excludes costs and offsetting operating revenues associated with renewable energy and demand side management programs.
[2] Driver adjusted for the deferral impacts of the Four Corners Selective Catalytic Reduction (SCR) equipment and Ocotillo Modernization Project.
[3] The AZ Attorney General Settlement includes $(0.16) of EPS from gross margin and $(0.01) from other related expenses.

See non-GAAP reconciliation in Appendix.

KEY DRIVERS AND GUIDANCE

AS OF FEBRUARY 24, 2021

2021 Key Drivers

- EPS guidance pending APS rate case conclusion
- Retail customer growth about 1.5-2.5%
- Weather-normalized retail electricity sales growth of 0.5%-1.5%
- Transmission revenue
- Operations and maintenance
- Depreciation and amortization
- Interest rates
- AFUDC
- Pension & OPEB

2021 – 2023 Guidance

- Retail customer growth about 1.5-2.5%
- Weather-normalized retail electricity sales growth of 1.0 - 2.0% on average

2020 LONG-TERM FINANCING ACTIVITY

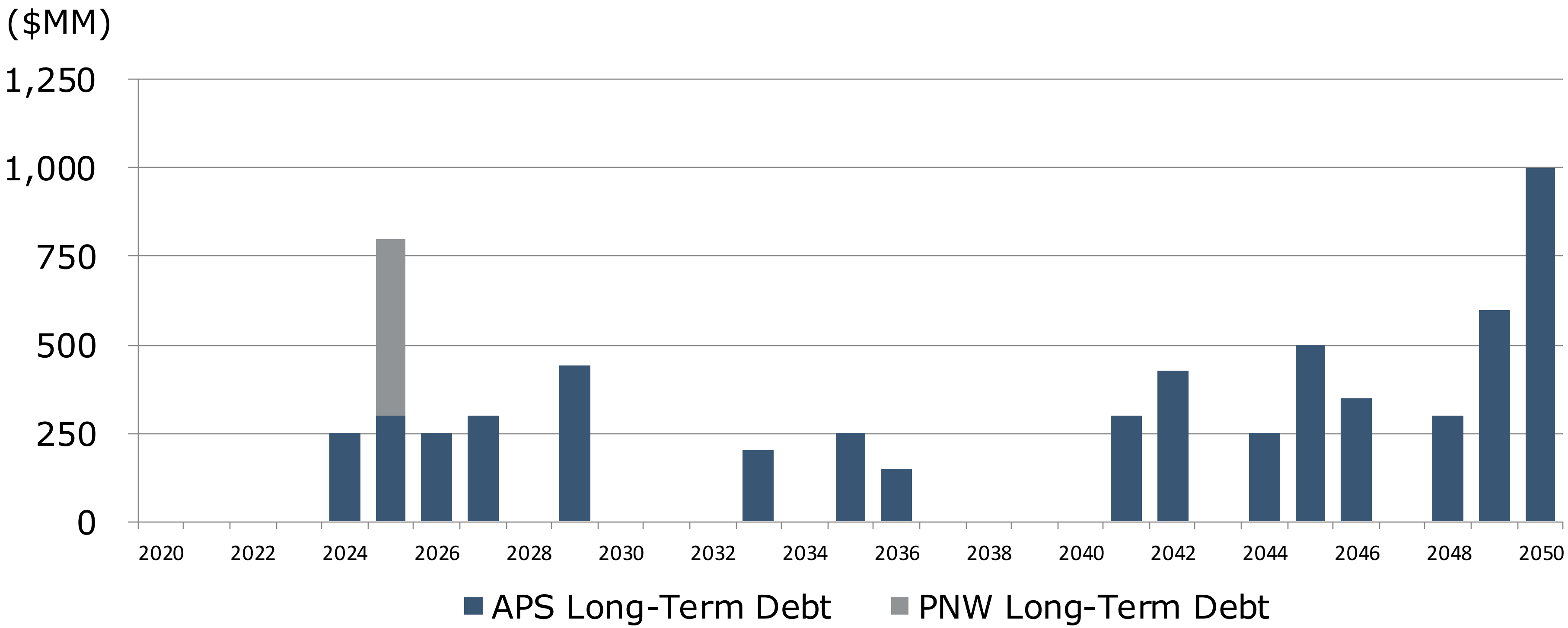
Pinnacle West

- $500 million 5-year 1.30% PNW senior unsecured notes issued June 2020
- All PNW long-term debt maturing in 2020 was repaid in June 2020

APS

- $150 million of APS senior unsecured notes repaid in January 2020
- $600 million 30-year 3.35% APS senior unsecured notes issued May 2020
- $200 million APS Term Loan repaid in May 2020
- $400 million 30-year 2.65% APS **green bonds** issued September 2020
- $105 million reopener of 2.6% APS notes due 2029 issued November 2020
- $115 million 4.7% Farmington Pollution Control bonds repaid in November 2020

LONG-TERM DEBT MATURITY PROFILE



As of December 31, 2020

ECONOMIC DEVELOPMENT

Future expansions

- **Taiwan Semiconductor** expected to build $12 billion factory and create a projected 1,900 jobs
- **Microsoft** is constructing all three of its new mega data centers in the West Valley. These datacenters are projected to create 100 permanent jobs and 1,000 construction jobs.
- **Stream Data Centers** has launched a 418,000 sq ft facility in the West Valley. At full build, the entire campus will support up to 200MW of load.
- **Stack Infrastructure** plans to build a 1 million-square-foot data center on 79 acres in the West Valley less than half a mile from one of Microsoft's data centers.
- **White Claw/Mark Anthony Brewing Inc.** announced plans to build a 916,000-square-foot facility co-located next to Red Bull in Glendale creating an estimated 200 jobs.

Our approach focuses on four main areas

Business Attraction & Expansion - constructive engagement with economic development community partners and timely, strategic engagement with economic development prospects, site selectors, and local developers

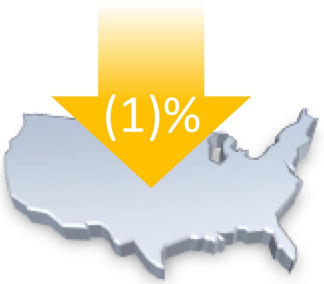
Community Development - provide financial and strategic economic development support in both rural and metro communities

Entrepreneurial Support - advance the entrepreneurial ecosystem by supporting the strategies of organizations that are making an impact, whether through job creation, capital raised, quality programming or helping to change the perception of the region

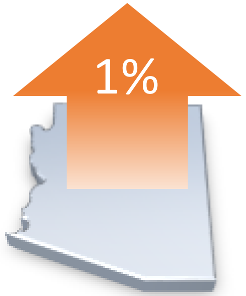
Infrastructure Support - drive commercial real estate development by working closely with developers and the Arizona State Land Department to make large commercial land parcels "shovel ready"

ECONOMIC INDICATORS

Annual Employment Growth Last Three Years[4]



