

Pinnacle West Capital Corporation
Complete Earnings Release and Analysis Packet
Third Quarter 2009

This packet contains the following documents:

- Earnings Release with Comparative Income Statements
- Non-GAAP Reconciliation for On-Going Earnings
- Earnings Variance Explanations
- Quarterly Statistics Summary
- 2009 Earnings Outlook Key Factors and Assumptions
- Comparative Financial Statements for Pinnacle West and APS

Copies of individual items are available on our website at www.pinnaclewest.com.

For further analysis, quarterly statistics and other information for 2006-2008 and 2009 year-to-date are also available on our website.

FOR IMMEDIATE RELEASE**October 29, 2009**

Media Contact: Alan Bunnell, (602) 250-3376
Analyst Contact: Rebecca Hickman, (602) 250-5668
Web site: www.pinnaclewest.com

Page 1 of 5**PINNACLE WEST REPORTS IMPROVED THIRD-QUARTER RESULTS**

- *Quarterly on-going earnings improve*
- *Company remains focused on regulatory settlement for benefit of customers and other stakeholders*

PHOENIX – Pinnacle West Capital Corp. (NYSE: PNW) today reported consolidated net income attributable to common shareholders of \$186.7 million, or \$1.84 per diluted share of common stock, for the quarter ended September 30, 2009. This result compares with \$151.6 million, or \$1.50 per diluted share, for the same period in 2008.

The Company's on-going consolidated earnings in the 2009 third quarter were \$199.1 million, or \$1.96 per share, compared with \$161.1 million, or \$1.59 per share, in the comparable 2008 quarter. On-going earnings for both quarters exclude results for the Company's real estate segment, which is being restructured through the sale of a substantial majority of its properties. A reconciliation of our reported earnings to on-going earnings is provided at the end of this release.

The 2009 third-quarter on-going results were positively impacted by the following factors:

- *Improved mark-to-market valuations* of fuel contracts as a result of favorable changes in commodity market prices contributed \$0.22 per share to the quarterly earnings comparison.
- *Higher revenues resulting from retail rate increases* implemented in 2009 improved earnings by \$0.17 per share. Of this amount, \$0.13 is related to interim retail rates implemented in January. The balance is attributable to a retail transmission rate increase implemented in early August.
- *Operations and maintenance expenses* were lower by \$0.08 per share, primarily due to cost savings and efficiency efforts.
- *Warmer weather* – which included the hottest month ever recorded in Arizona – improved the Company's earnings by \$0.05 per share. The average temperature for July was 98.4 degrees, which includes the morning lows and afternoon highs. The previous record was 97.6 degrees, set in July 2003. Further, in the 2009 third quarter, there were 2,721 cooling degree-days (a proxy for the effects of weather) – 5.2 percent more than normal and 7.4 percent more than the year-ago quarter.

These positive factors were offset in part by the following items:

- *Costs related to various infrastructure additions and upgrades* to APS' distribution and transmission facilities, as well as existing fossil and nuclear generating plants, decreased earnings by \$0.14 a share. The cost increases included interest expense, net of capitalized financing costs, of \$0.09 per share; property taxes of \$0.03 a share; and depreciation and amortization expenses of \$0.02 per share.
- *A net decrease in kilowatt-hour sales*, excluding the effects of weather, reduced earnings by \$0.04 per share. The decrease was primarily related to reduced consumption by commercial and industrial customers as a result of the current economic slowdown and the Company's energy efficiency programs. Total retail electricity sales, on a weather-normalized basis, decreased 1.3 percent in the third quarter of 2009 compared to the 2008 period. Excluding the effects of weather, the average APS business customer used 2.5 percent less electricity during the period than the same period a year ago, while the average residential customer consumed about 1.4 percent less.

The net decrease in kilowatt-hour sales, however, was offset partially by customer growth in both the residential and business customer sectors. The average number of residential and business electric customers increased by 0.5 percent and 0.8 percent, respectively, in the 2009 third quarter compared with the year-earlier quarter.

Looking forward, the Company expects customer growth to average about 1 percent annually through 2011. Additionally, weather-normalized sales are expected to remain relatively flat through 2011 on a year-over-year comparison, due to the effects of APS' energy efficiency programs, and cyclical business conditions related to Arizona's housing market and the national economy.

