

PINNACLE WEST CAPITAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(unaudited)
(in thousands, except per share amounts)

	THREE MONTHS ENDED		Increase (Decrease)	
	SEPTEMBER 30,		Amount	Percent
	2006	2005		
Operating Revenues				
Regulated electricity segment	\$ 886,979	\$ 753,428	\$ 133,551	17.7% B
Marketing and trading segment	84,425	107,031	(22,606)	21.1% W
Real estate segment	97,871	78,755	19,116	24.3% B
Other revenues	7,167	16,369	(9,202)	56.2% W
Total	<u>1,076,442</u>	<u>955,583</u>	<u>120,859</u>	12.6% B
Operating Expenses				
Regulated electricity segment fuel and purchased power	314,150	203,519	110,631	54.4% W
Marketing and trading segment fuel and purchased power	80,906	86,945	(6,039)	6.9% B
Operations and maintenance	164,396	158,940	5,456	3.4% W
Real estate segment operations	78,853	67,508	11,345	16.8% W
Depreciation and amortization	90,390	85,763	4,627	5.4% W
Taxes other than income taxes	31,697	34,325	(2,628)	7.7% B
Other expenses	5,610	13,521	(7,911)	58.5% B
Regulatory disallowance	-	143,217	(143,217)	100.0% B
Total	<u>766,002</u>	<u>793,738</u>	<u>(27,736)</u>	3.5% B
Operating Income	<u>310,440</u>	<u>161,845</u>	<u>148,595</u>	91.8% B
Other				
Allowance for equity funds used during construction	3,178	2,852	326	11.4% B
Other income	18,055	8,694	9,361	107.7% B
Other expense	(3,693)	(4,915)	1,222	24.9% B
Total	<u>17,540</u>	<u>6,631</u>	<u>10,909</u>	164.5% B
Interest Expense				
Interest charges	50,577	46,778	3,799	8.1% W
Capitalized interest	(5,612)	(3,301)	(2,311)	70.0% B
Total	<u>44,965</u>	<u>43,477</u>	<u>1,488</u>	3.4% W
Income From Continuing Operations Before Income Taxes	283,015	124,999	158,016	126.4% B
Income Taxes	<u>98,836</u>	<u>40,305</u>	<u>58,531</u>	145.2% W
Income From Continuing Operations	184,179	84,694	99,485	117.5% B
Income (Loss) From Discontinued Operations				
Net of Income Taxes	<u>(12)</u>	<u>19,043</u>	<u>(19,055)</u>	100.1% W
Net Income	<u>\$ 184,167</u>	<u>\$ 103,737</u>	<u>\$ 80,430</u>	77.5% B
Weighted-Average Common Shares Outstanding - Basic	99,491	98,697	794	0.8%
Weighted-Average Common Shares Outstanding - Diluted	99,973	98,816	1,157	1.2%
Earnings Per Weighted-Average Common Share Outstanding				
Income from continuing operations - basic	\$ 1.85	\$ 0.86	\$ 0.99	115.1% B
Net income - basic	\$ 1.85	\$ 1.05	\$ 0.80	76.2% B
Income from continuing operations - diluted	\$ 1.84	\$ 0.86	\$ 0.98	114.0% B
Net income - diluted	\$ 1.84	\$ 1.05	\$ 0.79	75.2% B

Certain prior-year amounts have been reclassified to conform to the 2006 presentation

B -- Better

W -- Worse

PINNACLE WEST CAPITAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(unaudited)
(in thousands, except per share amounts)

	NINE MONTHS ENDED SEPTEMBER 30,		Increase (Decrease)	
	2006	2005	Amount	Percent
Operating Revenues				
Regulated electricity segment	\$ 2,065,823	\$ 1,749,110	\$ 316,713	18.1% B
Marketing and trading segment	259,352	267,460	(8,108)	3.0% W
Real estate segment	318,328	232,950	85,378	36.7% B
Other revenues	28,173	46,763	(18,590)	39.8% W
Total	<u>2,671,676</u>	<u>2,296,283</u>	<u>375,393</u>	16.3% B
Operating Expenses				
Regulated electricity segment fuel and purchased power	735,489	442,532	292,957	66.2% W
Marketing and trading segment fuel and purchased power	227,797	215,347	12,450	5.8% W
Operations and maintenance	511,155	467,121	44,034	9.4% W
Real estate segment operations	248,595	190,555	58,040	30.5% W
Depreciation and amortization	267,308	262,030	5,278	2.0% W
Taxes other than income taxes	99,970	103,528	(3,558)	3.4% B
Other expenses	22,562	39,451	(16,889)	42.8% B
Regulatory disallowance	-	143,217	(143,217)	100.0% B
Total	<u>2,112,876</u>	<u>1,863,781</u>	<u>249,095</u>	13.4% W
Operating Income	<u>558,800</u>	<u>432,502</u>	<u>126,298</u>	29.2% B
Other				
Allowance for equity funds used during construction	10,612	8,407	2,205	26.2% B
Other income	34,448	18,019	16,429	91.2% B
Other expense	(12,953)	(12,985)	32	0.2% B
Total	<u>32,107</u>	<u>13,441</u>	<u>18,666</u>	138.9% B
Interest Expense				
Interest charges	143,985	142,820	1,165	0.8% W
Capitalized interest	(14,595)	(10,134)	(4,461)	44.0% B
Total	<u>129,390</u>	<u>132,686</u>	<u>(3,296)</u>	2.5% B
Income From Continuing Operations Before Income Taxes	461,517	313,257	148,260	47.3% B
Income Taxes	<u>154,900</u>	<u>113,863</u>	<u>41,037</u>	36.0% W
Income From Continuing Operations	306,617	199,394	107,223	53.8% B
Income (Loss) From Discontinued Operations				
Net of Income Taxes	<u>2,159</u>	<u>(44,474)</u>	<u>46,633</u>	104.9% B
Net Income	<u>\$ 308,776</u>	<u>\$ 154,920</u>	<u>\$ 153,856</u>	99.3% B
Weighted-Average Common Shares Outstanding - Basic	99,277	95,642	3,635	3.8%
Weighted-Average Common Shares Outstanding - Diluted	99,723	95,755	3,968	4.1%
Earnings Per Weighted-Average Common Share Outstanding				
Income from continuing operations - basic	\$ 3.09	\$ 2.08	\$ 1.01	48.6% B
Net income - basic	\$ 3.11	\$ 1.62	\$ 1.49	92.0% B
Income from continuing operations - diluted	\$ 3.07	\$ 2.08	\$ 0.99	47.6% B
Net income - diluted	\$ 3.10	\$ 1.62	\$ 1.48	91.4% B

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