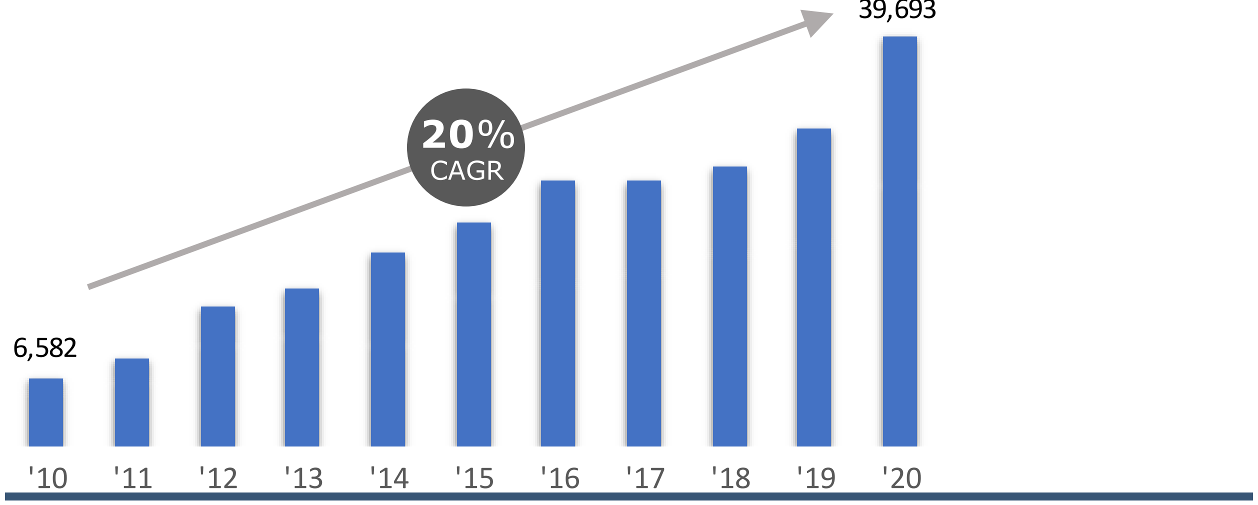
National



Arizona

Steady Housing Growth[5]

Single Family & Multifamily Housing Permits
Maricopa County



In a difficult period for construction nationwide, Phoenix led in industry job growth[1]

Phoenix expected to be among hottest US home markets in 2021, according to Zillow[2]

Arizona is the third fastest growing state [3]

[1] Phoenix Business Journal. January 6, 2021
[2] Phoenix Business Journal. January 25, 2021
[3] U.S. Census Bureau's 2020 population estimates
[4] 2018-2020
[5] Maricopa County population 4.5M, 62% of state population

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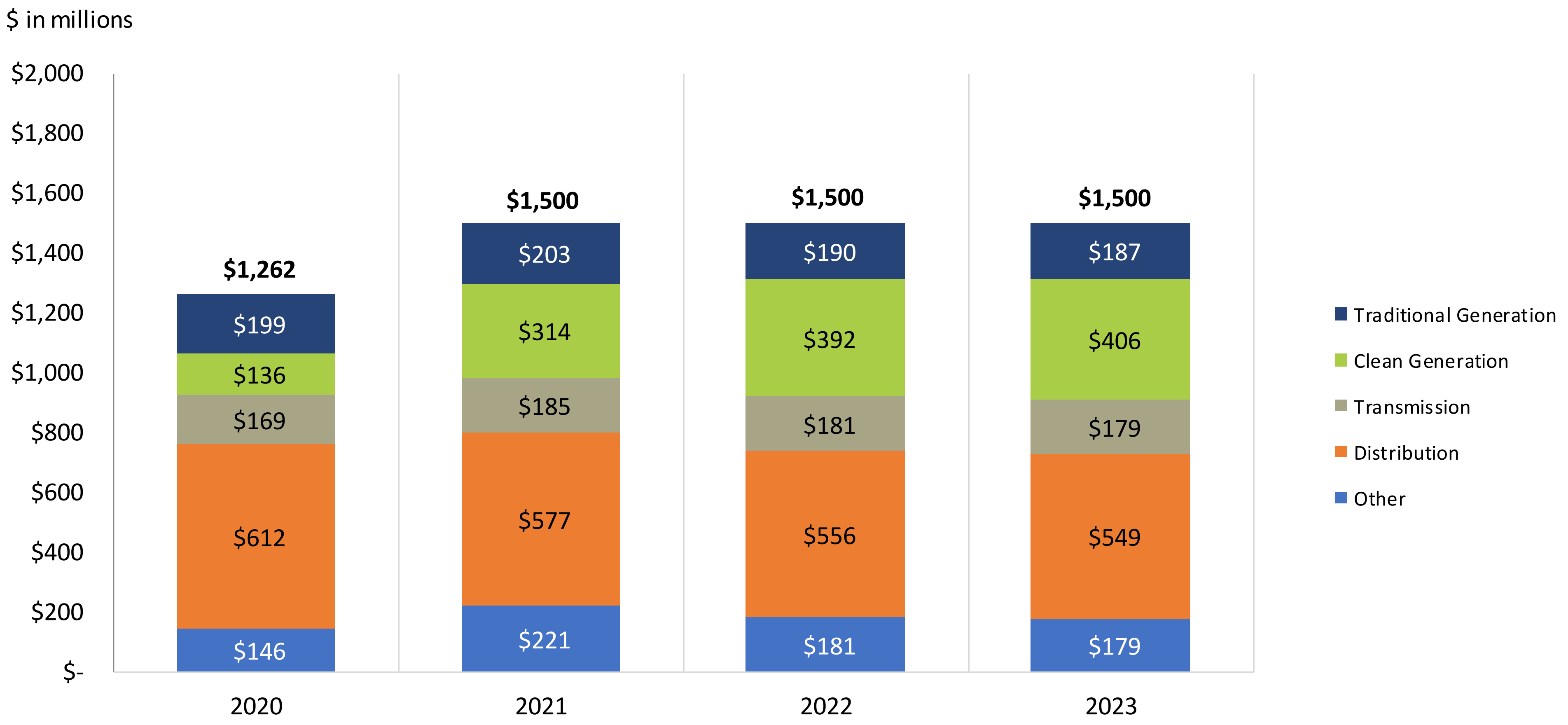
APS CAPITAL EXPENDITURES

Capital expenditures will support our growing customer base and our transition to a cleaner generation mix

PROJECTED



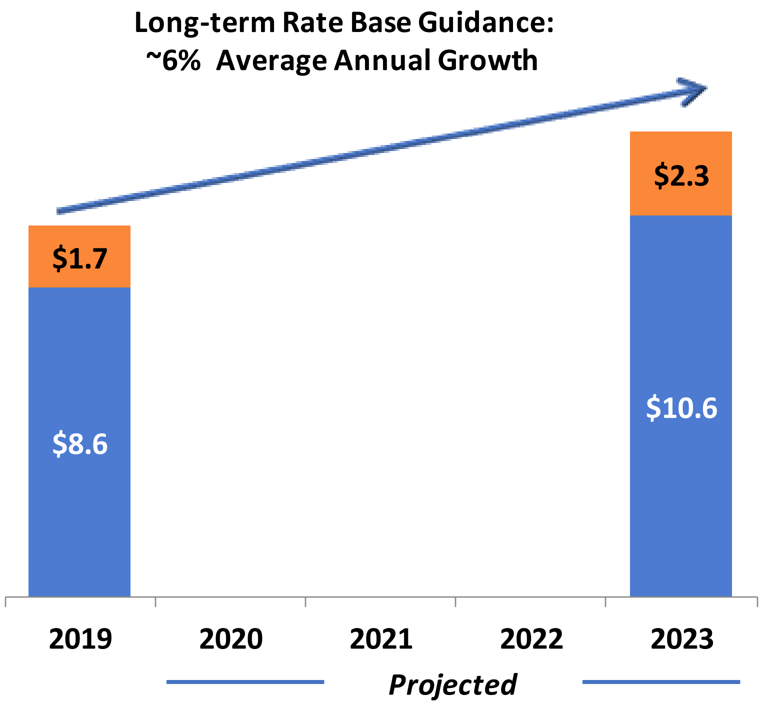
- 2021 – 2023 as disclosed in the 2020 Annual Report on Form 10-K.

