

PINNACLE WEST

CAPITAL CORPORATION

POWERING GROWTH DELIVERING VALUE

First Quarter 2023
Results

May 4, 2023



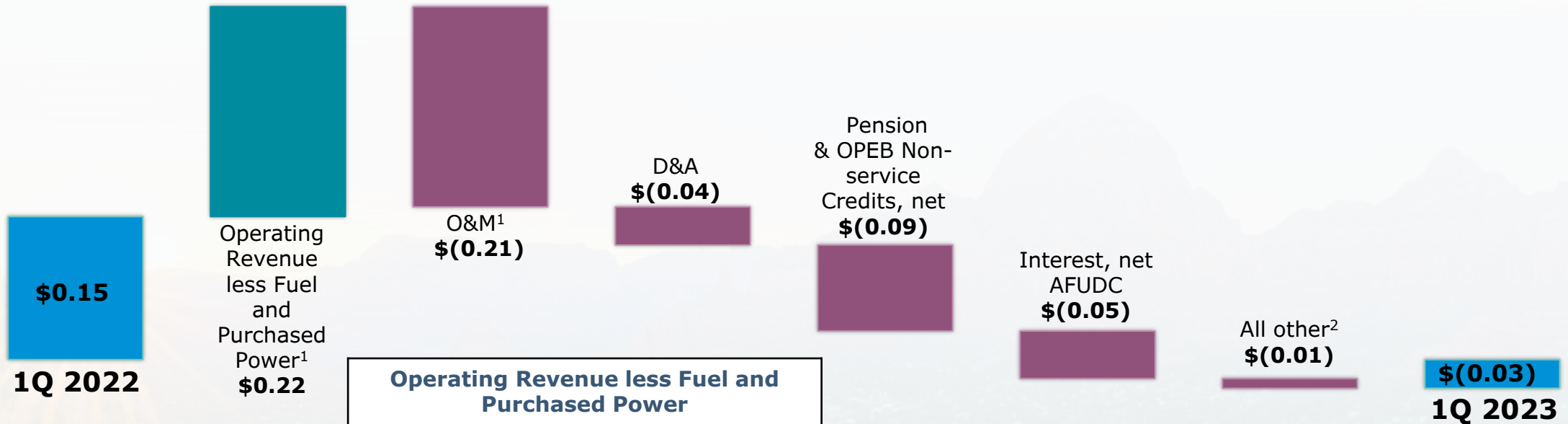
Forward Looking Statements

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,” “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 current economic environment and its effects, such as lower economic growth, a tight labor market, inflation, supply chain delays, increased expenses, volatile capital markets, or other unpredictable effects; 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 (including large increases in ambient temperatures), the general economy or social conditions, customer, and sales growth (or decline), the effects of energy conservation measures and distributed generation, and technological advancements; the potential effects of climate change on our electric system, including as a result of weather extremes such as prolonged drought and high temperature variations in the area where APS conducts its business; 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 or interpretations of existing legislation or regulations, 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 investment; 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; the direct or indirect effect on our facilities or business from cybersecurity threats or intrusions, data security breaches, terrorist attack, physical attack, severe storms, 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, including as a result of delays in the development and application of new technologies; the cost of debt, including increased cost as a result of rising interest rates, and equity capital and the ability to access capital markets when required; environmental, economic, and other concerns surrounding coal-fired generation, including regulation of GHG 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 landowners 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, 2022, 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.

1st Quarter higher expenses partially offset by weather and sales

1st Quarter 2023 vs. 1st Quarter 2022



¹ Includes costs and offsetting operating revenues associated with renewable energy and demand side management programs, see slide 18 for more information.

² Includes other taxes, other net, and income taxes.

2023 EPS guidance

Key Factors and Assumptions as of May 4, 2023	2023
Adjusted gross margin (operating revenues, net of fuel and purchased power expenses, x/RES,DSM,CCT) ¹	\$2.67 – \$2.72 billion
- Retail customer growth 1.5%-2.5% - Weather-normalized retail electricity sales growth of 3.5%-5.5% - Includes 2.0%-4.0% contribution to sales growth of new large manufacturing facilities and several large data centers - Assumes normal weather for full-year forecast	
Adjusted operating and maintenance expense (O&M x/RES,DSM,CCT) ¹	\$885 – \$905 million
Other operating expenses (depreciation and amortization, and taxes other than income taxes)	\$1.02 – \$1.03 billion
Other income (pension and other post-retirement non-service credits, other income and other expense)	\$39 – \$43 million
Interest expense , net of allowance for borrowed and equity funds used during construction (Total AFUDC ~\$70 million)	\$280 – \$300 million
Net income attributable to noncontrolling interests	\$17 million
Effective tax rate	10.8%
Average diluted common shares outstanding	113.6 million
EPS Guidance	\$3.95 – \$4.15

¹ Excludes costs and offsetting operating revenues associated with renewable energy and demand side management programs. For reconciliation, see slide 28.

Key drivers for EPS guidance¹

2023 EPS guidance of \$3.95-\$4.15 key drivers^{1,2}

- | | |
|---|--|
| ↑ Retail customer growth 1.5%-2.5% | ↓ Normal Weather |
| ↑ Weather-normalized retail electricity sales growth of 3.5%-5.5% | ↓ Depreciation, amortization and property taxes due to higher plant in service |
| ↑ Transmission revenues | ↓ Operations and maintenance expense |
| ↑ LFCR | ↓ Interest expense |
| | ↓ Pension and OPEB |

Long-term guidance and key drivers

- Long-term EPS growth target of 5%-7%³
- Retail customer growth 1.5%-2.5%⁴
- Weather-normalized retail electricity sales growth of 4.5%-6.5%⁴



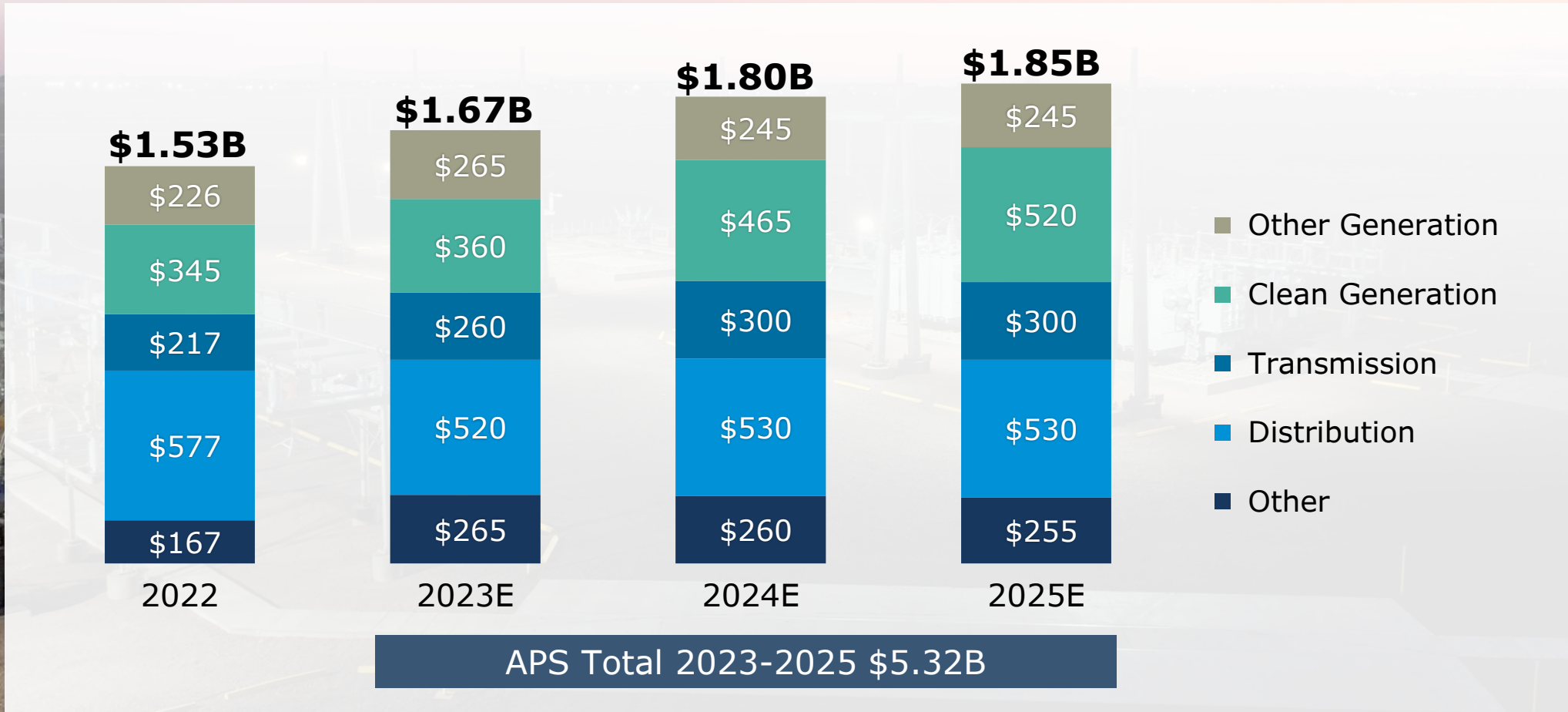
¹ Arrows represent expected comparative year-over-year impact of each driver on earnings.