"I am pleased with the third-quarter results from an operational perspective," said Pinnacle West Chairman Don Brandt. "In these challenging economic times, we remain keenly focused on controlling costs to help keep customer rates as low as possible, while providing clean, reliable and cost-effective electricity to power the State's energy needs.

"Additionally, we and our customers benefited from strong performance at the Palo Verde Nuclear Generating Station, which operated at full capacity throughout the quarter and generated its highest-ever summer production of about 11.5 million megawatt-hours of electricity."

Brandt added that Arizona Public Service Co. (APS) continues to develop programs that ensure clean energy sources and help customers use electricity more efficiently. "The ability to carry these programs forward and pay for them depends on positive outcomes in our proposed retail regulatory settlement," he said. "If approved as proposed, the settlement will increase our electricity prices by less than 1 percent over current rates for an average residential customer, and will provide significant benefits to customers, shareholders and other stakeholders, alike."

The net price increase would reflect an early reset under the power supply adjustment mechanism, decreasing rates for fuel and purchased power.

For the third quarter of 2009, APS reported net income of \$197.1 million, compared with net income of \$159.8 million for the same period a year ago.

Real Estate Segment

Pinnacle West's real estate segment reported a net loss of \$12.4 million for the third quarter of 2009, compared with a net loss of \$6.0 million in the prior-year period. The loss was related to additional real estate impairment charges totaling \$22.6 million in the 2009 period, partially offset by the sale of certain real estate assets. The Company's real estate subsidiary, SunCor Development Co., continues to pursue the sale of its remaining assets.

2009 and 2010 On-going Earnings Outlooks Unchanged

The Company continues to estimate its on-going consolidated earnings for 2009 will be within a reasonable range around \$2.30 per share, excluding the results of its real estate segment.

For 2010, the Company continues to estimate its on-going consolidated earnings will be within a reasonable range around \$3.00 per share, excluding the impacts of its real estate segment.

The Company's earnings forecasts are subject to numerous risks, including those described under "Forward-Looking Statements" below and under "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2008.

Conference Call and Web Cast

Pinnacle West invites interested parties to listen to the live web cast of management's conference call to discuss the Company's 2009 third-quarter earnings and recent developments at 12 noon (ET) today, October 29. The web cast can be accessed at www.pinnaclewest.com/presentations and will be available for replay on the web site for 30 days. To access the live conference call by telephone, dial (877) 356-3961 and enter Conference ID 16246283. A replay of the call also will be available until 11:55 p.m. (ET), Friday, November 6, 2009, by calling (800) 642-1687 in the U.S. and Canada or (706) 645-9291 internationally and entering the same Conference ID number as above.

General Information

Pinnacle West is a Phoenix-based company with consolidated assets of about \$11.8 billion. Through its subsidiaries, the Company generates, sells and delivers electricity and sells energy-related products and services to retail and wholesale customers in the western United States.

Dollar amounts in this news release are after income taxes. Earnings per share amounts are based on average diluted common shares outstanding. For more information on Pinnacle West's operating statistics and earnings, please visit www.pinnaclewest.com/investors.

PINNACLE WEST CAPITAL CORPORATION
ARIZONA PUBLIC SERVICE COMPANY
NON-GAAP FINANCIAL MEASURE RECONCILIATION
NET INCOME ATTRIBUTABLE TO COMMON SHAREHOLDERS
(GAAP MEASURE) TO ON-GOING EARNINGS (NON-GAAP FINANCIAL MEASURE)

	Three Months Ended September 30, 2009		Three Months Ended September 30, 2008	
	\$ in Millions	Diluted EPS	\$ in Millions	Diluted EPS
PINNACLE WEST CAPITAL CORPORATION				
Net Income attributable to common shareholders	\$ 186.7	\$ 1.84	\$ 151.6	\$ 1.50
Adjustments:				
Real estate segment	12.4	0.12	6.0	0.06
Severance costs	--	--	3.5	0.03
On-going Earnings	<u>\$ 199.1</u>	<u>\$ 1.96</u>	<u>\$ 161.1</u>	<u>\$ 1.59</u>
 ARIZONA PUBLIC SERVICE COMPANY				
Net Income	\$ 197.1		\$ 159.8	
Adjustment:				
Severance costs	--		3.5	
On-going Earnings	<u>\$ 197.1</u>		<u>\$ 163.3</u>	