RATE BASE

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

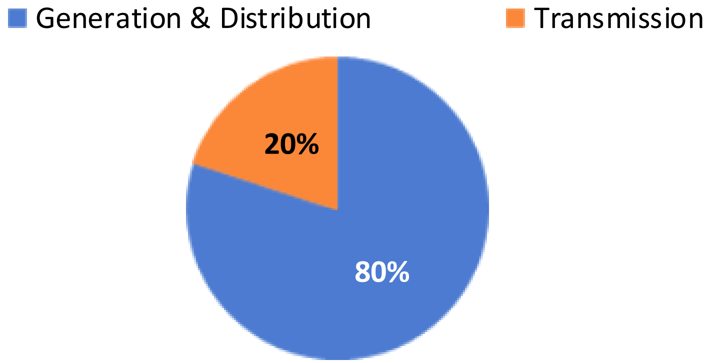
APS Rate Base Growth

Year-End



Rate base $ in billions, rounded

Total Approved Rate Base



	ACC	FERC
Rate Effective Date	8/19/2017	6/1/2020
Test Year Ended	12/31/2015[1, 2]	12/31/2019
Rate Base	$6.8B	$1.7B
Equity Layer	55.8%	53%
Allowed ROE	10.0%	10.75%

[1] Adjusted to include post test-year plant in service through 12/31/2016

[2] On 10/31/19 APS filed an ACC general rate case with a proposed $8.9B rate base for an adjusted test year ended 6/30/19

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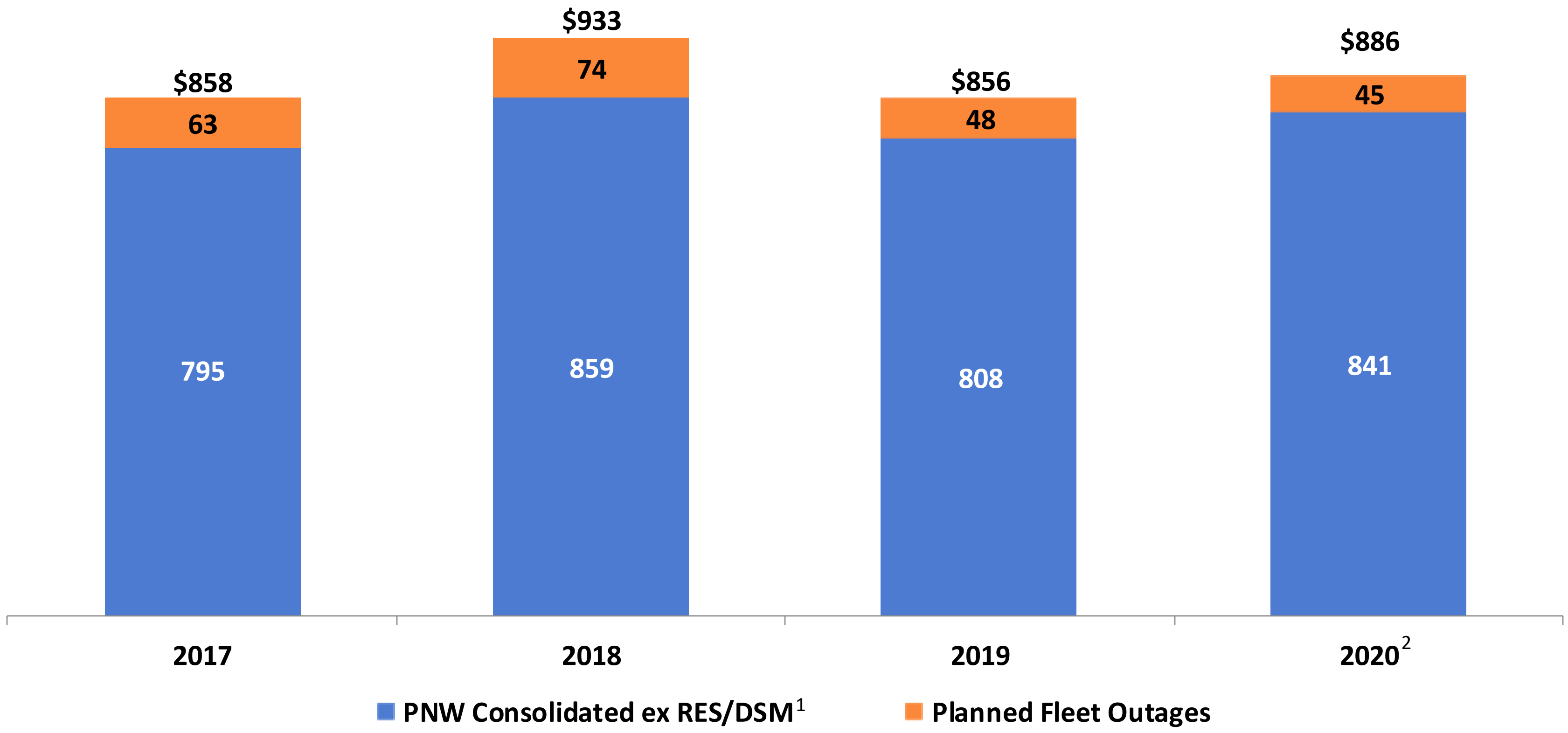
OPERATIONS & MAINTENANCE

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

$ in millions



[1] Excludes RES/DSM of $91 million in 2017, $104 million in 2018, $86 million in 2019, and $73 million in 2020.

[2] $46M of future O&M was pulled forward from future years to utilize above average weather benefit in 2020.