² As of May 4, 2023.

³ Long-term EPS growth target based on the Company's current weather-normalized 5-year compound annual growth rate projections from 2022-2026.

⁴ Forecasted guidance range from 2023-2025.

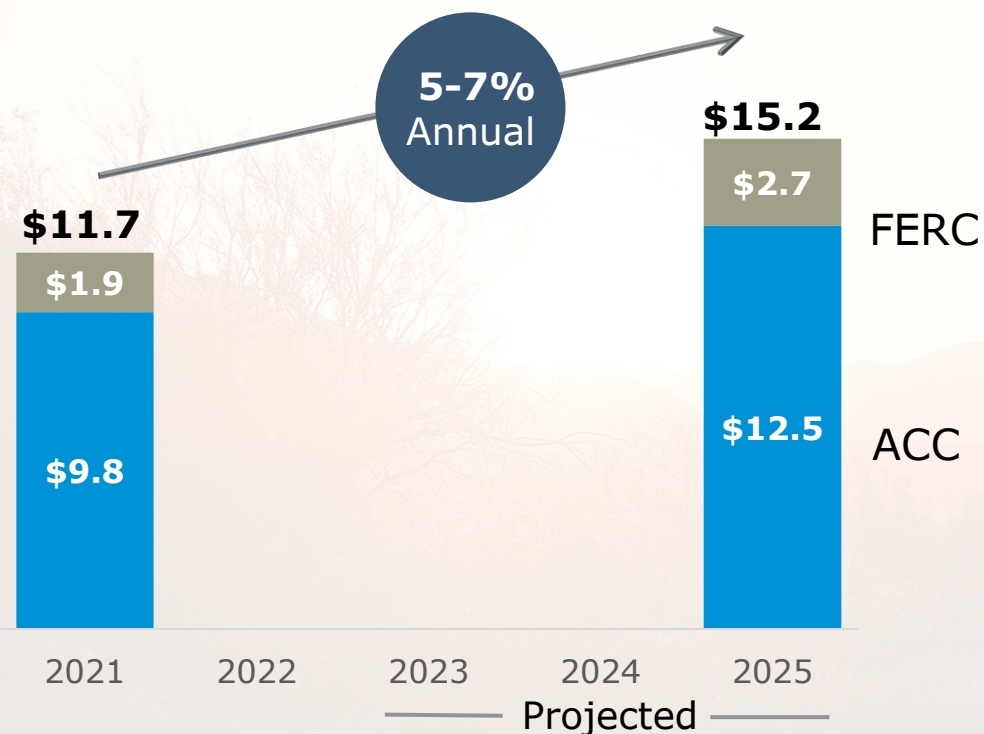
Managed capital plan to support customer growth, reliability, and clean transition



2023–2025 as disclosed in the First Quarter 2023 Form 10-Q.