NON-GAAP FINANCIAL INFORMATION

In this press release, we refer to “on-going earnings.” On-going earnings is a “non-GAAP financial measure,” as defined in accordance with SEC rules. We believe on-going earnings provide investors with a useful indicator of our results that is comparable among periods because it excludes the effects of unusual items that may occur on an irregular basis. Investors should note that these non-GAAP financial measures involve judgments by management, including whether an item is classified as an unusual item. We use on-going earnings, or similar concepts, to measure our performance internally in reports for management.

FORWARD-LOOKING STATEMENTS

This press release contains forward-looking statements regarding our 2009 and 2010 earnings outlook, and neither Pinnacle West nor APS assumes any obligation to update these statements, even if our internal estimates change, unless otherwise required by applicable securities laws. These forward-looking statements are often identified by words such as “estimate,” “predict,” “may,” “believe,” “plan,” “expect,” “require,” “intend,” “assume” and similar words. Because actual results may differ materially from expectations, we caution readers 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. In addition to the Risk Factors described in Item 1A of the Pinnacle West/APS Annual Report on Form 10-K for the fiscal year ended December 31, 2008, these factors include, but are not limited to:

- regulatory and judicial decisions, developments and proceedings, including the outcome and timing of APS’ pending retail rate case;

- our ability to achieve timely and adequate rate recovery of our costs;
- our ability to reduce capital expenditures and other costs while maintaining reliability and customer service levels;
- variations in demand for electricity, including those due to weather, the general economy, customer and sales growth (or decline), and the effects of energy conservation measures;
- power plant performance and outages;
- volatile fuel and purchased power costs;
- fuel and water supply availability;
- new federal legislation or regulation relating to greenhouse gas emissions, renewable energy mandates and energy efficiency standards;
- our ability to meet renewable energy requirements and recover related costs;
- risks inherent in the operation of nuclear facilities, including spent fuel disposal uncertainty;
- competition in retail and wholesale power markets;
- the duration and severity of the economic decline in Arizona and current credit, financial and real estate market conditions;
- the cost of debt and equity capital and the ability to access capital markets when required;
- restrictions on dividends or other burdensome provisions in our credit agreements and ACC orders;
- our ability, or the ability of our subsidiaries, to meet debt service obligations;
- changes to our credit ratings;
- 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;
- 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;
- transmission and distribution system conditions and operating costs;
- the ability to meet the anticipated future need for additional baseload generation and associated transmission facilities in our region;
- the ability of our counterparties and power plant participants to meet contractual or other obligations;
- technological developments in the electric industry; and
- economic and other conditions affecting the real estate and credit markets in SunCor Development Company's market areas, which include Arizona, Idaho, New Mexico and Utah.