2021 PLANNED OUTAGE SCHEDULE

Coal, Nuclear, and Large Gas Planned Outages

Q1				Q2				Q4		
Plant	Unit	Estimated Duration in Days		Plant	Unit	Estimated Duration in Days		Plant	Unit	Estimated Duration in Days
Four Corners*	4	47		Four Corners*	4	25		Palo Verde	2	30
				Palo Verde	3	30				

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

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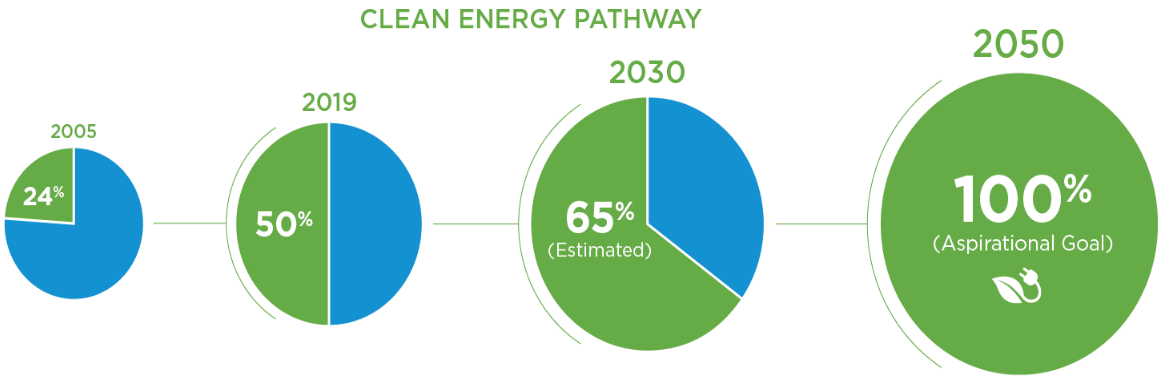
APPENDIX

FUTURE FOCUS: CLEAN ENERGY PLAN

APS Clean Energy Commitment



Clean energy commitments

- 100% clean, carbon-free electricity by 2050
- 65% clean energy by 2030 with 45% renewable energy
- End APS's use of coal-fired generation by the end of 2031

A clean economic future

- Meet our responsibility to power Arizona and move toward a low-carbon economy
- Guided by sound science to advance a healthy environment
- Market-driven energy innovation and a strong Arizona economy are critical
- Starting from an energy mix that is 50% clean which includes: renewables, energy efficiency and carbon-free, clean energy from Palo Verde Generating Station

RESOURCE PLANNING

2020 Procurement Activities

Storage Contracted
- 141 MW located on six APS solar plant sites
- Utility owned
- Expected in service 2022

Wind Contracted
- 20-year PPA for 200 MW of wind resources
- Re-power of existing wind facility
- Expected in service in 2021

Demand Response Contracted
- 5-year term beginning June 1, 2021
- 60 MW year 1 and 75 MW per year after
- Up to 18 events per season (June-Sept)

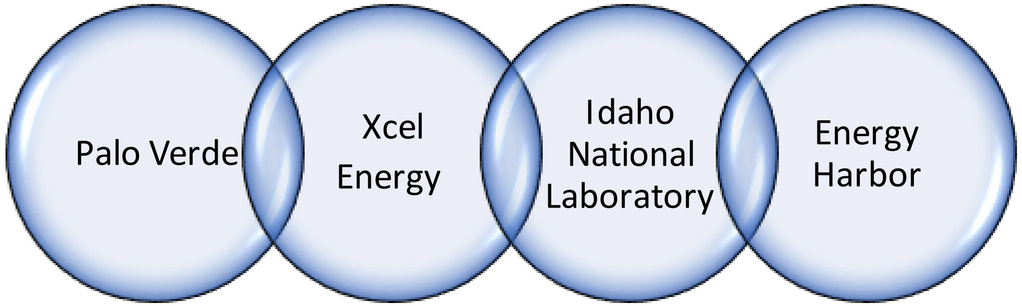
Battery RFP
- 60 MW of APS-owned battery storage
- Located on two APS solar plant sites
- To be in service no later than June 1, 2023

All-Source RFP
- 600-800 MW renewable energy
- 400-600 MW peaking capacity
- Accepting proposals for utility ownership and PPA projects
- To be in service in 2023 and 2024

HYDROGEN

Palo Verde collaborates on a pilot project to explore the production of hydrogen at Palo Verde Generating Station

Collaborators Include →



- The pilot program will examine the long-term cost-effectiveness of hydrogen production at utility scale and is expected to run from 2020 to 2023.
- Idaho National Laboratory will prepare technical & economic feasibility assessment. The assessment will consider regional power prices in order to determine the cost-effectiveness of producing hydrogen using Palo Verde Generating Station electricity.
- APS will look at the technical feasibility of electrolysis, a method that splits water into oxygen and hydrogen, and the cost of equipment, principally the electrolyzer.

CREDIT RATINGS AND METRICS

	APS	Pinnacle West
Corporate Credit Ratings[1]		
Moody's	A2	A3
S&P	A-	A-
Fitch	A-	A-
Senior Unsecured[1]		
Moody's	A2	A3
S&P	A-	BBB+
Fitch	A	A-

S&P rates the outlooks for APS and Pinnacle West as Stable. Fitch & Moody's rate the outlooks for both as Negative.

S&P Credit Metrics TME 9/30/20	
APS	
FFO / Debt	22.7%
FFO / Interest	7.6x
Debt / Capitalization	49.6%
Pinnacle West	
FFO / Debt	20.0%
FFO / Interest	6.9x
Debt / Capitalization	53.5%

Source: Standard & Poor's

[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.

Income Taxes

ACC – TAX EXPENSE ADJUSTOR MECHANISM:

- *PHASE I*: ACC approved $119 million annual rate reduction reflecting the lower federal tax rate. Effective March 2018.
- *PHASE II*: ACC approved an additional $86.5 million rate reduction to return the unprotected "excess" deferred taxes to ACC customers. Effective April 2019 – April 2020.
- *PHASE III*: ACC approved the rate reduction effective for the December 2019 billing cycle – (i) a one-time bill credit to customers to return $64 million related to amortization of protected "excess" deferred taxes from January 1, 2018 through October 31, 2019; and (ii) a monthly bill credit to return an additional $39.5 million to customers from December 2019 through December 2020. In December 2020, the Phase III monthly bill credit was further extended through the earlier of December 31, 2021 or the conclusion of the pending rate case.

CASH TAXES

- Minimal cash tax payments in 2020 and existing tax credit carryforwards partially offset cash tax payments in 2021.
- Future investment tax credits from renewable efforts will likely reduce cash tax payments in the year the assets are placed in service.

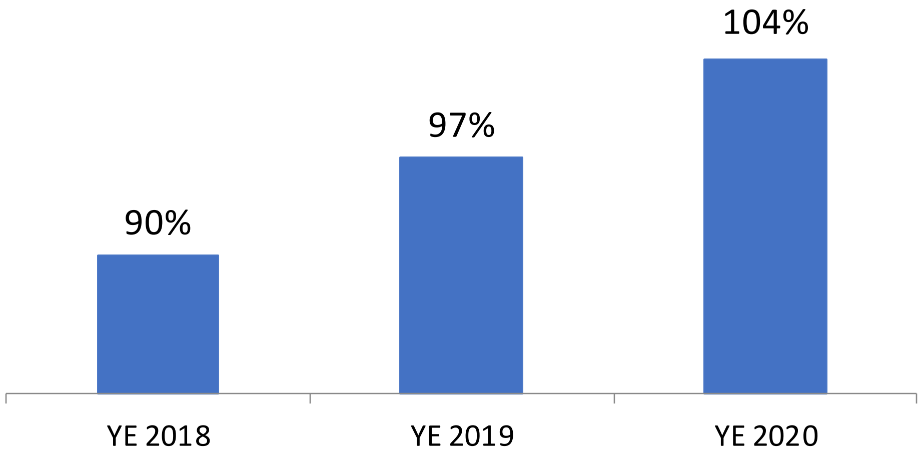
EFFECTIVE TAX RATE

- Amortization of TEAM Phase II excess deferred taxes benefited the 2019 and 2020 Effective Tax Rate.
- Amortization of TEAM Phase III excess deferred taxes are anticipated to benefit the ETR over a 28.5 year period.