Steady rate base growth

APS Rate Base Growth Guidance Year-End



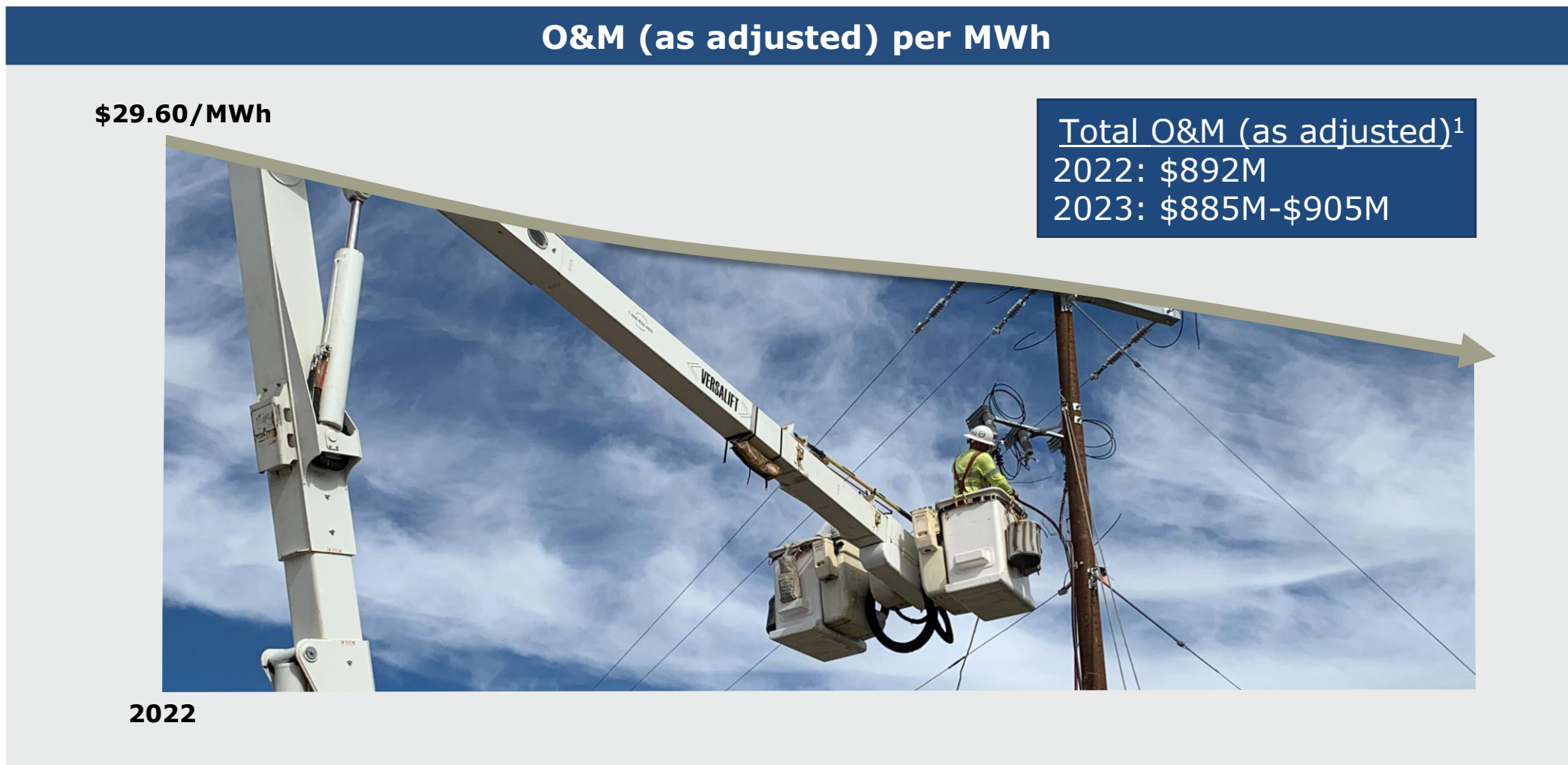
Rate base \$ in billions, rounded

Total Approved Rate Base

	ACC	FERC
Rate Effective Date	12/01/2021	6/1/2022
Test Year Ended	06/30/2019 ¹	12/31/2021
Rate Base	\$8.6B	\$1.9B
Equity Layer	54.7%	51.3%
Allowed ROE	8.7%	10.75%

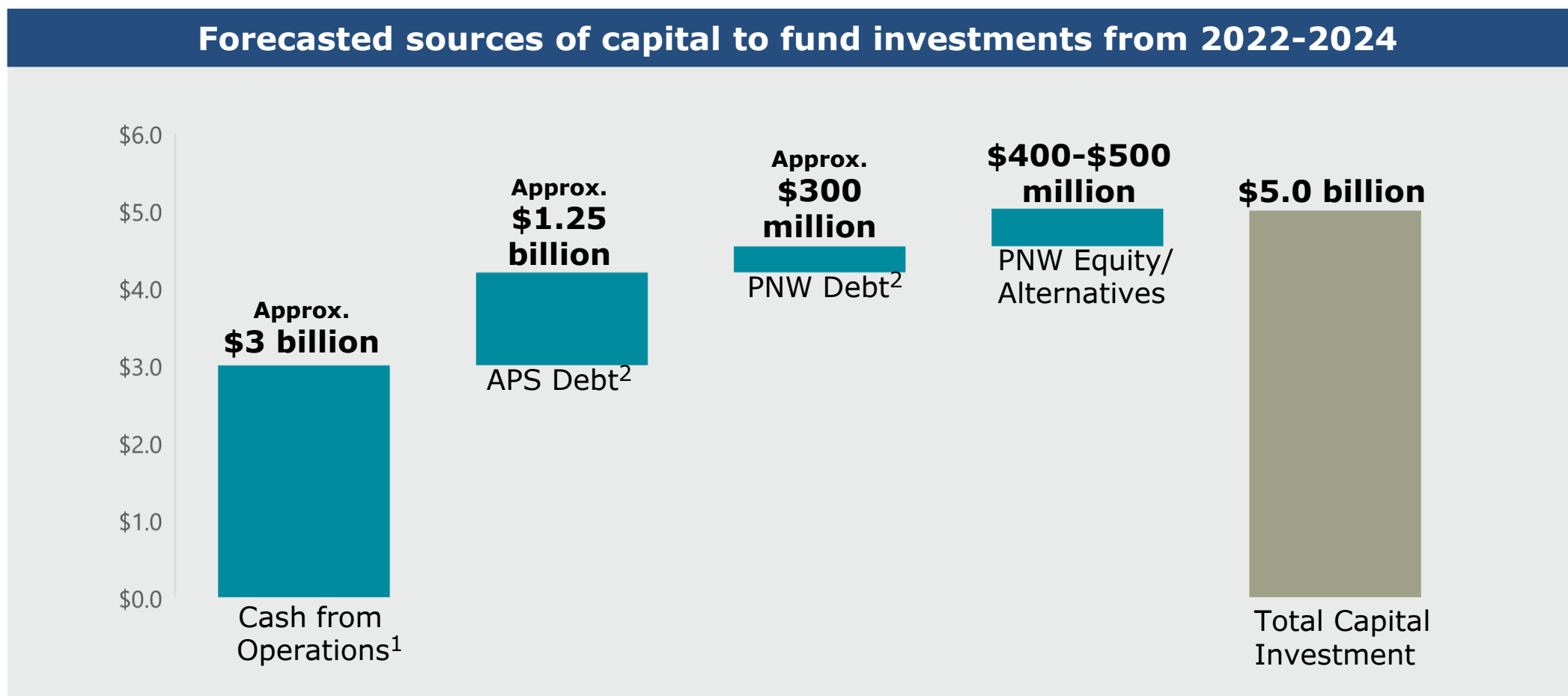
¹ Adjusted to include post test-year plant in service through 06/30/2020

Our goal continues to be declining O&M (as adjusted) per MWh



¹ O&M amounts, as adjusted, exclude RES/DSM amounts of \$95M in 2022 and \$110M-\$120M in 2023. Planned outage amounts included in O&M are \$43M in 2022 and a projected \$45M-\$55M in 2023. For reconciliation, see slide 28.

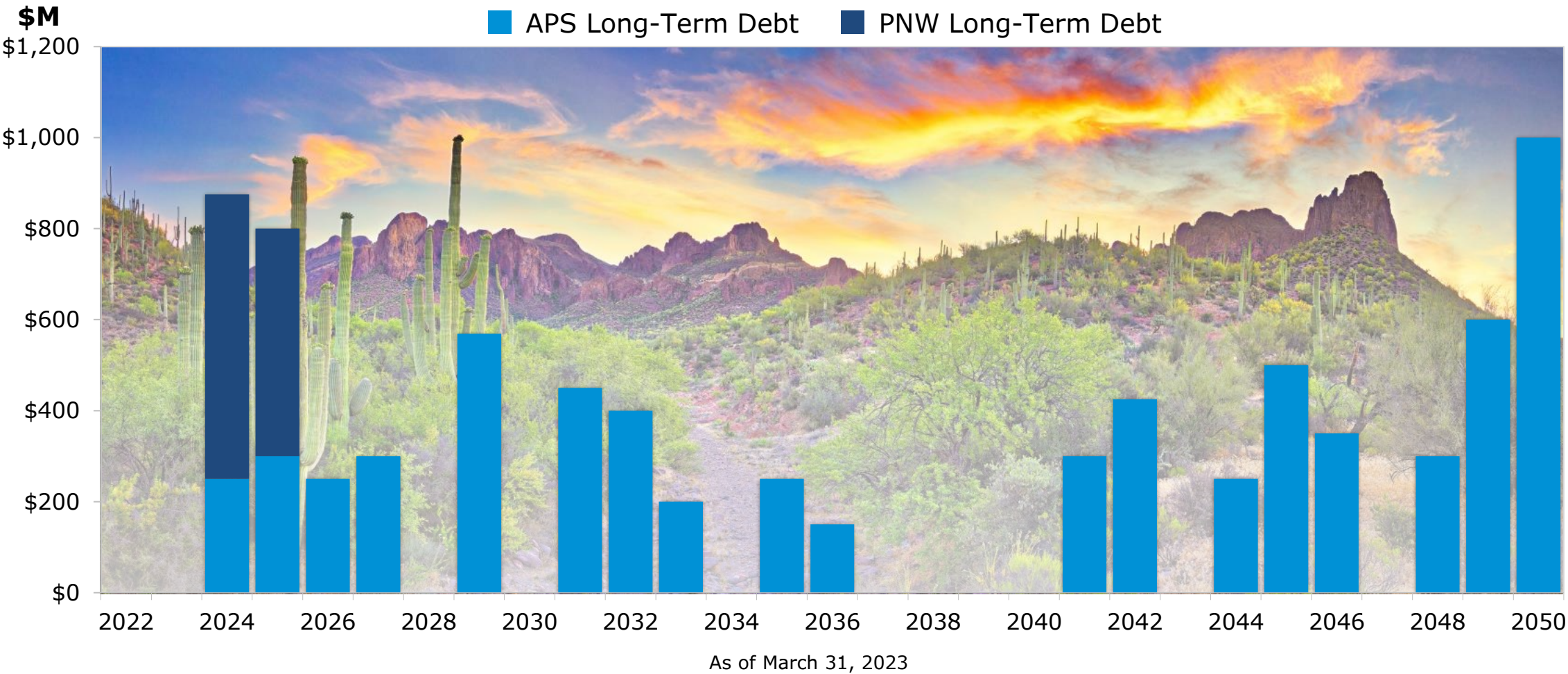
No plans to issue equity before end of next rate case



¹ Cash from operations is net of shareholder dividends.