###

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

	THREE MONTHS ENDED SEPTEMBER 30,		Increase (Decrease)	
	2009	2008	Amount	Percent
Operating Revenues				
Regulated electricity segment	\$ 1,083,750	\$ 1,040,348	\$ 43,402	4.2% B
Real estate segment	48,474	16,152	32,322	200.1% B
Marketing and trading	-	4,663	(4,663)	100.0% W
Other revenues	10,853	8,925	1,928	21.6% B
Total	<u>1,143,077</u>	<u>1,070,088</u>	<u>72,989</u>	6.8% B
Operating Expenses				
Regulated electricity segment fuel and purchased power	381,543	419,979	(38,436)	9.2% B
Real estate segment operations	26,863	26,129	734	2.8% W
Real estate impairment charge	36,993	-	36,993	100.0% W
Marketing and trading fuel and purchased power	-	1,456	(1,456)	100.0% B
Operations and maintenance	208,769	211,332	(2,563)	1.2% B
Depreciation and amortization	102,273	98,556	3,717	3.8% W
Taxes other than income taxes	34,111	28,423	5,688	20.0% W
Other expenses	8,014	8,321	(307)	3.7% B
Total	<u>798,566</u>	<u>794,196</u>	<u>4,370</u>	0.6% W
Operating Income (Loss)	<u>344,511</u>	<u>275,892</u>	<u>68,619</u>	24.9% B
Other				
Allowance for equity funds used during construction	2,197	4,673	(2,476)	53.0% W
Other income	4,488	1,786	2,702	151.3% B
Other expense	(1,934)	(7,102)	5,168	72.8% B
Total	<u>4,751</u>	<u>(643)</u>	<u>5,394</u>	838.9% B
Interest Expense				
Interest charges	60,244	51,165	9,079	17.7% W
Capitalized interest	(1,423)	(3,976)	2,553	64.2% W
Total	<u>58,821</u>	<u>47,189</u>	<u>11,632</u>	24.6% W
Income From Continuing Operations Before Income Taxes	290,441	228,060	62,381	27.4% B
Income Taxes	<u>103,061</u>	<u>76,592</u>	<u>26,469</u>	34.6% W
Income From Continuing Operations	187,380	151,468	35,912	23.7% B
Income (Loss) From Discontinued Operations				
Net of Income Taxes	<u>(1,310)</u>	<u>118</u>	<u>(1,428)</u>	1210.2% W
Net Income	186,070	151,586	34,484	22.7% B
Less: Net loss attributable to noncontrolling interests	(582)	-	(582)	100.0% W
Net Income Attributable To Common Shareholders	<u>\$ 186,652</u>	<u>\$ 151,586</u>	<u>\$ 35,066</u>	23.1% B
Weighted-Average Common Shares Outstanding - Basic	101,223	100,750	473	0.5%
Weighted-Average Common Shares Outstanding - Diluted	101,385	101,018	367	0.4%
Earnings Per Weighted-Average Common Share Outstanding				
Income from continuing operations attributable to common shareholders - basic	\$ 1.86	\$ 1.50	\$ 0.36	24.0% B
Net income attributable to common shareholders - basic	\$ 1.84	\$ 1.50	\$ 0.34	22.7% B
Income from continuing operations attributable to common shareholders - diluted	\$ 1.85	\$ 1.50	\$ 0.35	23.3% B
Net income attributable to common shareholders - diluted	\$ 1.84	\$ 1.50	\$ 0.34	22.7% B
Amounts Attributable To Common Shareholders				
Income from continuing operations, net of tax	\$ 187,962	\$ 151,468	\$ 36,494	24.1% B
Discontinued operations, net of tax	(1,310)	118	(1,428)	1210.2% W
Net income attributable to common shareholders	<u>\$ 186,652</u>	<u>\$ 151,586</u>	<u>\$ 35,066</u>	23.1% B