Net Regulatory Liability for Excess Deferred Taxes ($ in millions)	At Dec 31, 2020
Total Net Regulatory Liability for Regulated Excess Deferred Taxes	$1,290
Net Regulatory Liability for Depreciation Related Excess Deferred Taxes (to be returned over the life of property)	$1,260
Net Regulatory Liability for Non-Depreciation Related Excess Deferred Taxes	$30

PENSION & OTHER POST RETIREMENT BENEFITS ("OPEB")

Pension Funded Status



- Liability driven investment strategy helps reduce funded status volatility
- Pension portfolio has a 72% target allocation to fixed income assets
- Hedge 100% of interest rate volatility using a combination of fixed income portfolio assets and U.S. Treasury Futures contracts

($ in millions)

Expense[1]	2020A	2021E
Pension[2]	$(6)	$(41)
OPEB	$(21)	$(37)

Contributions	2020A	2021E	2022E	2023E
Pension	$100	$100	$0	$0
OPEB	$0	$0	$0	$0

Expense Assumptions	2020	2021
Discount Rate: Pension	3.30%	2.53%
Expected Long-Term Return on Plan Assets: Pension	5.75%	5.30%

[1] Excludes amounts capitalized or billed to electric generating plant joint owners.
[2] Excludes supplemental excess benefit retirement plan calculated on a PBO basis.

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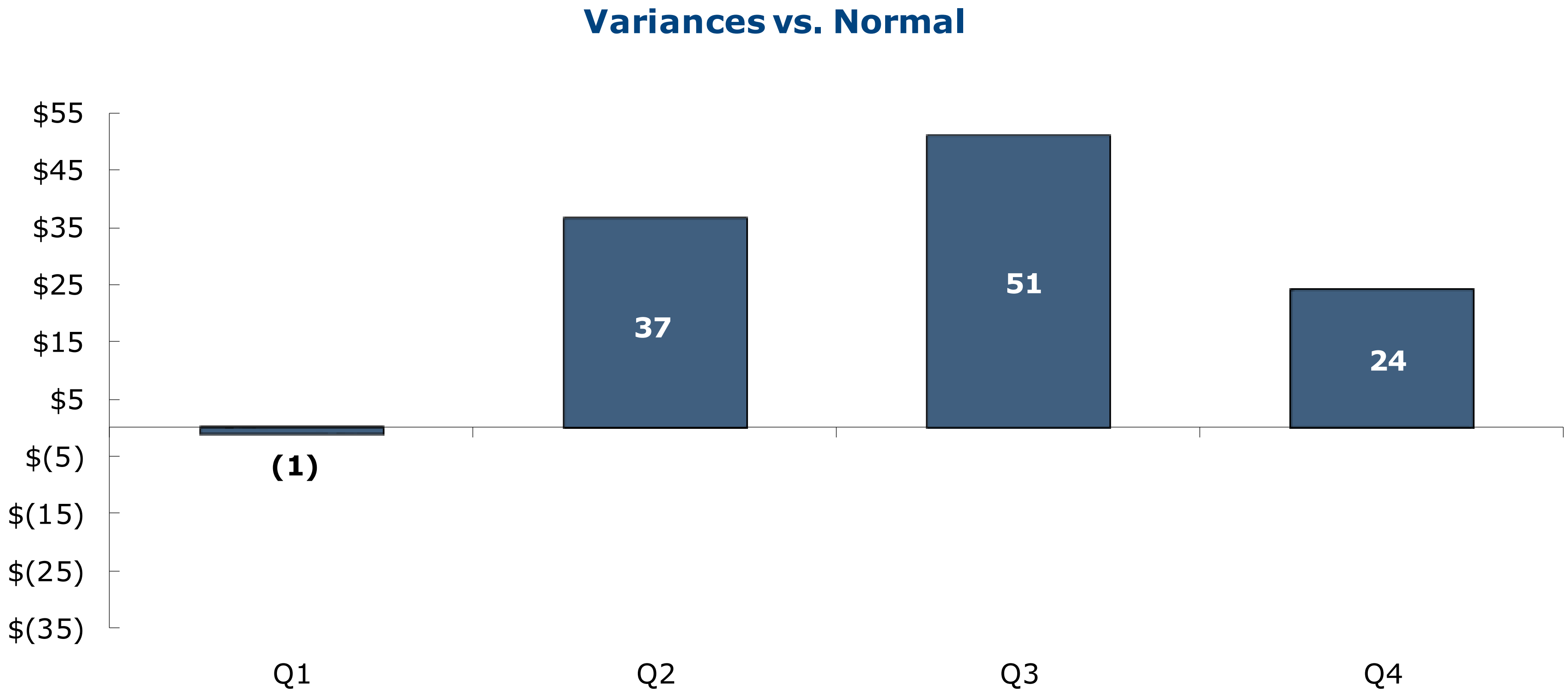
GROSS MARGIN EFFECTS OF WEATHER