² APS and PNW debt issuance is net of maturities.

Strong balance sheet with attractive long-term debt maturity profile¹



¹ Does not include debt at Bright Canyon Energy.

PINNACLE WEST

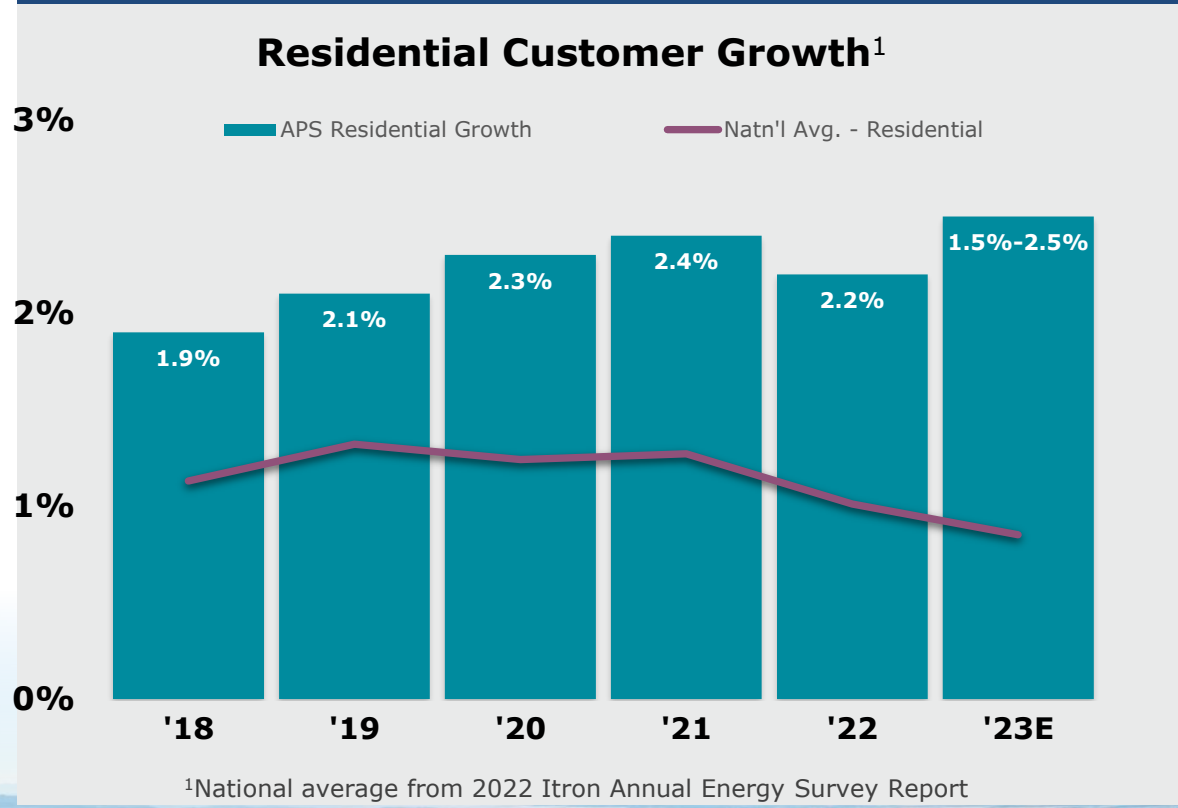
CAPITAL CORPORATION

APPENDIX

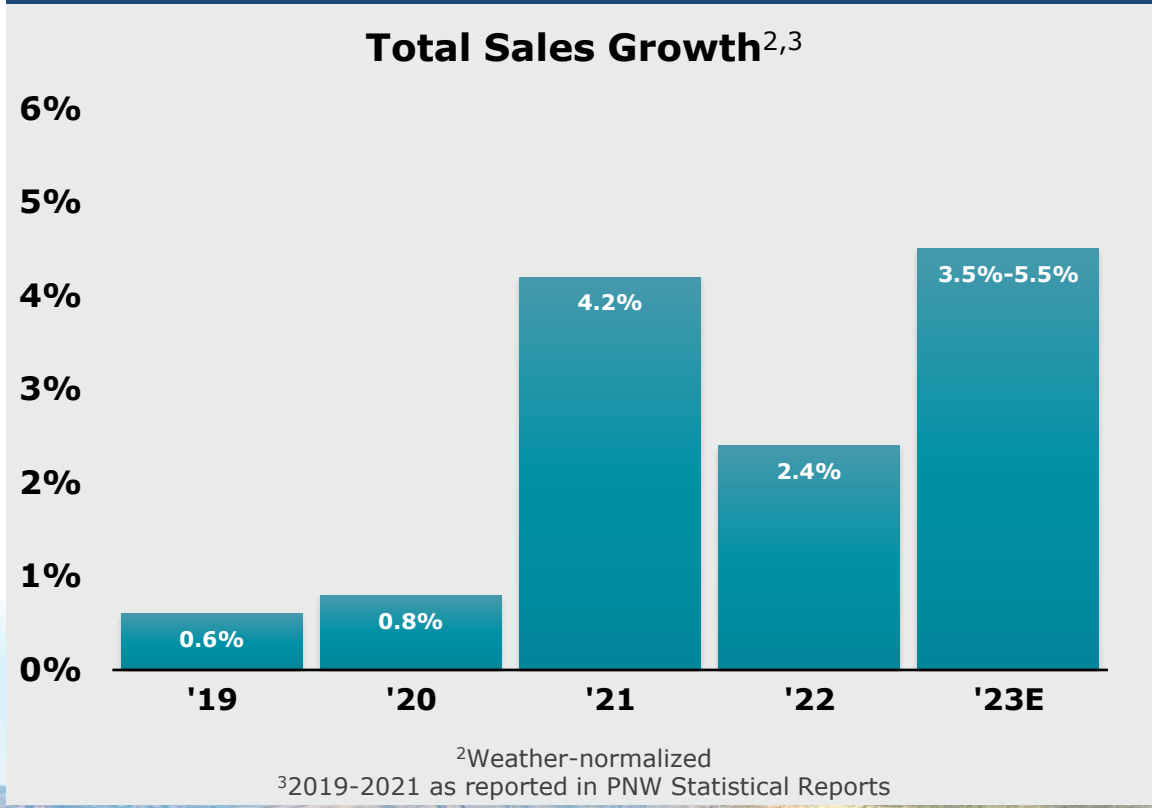


Arizona remains among the fastest growing states in the U.S.