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)	
	2009	2008	Amount	Percent
Operating Revenues				
Regulated electricity segment	\$ 2,498,838	\$ 2,492,627	\$ 6,211	0.2% B
Real estate segment	80,333	62,165	18,168	29.2% B
Marketing and trading	-	57,623	(57,623)	100.0% W
Other revenues	30,084	26,824	3,260	12.2% B
Total	<u>2,609,255</u>	<u>2,639,239</u>	<u>(29,984)</u>	1.1% W
Operating Expenses				
Regulated electricity segment fuel and purchased power	920,630	1,016,918	(96,288)	9.5% B
Real estate segment operations	76,893	83,822	(6,929)	8.3% B
Real estate impairment charge	247,509	-	247,509	100.0% W
Marketing and trading fuel and purchased power	-	44,129	(44,129)	100.0% B
Operations and maintenance	642,545	598,055	44,490	7.4% W
Depreciation and amortization	302,255	291,915	10,340	3.5% W
Taxes other than income taxes	101,126	94,826	6,300	6.6% W
Other expenses	22,214	21,081	1,133	5.4% W
Total	<u>2,313,172</u>	<u>2,150,746</u>	<u>162,426</u>	7.6% W
Operating Income	<u>296,083</u>	<u>488,493</u>	<u>(192,410)</u>	39.4% W
Other				
Allowance for equity funds used during construction	11,919	16,211	(4,292)	26.5% W
Other income	4,452	9,489	(5,037)	53.1% W
Other expense	(8,887)	(22,053)	13,166	59.7% B
Total	<u>7,484</u>	<u>3,647</u>	<u>3,837</u>	105.2% B
Interest Expense				
Interest charges	174,985	157,371	17,614	11.2% W
Capitalized interest	(8,568)	(14,593)	6,025	41.3% W
Total	<u>166,417</u>	<u>142,778</u>	<u>23,639</u>	16.6% W
Income From Continuing Operations Before Income Taxes	<u>137,150</u>	<u>349,362</u>	<u>(212,212)</u>	60.7% W
Income Taxes	<u>45,307</u>	<u>91,154</u>	<u>(45,847)</u>	50.3% B
Income From Continuing Operations	<u>91,843</u>	<u>258,208</u>	<u>(166,365)</u>	64.4% W
Income From Discontinued Operations				
Net of Income Taxes	<u>(8,298)</u>	<u>22,767</u>	<u>(31,065)</u>	136.4% W
Net Income	<u>83,545</u>	<u>280,975</u>	<u>(197,430)</u>	70.3% W
Less: Net income (loss) attributable to noncontrolling interests	(14,944)	-	(14,944)	100.0% W
Net Income Attributable To Common Shareholders	<u>\$ 98,489</u>	<u>\$ 280,975</u>	<u>\$ (182,486)</u>	64.9% W
Weighted-Average Common Shares Outstanding - Basic	101,107	100,642	465	0.5%
Weighted-Average Common Shares Outstanding - Diluted	101,184	100,911	273	0.3%
Earnings Per Weighted-Average Common Share Outstanding				
Income from continuing operations attributable to common shareholders - basic	\$ 1.06	\$ 2.57	\$ (1.51)	58.8% W
Net income attributable to common shareholders - basic	\$ 0.97	\$ 2.79	\$ (1.82)	65.2% W
Income from continuing operations attributable to common shareholders - diluted	\$ 1.06	\$ 2.56	\$ (1.50)	58.6% W
Net income attributable to common shareholders - diluted	\$ 0.97	\$ 2.78	\$ (1.81)	65.1% W
Amounts Attributable To Common Shareholders				
Income from continuing operations, net of tax	\$ 106,787	\$ 258,208	\$ (151,421)	58.6% W
Discontinued operations, net of tax	(8,298)	22,767	(31,065)	136.4% W
Net Income attributable to common shareholders	<u>\$ 98,489</u>	<u>\$ 280,975</u>	<u>\$ (182,486)</u>	64.9% W

B -- Better
W -- Worse

Pinnacle West Capital Corporation
Arizona Public Service Company

NON-GAAP FINANCIAL MEASURE RECONCILIATION
NET INCOME ATTRIBUTABLE TO COMMON SHAREHOLDERS
(GAAP MEASURE) TO ON-GOING EARNINGS (NON-GAAP FINANCIAL MEASURE)

	Three Months Ended September 30, 2009		Three Months Ended September 30, 2008	
	\$ in Millions	Diluted EPS	\$ in Millions	Diluted EPS
Pinnacle West Capital Corporation				
Net income attributable to common shareholders	\$ 186.7	\$ 1.84	\$ 151.6	\$ 1.50
Adjustments:				
Real estate segment	12.4	0.12	6.0	0.06
Severance costs	-	-	3.5	0.03
On-going earnings	<u>\$ 199.1</u>	<u>\$ 1.96</u>	<u>\$ 161.1</u>	<u>\$ 1.59</u>
 Arizona Public Service Company				
Net income	\$ 197.1		\$ 159.8	
Adjustment:				
Severance costs	-		3.5	
On-going earnings	<u>\$ 197.1</u>		<u>\$ 163.3</u>	

Pinnacle West Capital Corporation
Earnings Variance Explanations
For Three-Month and Nine-Month Periods Ended September 30, 2009 and 2008

The following earnings variance explanations were excerpted from the Pinnacle West Capital Corporation (“Pinnacle West”)/Arizona Public Service Company (“APS”) Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2009 (the “September 2009 Form 10-Q”). We suggest that this discussion be read in connection with the Pinnacle West/APS Annual Report on Form 10-K for the fiscal year ended December 31, 2008 and the September 30, 2009 Form 10-Q. Additional operating and financial statistics and a glossary of terms are available on our website (www.pinnaclewest.com).