$ in millions pretax

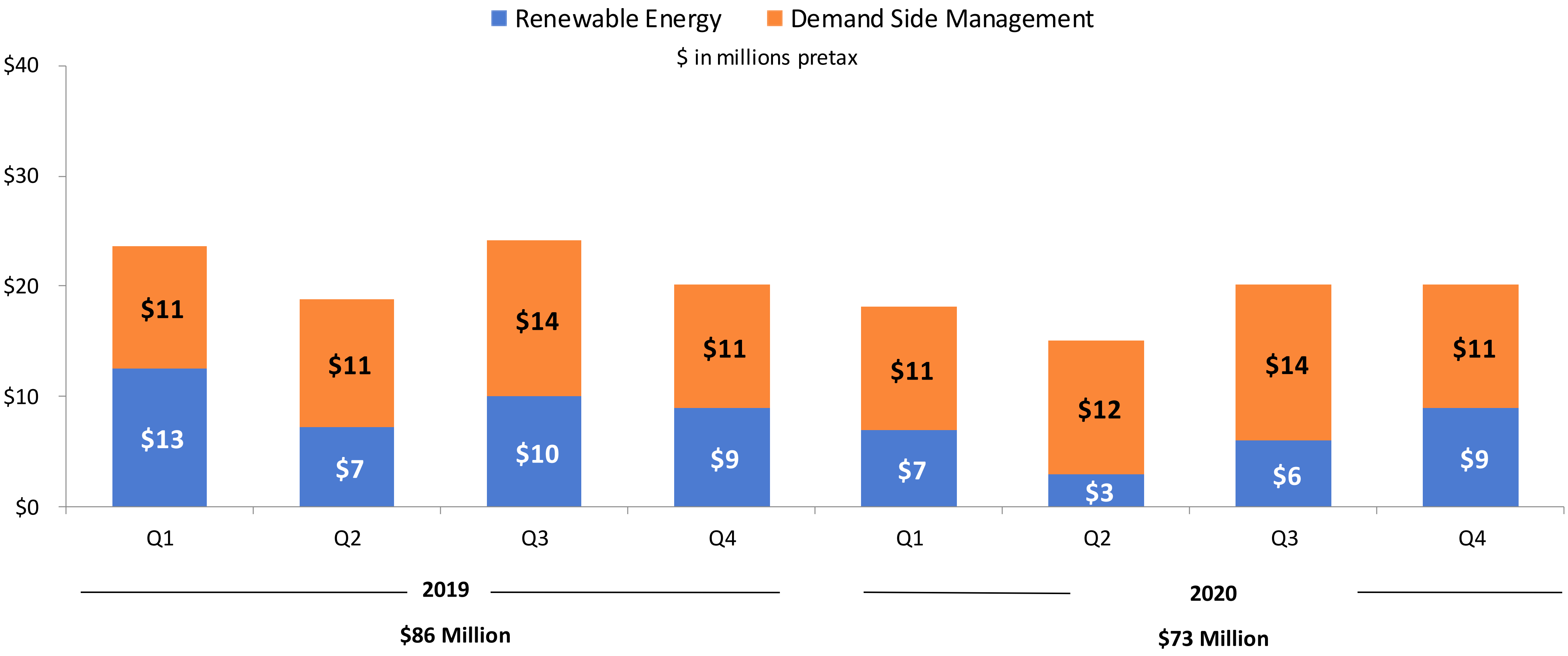


2020

$110 Million

All periods recalculated to current 10-year rolling average (2008 – 2017). Numbers may not foot due to rounding.

RENEWABLE ENERGY AND DEMAND SIDE MANAGEMENT EXPENSES[1]



[1] Renewable energy and demand side management expenses are offset by adjustment mechanisms.

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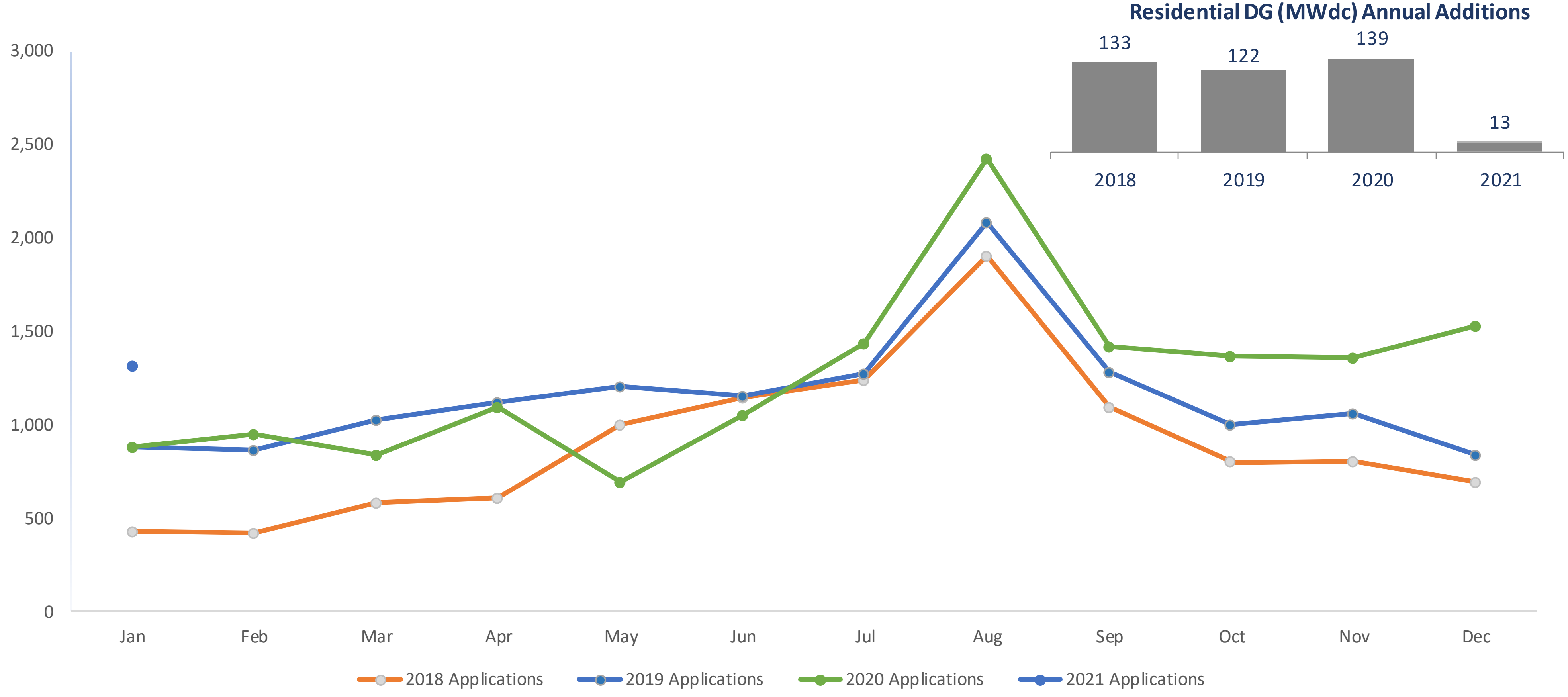
RESIDENTIAL PV APPLICATIONS[1]



[1] Monthly data equals applications received minus cancelled applications. As of January 31, 2021 approximately 119,800 residential grid-tied solar photovoltaic (PV) systems have been installed in APS's service territory, totaling approximately 983 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.

2021 KEY DATES

ACC Key Dates / Docket #	**Q1**	**Q2**	**Q3**	**Q4**
Power Supply Adjustor (PSA): **E-01345A-16-0036**		Effective: April 1		
Lost Fixed Cost Recovery: **E-01345A-16-0036**	File: Feb 15			
Transmission Cost Adjustor: **E-01345A-16-0036**		File: May 15 Effective: Jun 1		
2021 DSM/EE Implementation Plan: **E-01345A-20-0151**				
2021 RES Implementation Plan: **E-01345A-20-0199**				
2019 Rate Case: **E-01345A-19-0236**	Hearing Began: Jan 14			
Resource Planning and Procurement: **E-00000V-19-0034**	Workshop Mar 15			
Resource Comparison Proxy (RCP): **E-01345A-20-0113**				Effective: October 1
Possible Modification to Commission's Energy Rules: **RU-00000A-18-0284**				
Proposed Termination of Service Rule Modifications: **RU-00000A-19-0132**				

2019 RATE CASE REBUTTAL TESTIMONY

Filed November 6, 2020
Docket Number: E-01345A-19-0236
Additional details, including filing, can be found at http://www.pinnaclewest.com/investors