Consistent Residential Growth Past Five Years



Strong 2.5% Sales CAGR Past Three Years



Best-in-class service territory supports high tech growth and economic development

Our Approach: Focus on Four Main Areas

- Business attraction and expansion
- Community development
- Entrepreneurial support
- Infrastructure support



Supports Influx of Manufacturing and Distribution – Examples

- **Taiwan Semiconductor**
Increased investment from \$12B to \$40B factory
- **Rehrig Pacific Company**
\$80M investment in manufacturing facility
- **Proctor & Gamble**
\$500M capital investment in manufacturing facility
- **Air Products & Chemicals**
\$160M investment in manufacturing facility
- **Chang Chun Petrochemical**
Building 250k sq ft facility



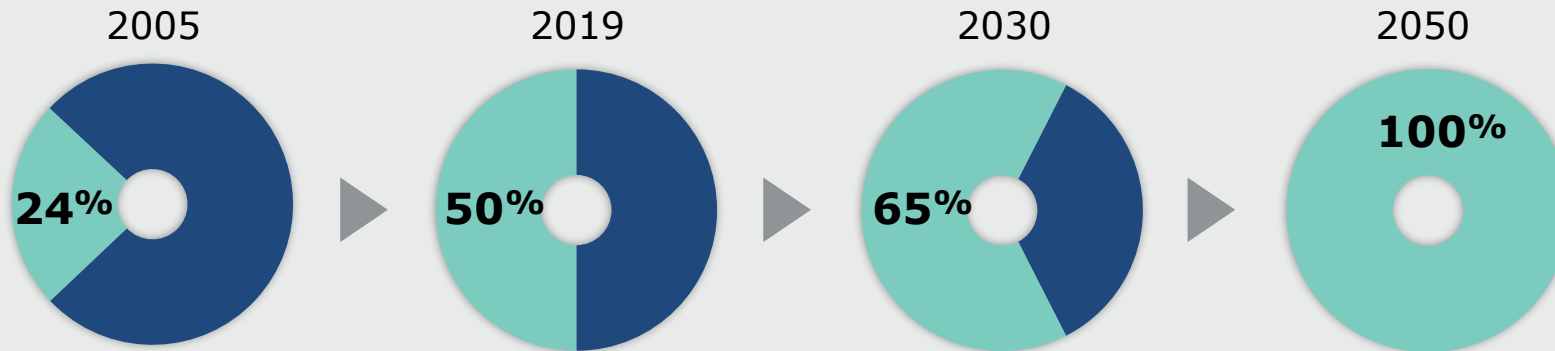
A clear plan for clean energy transition

Progress Towards Meeting Clean Energy Commitment

- ➡ Since 2020, have contracted over 2,300 MW of clean energy and storage to be in service for APS customers by end of 2025
- ➡ Successfully installed 141 MWs of APS owned batteries at our AZ Sun sites as of April 2023
- ➡ Charted course for healthy mix of APS-owned and third party-owned assets, to be continued through future planned RFPs



Pathway



Clean Energy Commitment – ~2,300MW in development since 2020

Robust, Diverse Procurement Activity

Energy Storage

- 201 MW APS-owned resources to retrofit entire fleet of AZ Sun facilities
 - 141 MWs in service as of April 2023
- 300 MW under two long-term PPAs
- All resources to be in service between 2022 and 2024

Solar

- 150 MW owned by APS and sited near Redhawk generating facility
- 160 MW under two long-term PPAs
- All resources to be in-service in 2023

Solar + Storage

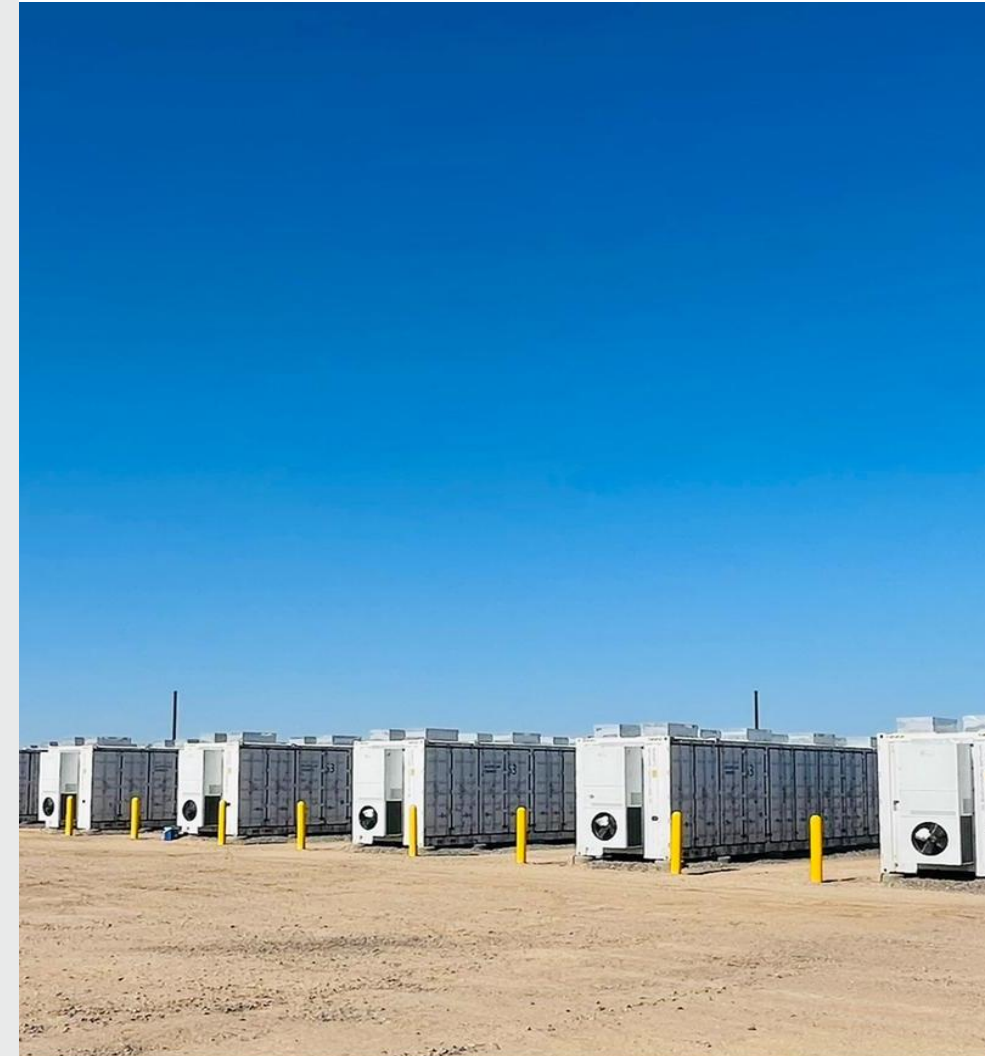
- 789 MW under three long-term innovative tolling PPAs
- Resources to be in service in 2023, 2024, and 2025

Wind

- 654 MW under three long-term PPAs
- Resources in service or will be in-service 2023 and 2024

Demand Response

- 75 MW under 5-year load management agreement; service began in 2021
- APS can call up to 18 load reduction events between June and September annually