RESULTS OF OPERATIONS

Our results of operations, provided below, are based upon our two reportable business segments:

- our regulated electricity segment, which consists of traditional regulated retail and wholesale electricity businesses (primarily electric service to Native Load customers) and related activities and includes electricity generation, transmission and distribution; and
- our real estate segment, which consists of SunCor’s real estate development and investment activities.

Operating Results – Three-month period ended September 30, 2009 compared with three-month period ended September 30, 2008

Our consolidated net income attributable to common shareholders for the three months ended September 30, 2009 was \$187 million, compared with net income of \$152 million for the comparable prior-year period. The increase in net income was primarily due to improved results from the Company’s regulated electricity segment relating to increased mark-to-market valuations of fuel and purchased power contracts and increased revenues due to the interim rate increase effective January 1, 2009. These positive factors were partially offset by higher interest charges, net of capitalized financing costs.

The following table presents net income attributable to common shareholders by business segment compared with the prior-year period:

	Three Months Ended September 30,		Increase (Decrease) in Net Income Attributable to Common Shareholders
	2009	2008	
	(dollars in millions)		
Regulated Electricity Segment:			
Operating revenues less fuel and purchased power expenses	\$ 702	\$ 620	\$ 82
Operations and maintenance	(205)	(209)	4
Depreciation and amortization	(101)	(97)	(4)
Taxes other than income taxes	(34)	(28)	(6)
Other income (expenses), net	2	(6)	8
Interest charges, net of capitalized financing costs	(53)	(41)	(12)
Income taxes	(111)	(81)	(30)
Regulated electricity segment net income	200	158	42
Real Estate Segment:			
Other real estate activities	18	(11)	29
Real estate impairment charges	(37)	--	(37)
Income taxes	7	5	2
Real estate segment net loss	(12)	(6)	(6)
All other (a)	(1)	--	(1)
Net Income Attributable to Common Shareholders	\$ 187	\$ 152	\$ 35

- (a) Includes activities related to marketing and trading, APSES and El Dorado. None of these segments is a reportable segment.

Regulated electricity segment

This section includes a discussion of major variances in income and expense amounts for the regulated electricity segment.

Operating revenues less fuel and purchased power expenses

Regulated electricity segment operating revenues less fuel and purchased power expenses were \$82 million higher for the three months ended September 30, 2009 compared with the prior-year period. The following table describes the major components of this change:

	Increase (Decrease)		
	Operating	Purchased	
	revenues	power and fuel	Net change
		expenses	
	(dollars in millions)		
Increased mark-to-market valuations of fuel and purchased power contracts related to favorable changes in market prices, net of related PSA deferrals	\$	\$ (37)	\$ 37
Interim retail rate increases effective January 1, 2009	21		21
Higher renewable energy and demand-side management surcharges (substantially offset in operations and maintenance expense)	17		17
Effects of hotter weather on retail sales	12	4	8
Transmission rate increases	7		7
Lower retail sales primarily due to lower usage per customer, including the effects of the energy efficiency programs, but excluding the effects of weather	(11)	(4)	(7)
Higher retail revenues related to recovery of PSA deferrals, offset by amortization of the same amount recorded as fuel and purchased power expense (see Note 5)	5	5	--
Miscellaneous items, net	(8)	(7)	(1)
Total	\$ 43	\$ (39)	\$ 82

Operations and maintenance Operations and maintenance expenses decreased \$4 million for the three months ended September 30, 2009 compared with the prior-year period primarily because of:

- A decrease of \$21 million associated with cost saving measures and other factors, including the absence of employee severance costs in 2009; and
- An increase of \$17 million related to renewable energy and demand-side management programs, which are offset in operating revenues.

Depreciation and amortization Depreciation and amortization expenses increased \$4 million for the three months ended September 30, 2009 compared with the prior-year period primarily because of increases in utility plant in service. The increases in utility plant in service are the result of various improvements to APS' existing fossil and nuclear generating plants and distribution and transmission infrastructure additions and upgrades.

Taxes other than income taxes Taxes other than income taxes increased \$6 million for the three months ended September 30, 2009 compared with the prior-year period

primarily because of higher property tax assessments as a result of increased utility plant in service described above.