Rebuttal Testimony Highlights	
Advanced Energy Mechanism (AEM)	- Recover clean energy investments - Could replace the Demand-Side Management Adjustment Clause, Renewable Energy Standard surcharge and Lost Fixed Cost Recovery mechanism by combining into one adjustor mechanism
Coal Community Transition (Four Corners)	- $100M over 10 years for a sustainable transition to a post-coal economy; 100% recoverable through rates - $1.25M over 5 years to fund an economic development organization; not recoverable through rates - $10M over 10 years to facilitate electrification of the Navajo Nation; 50% recoverable through rates - $2.5M per year in transmission revenue sharing starting after plant closure through 2038; not recoverable through rates • RFPs to solicit 600 MW of renewable energy to be sited on or near the Navajo Nation, projects pending ACC approval
Revenue Requirement Increase	- $169 million; reduction of $15 million from original request of $184 million
ROE/Fair Value Increment	- 10% and 0.8% (reflects current authorized amounts)
Rate Design	- Simplify with 3 rate options for non-solar customers (Flat, TOU, TOU with Demand)
Customer Outreach	- Formal, data/research driven customer experience strategy - Internal customer experience council and annual customer improvement workplans - Voice of the Customer program to capture customer research and insights

APS REBUTTAL TESTIMONY KEY FINANCIALS

Test year ended June 30, 2019	
Total Rate Base - Adjusted	$11.2 Billion
ACC Rate Base - Adjusted	$8.9 Billion
Allowed Return on Equity	**10.0%**
Capital Structure	
Long-term debt	45.3%
Common equity	54.7%
Base Fuel Rate (¢/kWh)	**3.1451**
Post-test year plant period	**12 months**

Overview of Rate Increase ($ in Millions)			
Total stated base rate increase (inclusive of existing adjustor transfers)	$	41	1.2%
Plus: Transfer to base rates of various adjustors already in effect	$	115	3.5%
Plus: Coal Community Transition funding through the AEM	$	13	0.4%
Net Customer Bill Impact	**$**	**169**	**5.1%**

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APS REBUTTAL TESTIMONY - REVENUE REQUIREMENT

Customer Bill Impact = Net Base Rate Increase + Net Adjustor Changes	Dollars (millions)	Bill Impact
Total Revenue Deficiency in APS's Application	$184	5.6%
Base Rate Changes		
Net adjustments	$(28)	-0.9%
TEAM	$(119)	-3.6%
All other adjustor mechanisms	$4	0.1%
Rebuttal Net Base Rate Request	**$41**	**1.2%**
Adjustor Changes		
Removal of TEAM credit	$119	3.6%
Transfer of all other adjustor mechanisms to base rates	$(4)	-0.1%
Advanced Energy Mechanism	$13	0.4%
Net Adjustor Mechanism Changes	**$128**	**3.9%**
Total Rebuttal Revenue Requirement Increase and Bill Impact	**$169**	**5.1%**

PINNACLE WEST
CAPITAL CORPORATION

SUMMARY OF RATE CASE INTERVENOR RECOMMENDATIONS

	APS (Rebuttal)	ACC Staff (Surrebuttal)	RUCO (Surrebuttal)
Total Revenue Increase (Base Rate and Adjustors) ($MM)	$169 5.1%	$59.8 1.8%	($50.0) (1.5%)
Base Rate Increase ($MM)	$40	($55.2)	($165.0)
ROE	10.00%	9.40%	8.70%
Return on Fair Value Increment	0.80%	Alt 1: 0.00% Alt 2: 0.30% (Alt 2 recommended)	0.00%
Weighted Average Cost of Capital / Rate of Return on FVRB	7.33% / 5.51%	7.00% / 5.14%	6.62% / 4.68%
Base Fuel Rate (¢/kWh)	3.1451	3.1451	Not addressed
Post-Test Year Plant	12 Months	12 Months	12 months, reduces amount by over 20%
SCRs and Deferral	Include both	Include both	Disallow both, pending further review
OMP and Deferral	Include both	Include both	Include both
Capital Structure	54.7%/45.3%	54.7%/45.3%	54.7%/45.3%

APS
RATE CASE PROCEDURAL SCHEDULE

Arizona Public Service Company
Docket # E-01345A-19-0236

Application Filed October 31, 2019

Staff/Intervenor Direct Testimony (October 2, 2020)

Staff/Intervenor Direct Testimony (Rate Design) (October 9, 2020)

APS Rebuttal Testimony (November 6, 2020)

Staff/Intervenor Surrebuttal Testimony (December 4, 2020)

APS Rejoinder Testimony (December 22, 2020)

Hearing Commenced (January 14, 2021)

NON-GAAP MEASURE RECONCILIATION

$ in millions pretax, except per share amounts	Three Months Ended December 31, 2020[1]	RES/ DSM	Four Corners and Ocotillo Deferrals[2]	Income tax expense at statutory rate	Other	2020 Adjusted	2019[1]	RES/ DSM	Four Corners and Ocotillo Deferrals[2]	Income tax expense at statutory rate	Other	2019 Adjusted	EPS Impact
Operating revenues	$ 741	$ (27)	$ -	$ -	$ -	$ 714	$ 670	$ (27)	$ -	$ -	$ -	$ 643	
Fuel and purchased power expenses	(213)	7	-	-	(2)	(208)	(225)	7	-	-	-	(218)	
Gross margin	**528**	**(20)**	**-**	**-**	**(2)**	**506**	**445**	**(20)**	**-**	**-**	**-**	**425**	**$ 0.54**
Operations and maintenance	**281**	**(20)**	**(2)**	**-**	**2**	**261**	**230**	**(20)**	**-**	**-**	**-**	**210**	**$(0.34)**
Depreciation and amortization	**155**	**-**	**5**	**-**	**(1)**	**159**	**145**	**-**	**2**	**-**	**-**	**147**	**$(0.08)**
Other taxes	**56**	**-**	**(3)**	**-**	**1**	**54**	**55**	**-**	**(2)**	**-**	**-**	**53**	**$(0.01)**
Allowance for equity funds used during construction	(9)	-	-	-	(1)	(10)	(7)	-	-	-	-	(7)	
Interest charges	64	-	(11)	-	-	53	60	-	(12)	-	(1)	47	
Allowance for borrowed funds used during construction	(5)	-	-	-	-	(5)	(4)	-	-	-	-	(4)	
Interest expense, net of AFUDC	**50**	**-**	**(11)**	**-**	**(1)**	**38**	**49**	**-**	**(12)**	**-**	**(1)**	**36**	**$(0.01)**
Other expenses (operating)	4	-	-	-	-	4	4	-	-	-	-	4	
Other income	(14)	-	11	-	-	(3)	(15)	-	12	-	-	(3)	
Other expense	44	-	-	-	2	46	3	-	-	-	4	7	
Other	**34**	**-**	**11**	**-**	**2**	**47**	**(8)**	**-**	**12**	**-**	**4**	**8**	**$(0.26)**
Income taxes	**(20)**	**-**	**-**	**9**	**-**	**(11)**	**(89)**	**-**	**-**	**5**	**1**	**(83)**	**$(0.64)**

[1] Line items from Consolidated Statements of Income.

[2] See Note 4, Regulatory Matters, in Form 10-K for the period ended December 31, 2020 for total Four Corners and Ocotillo deferral impacts.

PINNACLE WEST CAPITAL CORPORATION

Numbers may not foot due to rounding.