2023 Planned Outage schedule

Coal, Nuclear and Large Gas Planned Outages

Q2

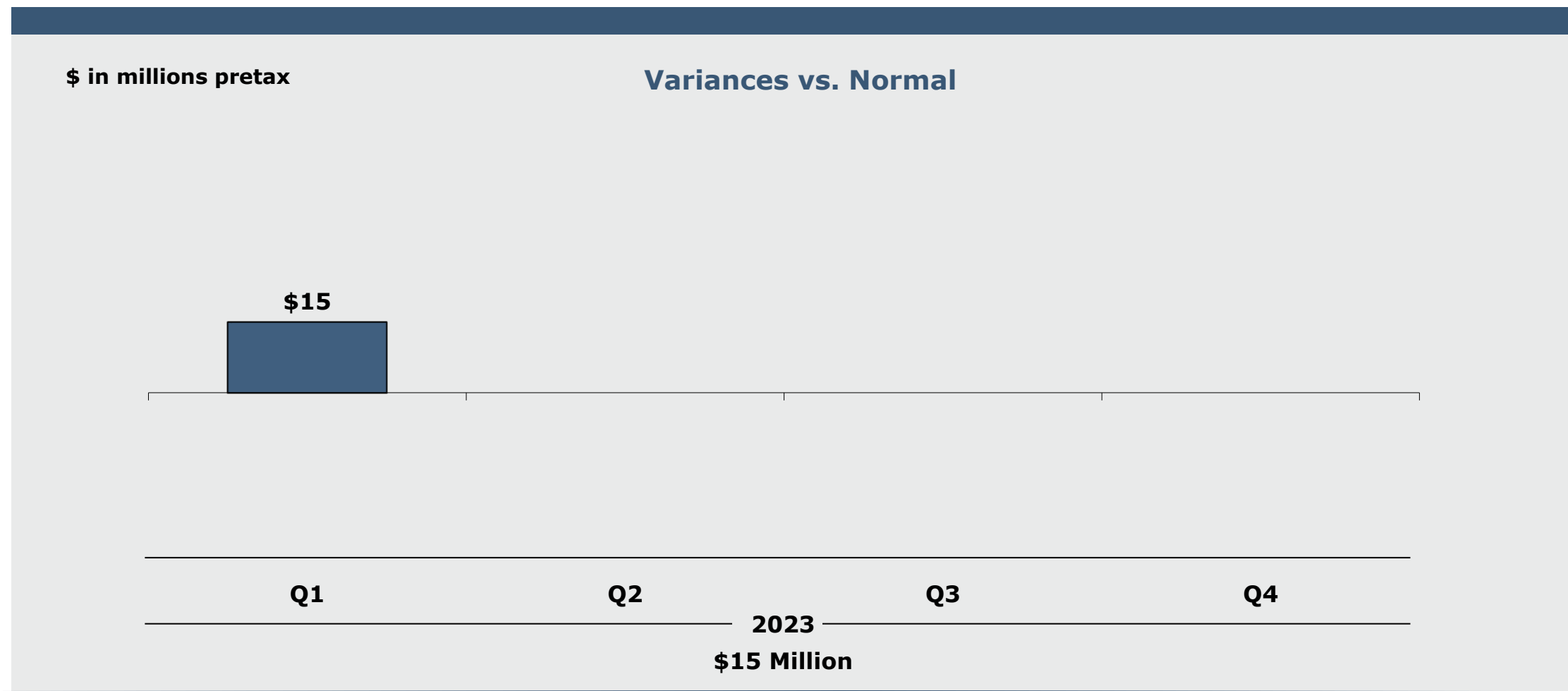
Plant	Unit	Estimated Duration in Days
Palo Verde	2	35

Q4

Plant	Unit	Estimated Duration in Days
Palo Verde	1	35
Redhawk	CC1	56

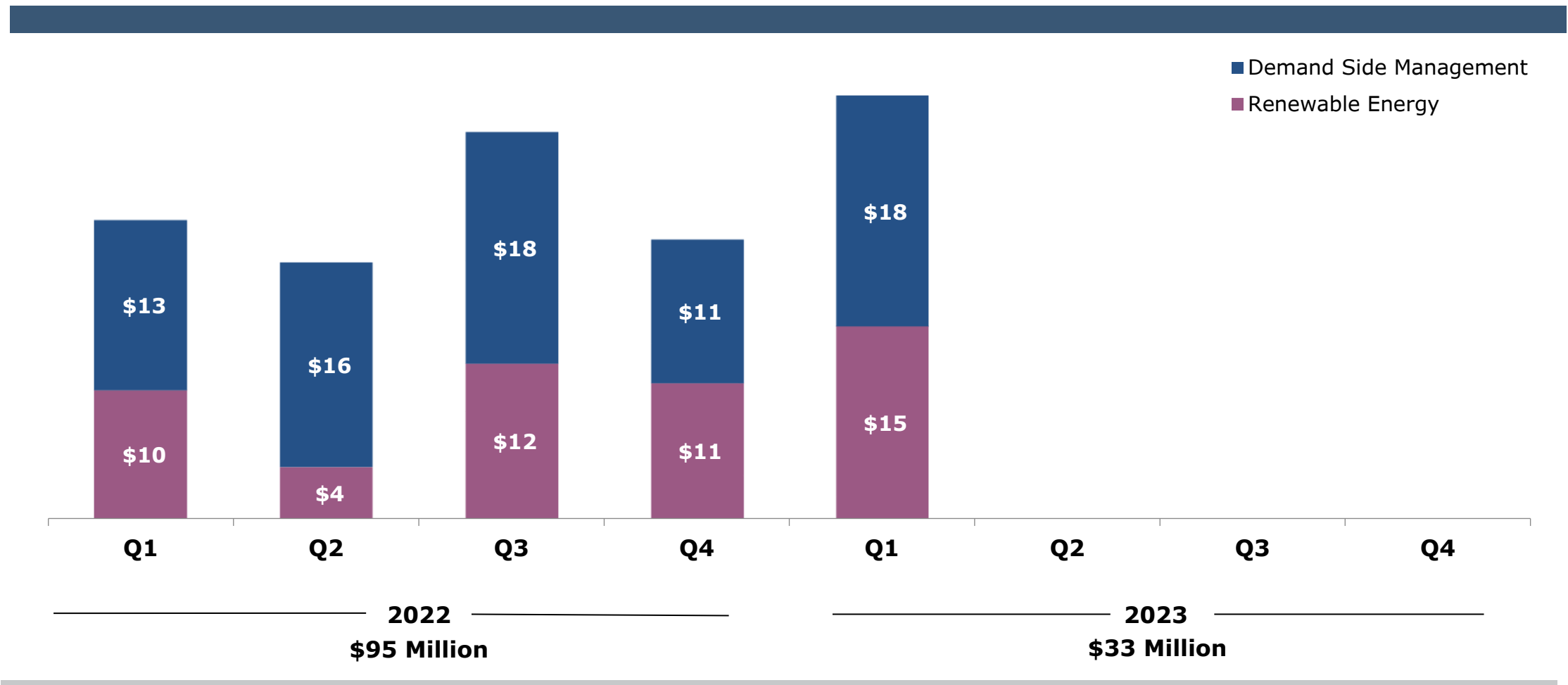


Gross margin effects of weather



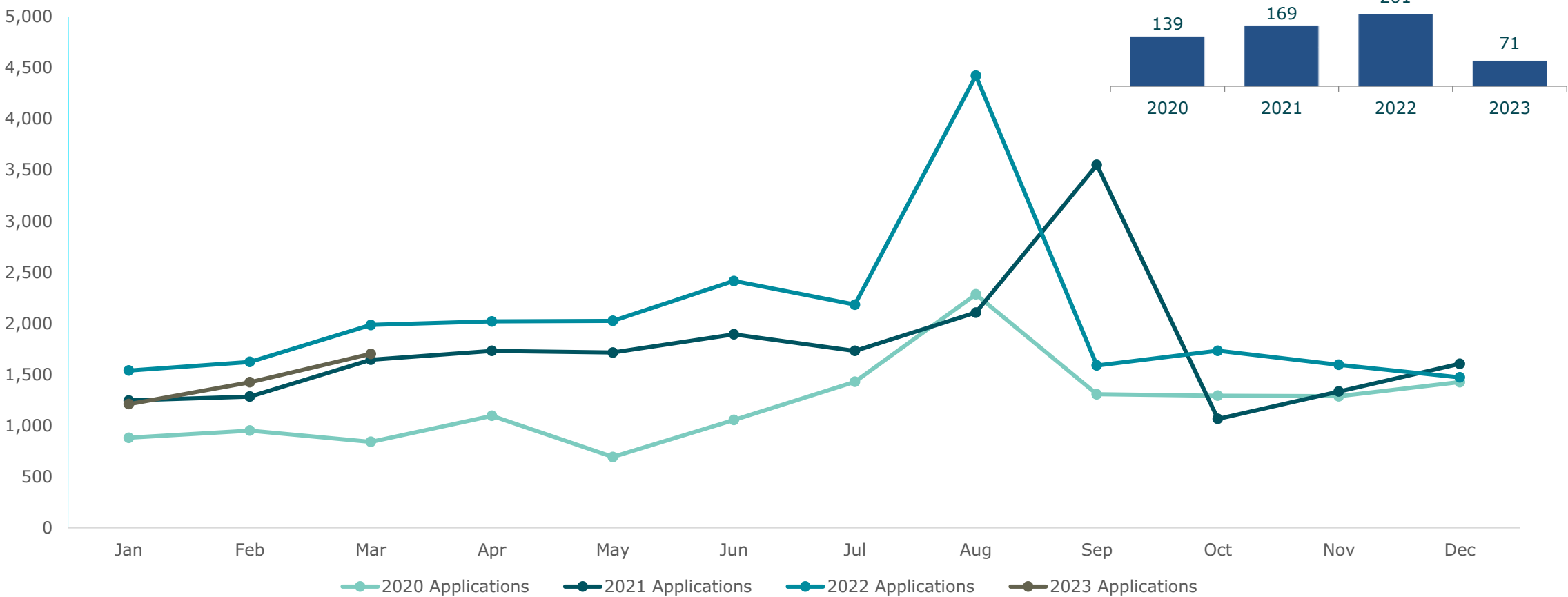
All periods recalculated to current 10-year rolling average (2012 – 2021). Numbers may not foot due to rounding.

Renewable Energy & Demand Side Management expenses¹



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

Residential PV applications¹



¹Monthly data equals applications received minus cancelled applications. As of March 31, 2023 approximately 161,358 residential grid-tied solar photovoltaic (PV) systems have been installed in APS’s service territory, totaling approximately 1,409 MWdc of installed capacity. Excludes APS Solar Partner Program, APS Solar Communities, and Flagstaff Community Partnership Program.

Note: www.arizonagoessolar.org logs total residential application volume, including cancellations.

Credit Ratings Summary

	Corporate Ratings	Senior Unsecured Ratings	Short-Term Ratings	Outlook
APS¹				
Moody's	A3	A3	P-2	Negative
S&P	BBB+	BBB+	A-2	Negative
Fitch	BBB+	A-	F2	Negative
Pinnacle West¹				
Moody's	Baa1	Baa1	P-2	Negative
S&P	BBB+	BBB	A-2	Negative
Fitch	BBB+	BBB+	F2	Negative

Balance Sheet Targets

- Strong investment grade credit ratings
- APS equity layer >50%
- FFO/Debt range of 16%-18%



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. Ratings are as of April 27, 2023.

2022 APS Rate Case Application

Overview of Rate Increase Request (\$ in Millions) Key Components ¹	
Rate Base Growth	\$130
12 Months Post Test Year Plant	140
Weighted Average Cost of Capital of 7.17%	78
1% Fair Value Increment	78
New Customer Programs, Coal Community Transition and Other	<u>34</u>
Total Revenue Request	\$460
Customer Net Base Rate Impact on Day 1	13.6%
Additional Details	
• Filed October 28, 2022 • APS has requested rates become effective December 1, 2023 • Docket Number: E-01345A-22-0144 • Additional details, including filing, can be found at http://www.pinnaclewest.com/investors	

¹Numbers may not foot due to rounding.

2022 APS Rate Case Application

Adjustment Mechanisms Overview

- Eliminate the Environmental Improvement Surcharge and collect costs through base rates
- Eliminate the Lost Fixed Cost Recovery Mechanism and collect costs through base rates and the Demand Side Management Adjustor Charge
- Modify the Renewable Energy Adjustor Charge to include recovery of capital carrying costs of APS owned renewable and storage resources
- Modify the performance incentive in the Demand Side Management Adjustor Charge
- Maintain the Power Supply Adjustor to ensure timely recovery of fuel and purchase power costs
- Maintain as inactive the Tax Expense Adjustor Mechanism
- Maintain the Transmission Cost Adjustment mechanism

New Customer Program Proposals

- Enhance the current limited income program to include a second tier to provide an additional discount for customers with a greater need
- Waiver of digital payment fees including credit card fees

2022 APS Rate Case Application

Key Financials		
Test year ended June 30, 2022		
Total Rate Base - Adjusted		\$13.1 Billion
ACC Rate Base - Adjusted		\$10.5 Billion
Embedded Long-Term Cost of Debt		3.85%
Allowed Return on Equity		10.25%
Capital Structure		
Long-term debt		48.07%
Common equity		51.93%
Base Fuel Rate (¢/kWh)		3.8321
Post-test year plant period		12 months

2022 APS Rate Case Procedural Schedule¹

Arizona Public Service Company Docket # E-01345A-22-0144

Application Filed	October 28, 2022
Staff/Intervenor Direct Testimony Due	May 22, 2023
Staff/Intervenor Direct Testimony (Rate Design) Due	June 5, 2023
APS Rebuttal Testimony Due	June 28, 2023
Staff/Intervenor Surrebuttal Testimony Due	July 18, 2023
APS Rejoinder Testimony Due	July 26, 2023
Pre-Hearing Conference	July 27, 2023
Hearing Commences	August 2, 2023

¹As of May 4, 2023.

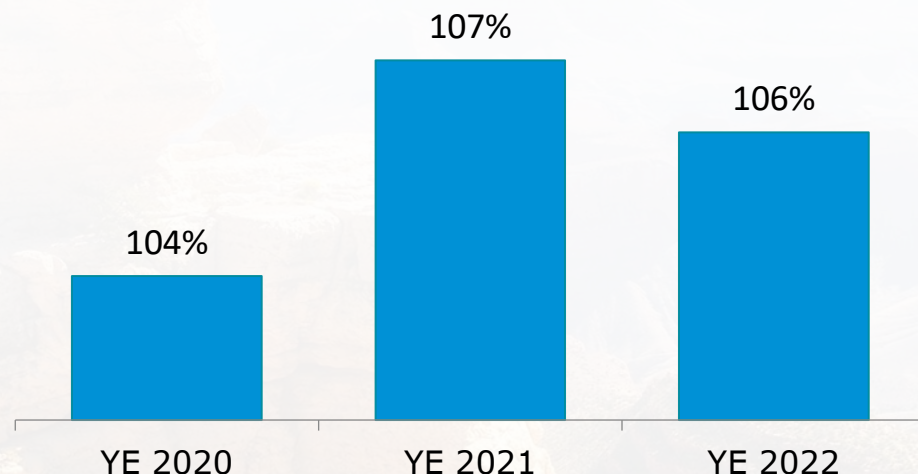
Regulatory 2023 key dates¹

ACC Key Dates / Docket #	Q1	Q2	Q3	Q4
2022 Rate Case: E-01345A-22-0144		APS Rebuttal due June 28	Hearing to begin August 2	
Power Supply Adjustor (PSA) E-01345A-19-0236:	Effective March 1			2024 PSA Rate to be filed Nov 30
Transmission Cost Adjustor E-01345A-19-0236:		To be filed May 15; effective June 1		
Environmental Improvement Surcharge E-01345A-19-0236:	Filed Feb. 1	Effective April 1		
Lost Fixed Cost Recovery (New docket):			To be filed July 31	Effective November 1
Resource Planning and Procurement: E-99999A-22-0046			2023 IRP to be filed	
2023 DSM/EE Implementation Plan E-01345A-22-0066:				
2023 RES Implementation Plan E-01345A-22-0181:			2024 Plan to be filed July 1	
Resource Comparison Proxy (New docket):		Filed May 1	Effective Sep 1	
Battery Storage PPAs through the PSA (New dockets):		2 Applications expected	3 New applications expected	

¹Dates are estimated and subject to change.