NON-GAAP MEASURE RECONCILIATION

$ in millions pretax, except per share amounts	2020[1]	RES/ DSM	Four Corners and Ocotillo Deferrals[2]	Income tax expense at statutory rate	AZ Attorney General Settlement	Other	2020 Adjusted	2019[1]	RES/ DSM	Four Corners and Ocotillo Deferrals[2]	Income tax expense at statutory rate	Other	2019 Adjusted	EPS Impact
	Twelve Months Ended December 31,													
Operating revenues	$3,587	$ (113)	$ -	$ -	$ -	$ (1)	$ 3,473	$3,471	$ (125)	$ -	$ -	$ -	$ 3,346	
Fuel and purchased power expenses	(993)	40	-	-	-	-	(953)	(1,042)	40	-	-	-	(1,002)	
Gross margin	**2,594**	**(73)**	**-**	**-**	**-**	**(1)**	**2,520**	**2,429**	**(85)**	**-**	**-**	**-**	**2,344**	**$ 1.17**
Operations and maintenance	**959**	**(73)**	**(8)**	**-**	**-**	**1**	**879**	**942**	**(86)**	**-**	**-**	**(1)**	**855**	**$(0.16)**
Depreciation and amortization	**614**	**-**	**18**	**-**	**-**	**(2)**	**630**	**591**	**-**	**7**	**-**	**(1)**	**597**	**$(0.22)**
Other taxes	**225**	**-**	**(10)**	**-**	**-**	**(1)**	**214**	**219**	**-**	**(7)**	**-**	**(1)**	**211**	**$(0.02)**
Allowance for equity funds used during construction	(34)	-	-	-	-	-	(34)	(31)	-	-	-	-	(31)	
Interest charges	248	-	(42)	-	-	-	206	235	-	(40)	-	-	195	
Allowance for borrowed funds used during construction	(19)	-	-	-	-	-	(19)	(19)	-	-	-	-	(19)	
Interest expense, net of AFUDC	**195**	**-**	**(42)**	**-**	**-**	**-**	**153**	**185**	**-**	**(40)**	**-**	**-**	**145**	**$(0.05)**
Other expenses (operating)	7	-	-	-	-	-	7	6	-	-	-	-	6	
Other income	(57)	-	42	-	-	-	(15)	(50)	-	40	-	-	(10)	
Other expense	58	-	-	-	-	4	62	18	-	-	-	4	22	
Other	**8**	**-**	**42**	**-**	**-**	**4**	**54**	**(26)**	**-**	**40**	**-**	**4**	**18**	**$(0.24)**
Income taxes	**78**	**-**	**-**	**(160)**	**-**	**-**	**(82)**	**(16)**	**-**	**-**	**(134)**	**-**	**(150)**	**$(0.60)**
Earnings per weighted-average common share outstanding - Net income attributable to common shareholders - diluted	**$4.87**	**-**	**-**	**-**	**$ 0.17**	**-**	**$ 5.04**	**$4.77**	**-**	**-**	**-**	**-**	**$ 4.77**	

[1] Line items from Consolidated Statements of Income.

[2] See Note 4, Regulatory Matters, in Form 10-K for the period ended December 31, 2020 for total Four Corners and Ocotillo deferral impacts.

PINNACLE WEST
CAPITAL CORPORATION

Numbers may not foot due to rounding.

CONSOLIDATED STATISTICS

	3 Months Ended December 31,			12 Months Ended December 30,		
	2020	2019	Incr (Decr)	2020	2019	Incr (Decr)
ELECTRIC OPERATING REVENUES (Dollars in Millions)						
Retail						
Residential	$ 363	$ 309	$ 54	$ 1,929	$ 1,761	$ 168
Business	340	315	25	1,486	1,510	(23)
Total Retail	703	624	79	3,415	3,271	145
Sales for Resale (Wholesale)	17	27	(9)	93	122	(28)
Transmission for Others	17	16	1	66	63	3
Other Miscellaneous Services	3	4	(0)	13	16	(4)
Total Operating Revenues	$ 741	$ 670	$ 71	$ 3,587	$ 3,471	$ 116
ELECTRIC SALES (GWH)						
Retail						
Residential	2,950	2,581	369	14,748	13,189	1,559
Business	3,516	3,427	90	14,597	14,654	(58)
Total Retail Sales	6,466	6,007	459	29,344	27,844	1,501
Sales for Resale (Wholesale)	524	996	(472)	3,045	4,039	(994)
Total Electric Sales	6,990	7,003	(13)	32,390	31,883	507
RETAIL SALES (GWH) - WEATHER NORMALIZED						
Residential	2,766	2,637	130	13,893	13,230	662
Business	3,454	3,449	5	14,373	14,651	(277)
Total Retail Sales	6,221	6,086	135	28,266	27,881	385
Retail sales (GWH) (% over prior year)	2.2%	0.9%		1.4%	0.6%	
AVERAGE ELECTRIC CUSTOMERS						
Retail Customers						
Residential	1,161,284	1,135,132	26,152	1,150,194	1,123,829	26,364
Business	139,182	137,834	1,349	138,508	136,286	2,223
Total Retail	1,300,466	1,272,965	27,501	1,288,702	1,260,115	28,587
Wholesale Customers	51	48	3	49	48	0
Total Customers	1,300,517	1,273,013	27,503	1,288,751	1,260,164	28,587
Total Customer Growth (% over prior year)	2.2%	2.2%		2.3%	2.0%	
RETAIL USAGE - WEATHER NORMALIZED (KWh/Average Customer)						
Residential	2,382	2,323	59	12,079	11,773	306
Business	24,820	25,025	(205)	103,772	107,499	(3,727)

Numbers may not foot due to rounding.

PINNACLE WEST CAPITAL CORPORATION

CONSOLIDATED STATISTICS

	3 Months Ended December 31			12 Months Ended December 31		
	2020	2019	Incr (Decr)	2020	2019	Incr (Decr)
ENERGY SOURCES (GWH)						
Generation Production						
Nuclear	2,029	2,087	(58)	9,182	9,289	(107)
Coal	1,287	1,760	(474)	6,298	8,120	(1,822)
Gas, Oil and Other	2,614	2,372	242	10,615	8,817	1,799
Renewables	124	115	9	589	595	(7)
Total Generation Production	6,053	6,333	(281)	26,684	26,821	(137)
Purchased Power						
Conventional	632	423	210	4,279	3,907	372
Resales	16	76	(60)	438	596	(158)
Renewables	508	470	38	2,268	2,078	190
Total Purchased Power	1,156	968	188	6,985	6,581	404
Total Energy Sources	7,209	7,301	(93)	33,668	33,402	267
POWER PLANT PERFORMANCE						
Capacity Factors - Owned						
Nuclear	80%	83%	(2)%	91%	93%	(1)%
Coal	43%	52%	(9)%	53%	57%	(4)%
Gas, Oil and Other	33%	36%	(3)%	34%	33%	1%
Renewable	25%	23%	2%	29%	30%	(0)%
System Average	43%	49%	(5)%	48%	51%	(2)%
WEATHER INDICATORS - RESIDENTIAL						
Actual						
Cooling Degree-Days	113	23	90	2,197	1,697	500
Heating Degree-Days	368	358	10	896	963	(67)
Average Humidity	21%	21%	(1)%	20%	25%	(6)%
10-Year Averages (2008 - 2017)						
Cooling Degree-Days	45	45	-	1,757	1,757	-
Heating Degree-Days	332	332	-	782	782	-
Average Humidity	30%	30%	-	0%	0%	-

Numbers may not foot due to rounding.