Pension & Other Post Retirement Benefits (“OPEB”)

Pension Funded Status¹



- Liability driven investment strategy helps to minimize the impact of market volatility on funded status
- Pension portfolio has an 80% 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

¹ Excludes supplemental excess benefit retirement plan.

² +/- represent expected comparative year-over-year impact of each driver on benefit expense.

³ Net impact of higher expected return percentage applied to smaller asset value year-over-year.

Components of Benefit Cost

2023E²

Service Cost

+

Non-Service Costs/(Credit):

Interest Cost

-

Expected Return on Assets³

-

Amortization of Prior Service Costs

=

Amortization of Actuarial Losses/(Gains)

-

Pension Expense Assumptions

2022

2023E

Discount Rate: Pension

2.92%

5.56%

Expected Long-Term Return
on Plan Assets: Pension

5.00%

6.70%

Total Benefit Expense/(Income)

\$(61.5)

\$(12.2)

(\$ in millions)

Components and Key Drivers of Benefit Costs¹

Service Cost (a cost that increases Benefit Cost):

- When discount rates decrease Service Cost increases and Benefit Cost increases (and vice versa)
- Not impacted by asset assumptions

Interest Cost (a cost that increases Benefit Cost):

- When discount rates increase Interest Cost increases and Benefit Cost increases (and vice versa)
- Not impacted by asset assumptions

Expected Return on Plan Assets (an offset that decreases Benefit Cost):

- Expected Return on Plan Assets increases and lowers Benefit Cost when (and vice versa):
 - Future year beginning assets increase (e.g., fixed income assets increase when interest rates / yields decrease)
 - The future year expected return on assets percentage increases (e.g., when interest rates / yields increase the future expected return percentage on fixed income assets increases)

Amortization of Prior Service Credit (an offset that decreases Benefit Cost):

- Not impacted by changes in discount rates or asset assumptions

Amortization of Actuarial Losses (a cost that increases Benefit Cost; the opposite would be true for Actuarial Gains):

- Increases when (and vice versa):
 - Actual dollar return on plan assets is less than the expected return on plan assets (e.g., when fixed income assets decrease due to an increase in interest rates / yields)
 - Liability increases (e.g., when discount rates decrease)
- Note that only the net actuarial cumulative gain or loss is applied to the corridor

¹ Represents some of the primary components of benefit cost, being disclosed to enhance the understanding of key drivers; however, these components and drivers may not exhaustively account for all factors that comprise benefit cost in a given period. Benefit cost components are sensitive to changes in interest rates and market returns, often with offsetting impacts from various drivers. The sensitivity of benefit costs to changing interest rates and market returns can not necessarily be extrapolated. While increases in discount rates impact benefit costs, these impacts are less sensitive and impactful to benefit costs the further from 0% the discount rate moves.

Non-GAAP Measure Reconciliation

	2022 Actuals ⁴	2023 Guidance ⁴
Operating revenues ¹	\$4.32 billion	\$4.43 - \$4.52 billion
Fuel and purchased power expenses ¹	\$1.63 billion	\$1.64 - \$1.67 billion
Gross Margin	\$2.69 billion	\$2.79 - \$2.85 billion
Adjustments:		
Renewable energy and demand side management programs ²	\$100 million	\$115 - \$125 million
Adjusted gross margin	\$2.59 billion	\$2.67 - \$2.72 billion
Operations and maintenance^{1,3}	\$987 million	\$1.00 - \$1.02 billion
Adjustments:		
Renewable energy and demand side management programs ²	\$95 million	\$110 - \$120 million
Adjusted operations and maintenance	\$892 million	\$885 - \$905 million

¹Line items from Consolidated Statements of Income.

²Includes \$5M for CCT (Coal Community Transition) in 2022 and \$3M in 2023 which is recovered through REAC (Renewable Energy Adjustment Charge)

³O&M per MWh was \$33/MWh in 2022.

⁴Numbers may not foot due to rounding.

Consolidated statistics

3 Months Ended March 31,				3 Months Ended March 31,			
	2023	2022	Incr (Decr)		2023	2022	Incr (Decr)
TOTAL OPERATING REVENUES (Dollars in Millions)				AVERAGE ELECTRIC CUSTOMERS			
Retail				Retail Customers			
Residential	\$ 410	\$ 367	42	Residential	1,222,905	1,197,775	25,131
Business	406	360	47	Business	142,425	140,830	1,595
Total Retail	816	727	89	Total Retail	1,365,330	1,338,604	26,726
Sales for Resale (Wholesale)	96	30	66	Wholesale Customers	56	53	3
Transmission for Others	32	26	6	Total Customers	1,365,386	1,338,658	26,728
Other Miscellaneous Services	2	2	(1)				
Total Operating Revenues	\$ 945	\$ 784	161	Total Customer Growth (% over prior year)	2.0%	2.2%	(0.2)%
ELECTRIC SALES (GWH)				RETAIL USAGE - WEATHER NORMALIZED (KWh/Average Customer)			
Retail				Residential	2,214	2,198	16
Residential	2,868	2,649	218	Business	24,250	23,523	727
Business	3,453	3,304	149				
Total Retail	6,321	5,954	367				
Sales for Resale (Wholesale)	1,046	686	360				
Total Electric Sales	7,367	6,640	727				
RETAIL SALES (GWH) - WEATHER NORMALIZED							
Residential	2,708	2,633	74				
Business	3,454	3,313	141				
Total Retail Sales	6,161	5,946	215				
Retail sales (GWH) (% over prior year)	3.6%	4.4%	(0.8)%				

Consolidated statistics

	3 Months Ended March 31,				3 Months Ended March 31,		
	2023	2022	Incr (Decr)		2023	2022	Incr (Decr)
ENERGY SOURCES (GWH)				WEATHER INDICATORS - RESIDENTIAL			
Generation Production				Actual			
Nuclear	2,507	2,397	110	Cooling Degree-Days	-	-	-
Coal	2,068	1,830	239	Heating Degree-Days	683	451	232
Gas, Oil and Other	1,785	1,539	246	Average Humidity	0%	0%	0%
Renewables	96	116	(20)	10-Year Averages (2012 - 2021)			
Total Generation Production	6,456	5,882	574	Cooling Degree-Days	-	-	-
Purchased Power				Heating Degree-Days	443	443	
Conventional	568	509	58	Average Humidity	0%	0%	-
Resales	54	4	49				
Renewables	618	523	96				
Total Purchased Power	1,240	1,036	204				
Total Energy Sources	7,696	6,918	778				

POWER PLANT PERFORMANCE

Capacity Factors - Owned			
Nuclear	101%	97%	4%
Coal	71%	62%	8%
Gas, Oil and Other	23%	20%	3%
Solar	20%	24%	(4)%
System Average	47%	43%	4%