Interest charges, net of capitalized financing costs Interest charges, net of capitalized financing costs increased \$12 million for the three months ended September 30, 2009 compared with the prior-year period primarily because of higher debt balances, partially offset by the effects of lower interest rates (see discussion related to APS' debt issuances in "Pinnacle West Consolidated – Liquidity and Capital Resources" below). Interest charges, net of capitalized financing costs are comprised of the line items interest expense, capitalized interest and allowance for equity funds used during construction from the Condensed Consolidated Statements of Income.

Other income (expenses), net Other income (expenses), net improved \$8 million for the three months ended September 30, 2009 compared with the prior-year period primarily because of improved investment gains (losses). Other income (expenses), net is comprised of the line items other income and other expense from the Condensed Consolidated Statements of Income.

Income taxes Income taxes were \$30 million higher for the three months ended September 30, 2009 compared with the prior-year period primarily because of higher pretax income.

Real estate segment

During the first quarter of 2009, we decided to restructure SunCor through the sale of the substantial majority of its assets. The real estate segment net income attributable to common shareholders was \$6 million lower for the three months ended September 30, 2009 compared with the prior-year period primarily because of:

- Real estate impairment charges of \$37 million recorded in the 2009 period (see Note 21 for details of the impairment charge), without comparable charges in the prior-year period;
- A \$29 million increase in other real estate activities primarily due to increased parcel sales in the 2009 period; and
- A \$2 million decrease in income taxes related to lower pretax income.

Operating Results – Nine-month period ended September 30, 2009 compared with nine-month period ended September 30, 2008

Our consolidated net income attributable to common shareholders for the nine months ended September 30, 2009 was \$98 million, compared with net income of \$281 million for the comparable prior-year period. The decrease in net income was primarily due to 2009 real estate impairment charges recorded by SunCor, the Company's real estate subsidiary.

In addition, regulated electricity segment net income decreased approximately \$16 million from the prior-year period primarily due to lower retail sales resulting from lower

usage per customer; higher interest charges, net of capitalized financing costs; higher depreciation and amortization expenses; and the absence of income tax benefits related to prior years recorded in 2008. These negative factors were partially offset by increased revenues due to the interim rate increase effective January 1, 2009 and transmission rate increases.

The following table presents net income attributable to common shareholders by business segment compared with the prior-year period:

	Nine Months Ended September 30, 2009 2008		Increase (Decrease) in Net Income Attributable to Common Shareholders
	(dollars in millions)		
Regulated Electricity Segment:			
Operating revenues less fuel and purchased power expenses	\$ 1,578	\$ 1,476	\$ 102
Operations and maintenance	(633)	(589)	(44)
Depreciation and amortization	(298)	(287)	(11)
Taxes other than income taxes	(101)	(94)	(7)
Other income (expenses), net	1	(12)	13
Interest charges, net of capitalized financing costs	(147)	(121)	(26)
Income taxes	(143)	(100)	(43)
Regulated electricity segment net income	257	273	(16)
Real Estate Segment:			
Real estate impairment charges	(247)	--	(247)
Other real estate operations	(6)	(28)	22
Income taxes	93	11	82
Income (loss) from discontinued operations	(8)	25	(33)
Noncontrolling interests	15	--	15
Real estate segment net income (loss)	(153)	8	(161)
All Other (a)	(6)	--	(6)
Net Income Attributable to Common Shareholders	\$ 98	\$ 281	\$ (183)

- (a) Includes activities related to marketing and trading, APSES and El Dorado. None of these segments is a reportable segment.

Regulated electricity segment

This section includes a discussion of major variances in income and expense amounts for the regulated electricity segment.

Operating revenues less fuel and purchased power expenses

Regulated electricity segment operating revenues less fuel and purchased power expenses were \$102 million higher for the nine months ended September 30, 2009 compared with the prior-year period. The following table describes the major components of this change:

	Increase (Decrease)		
	Operating	Purchased	
	revenues	power and fuel	Net change
		expenses	
	(dollars in millions)		
Interim retail rate increases effective January 1, 2009	\$ 50	\$	\$ 50
Higher renewable energy and demand-side management surcharges (substantially offset in operations and maintenance expense)	49		49
Transmission rate increases	16		16
Increased mark-to-market valuations of fuel and purchased power contracts related to favorable changes in market prices, net of related PSA deferrals		(9)	9
Effects of weather on retail sales, primarily due to hotter weather in the third quarter of 2009	9	2	7
Lower retail sales primarily due to lower usage per customer, including the effects of the Company's energy efficiency programs, but excluding the effects of weather	(41)	(18)	(23)
Higher fuel and purchased power costs including the effects of lower off-system sales, net of related PSA deferrals	(26)	(21)	(5)
Lower retail revenues related to recovery of PSA deferrals, offset by lower amortization of the same amount recorded as fuel and purchased power expense (see Note 5)	(43)	(43)	--
Miscellaneous items, net	(8)	(7)	(1)
Total	<u>\$ 6</u>	<u>\$ (96)</u>	<u>\$ 102</u>

Operations and maintenance Operations and maintenance expenses increased \$44 million for the nine months ended September 30, 2009 compared with the prior-year period primarily because of:

- An increase of \$48 million related to renewable energy and demand-side management programs, which are offset in operating revenues;
- An increase of \$14 million in generation costs, including more planned maintenance, partially offset by lower costs at Palo Verde due to cost efficiency measures; and
- A decrease of \$18 million associated with cost saving measures and other factors, including the absence of employee severance costs in 2009.

Depreciation and amortization Depreciation and amortization expenses increased \$11 million for the nine months ended September 30, 2009 compared with the prior-year period primarily because of increases in utility plant in service. The increases in utility plant in service are the result of various improvements to APS' existing fossil and nuclear generating plants and distribution and transmission infrastructure additions and upgrades.

Taxes other than income taxes Taxes other than income taxes increased \$7 million for the nine months ended September 30, 2009 compared with the prior-year period primarily because of higher property tax assessments as a result of increased utility plant in service described above.

Interest charges, net of capitalized financing costs Interest charges, net of capitalized financing costs increased \$26 million for the nine months ended September 30, 2009 compared with the prior-year period primarily because of higher debt balances, partially offset by the effects of lower interest rates (see discussion related to APS' debt issuances in "Pinnacle West Consolidated – Liquidity and Capital Resources" below). Interest charges, net of capitalized financing costs are comprised of the line items interest expense, capitalized interest and allowance for equity funds used during construction from the Condensed Consolidated Statements of Income.

Other income (expenses), net Other income (expenses), net improved \$13 million for the nine months ended September 30, 2009 compared with the prior-year period primarily because of improved investment gains (losses). Other income (expenses), net is comprised of the line items other income and other expense from the Condensed Consolidated Statements of Income.

Income taxes Income taxes were \$43 million higher for the nine months ended September 30, 2009 compared with the prior-year period primarily because of \$30 million of income tax benefits related to prior years recorded in 2008 and higher pretax income.

Real estate segment

During the first quarter of 2009, we decided to restructure SunCor through the sale of the substantial majority of its assets. The real estate segment net loss attributable to common shareholders was \$161 million higher for the nine months ended September 30, 2009 compared with the prior-year period primarily because of:

- Real estate impairment charges of \$247 million recorded in the 2009 period (see Note 21 for details of the impairment charge), without comparable charges in the prior-year period;
- An increase of \$22 million from other real estate operations primarily due to increased parcel sales in the 2009 period;
- A decrease of \$33 million in income from discontinued operations related to gains on certain real estate commercial property sales in 2008 and real estate impairment charges in 2009 (see Note 21);
- An increase of \$15 million related to noncontrolling interests' portion of real estate impairment charges and other results (see Note 21); and
- An increase in income tax benefits of \$82 million primarily because of higher net loss.

All other

All other earnings were \$6 million lower for the nine months ended September 30, 2009 compared to the prior-year period primarily because of planned reductions of marketing and trading activities.

Pinnacle West Capital Corporation
Quarterly Consolidated Statistical Summary
Periods Ended September 30, 2009 and 2008

List of Contents

This file contains financial and operating statistics for the
three-month and nine-month periods ended September 30, 2009 and 2008

2009 Third Quarter Summary

The same statistics by quarter for 2006 through 2008 are available in the complete -
format PDF and excel files, which are posted to this website

Please see the Glossary of Terms on this website for definitions of terms used in this summary

Pinnacle West Capital Corporation**Quarterly Consolidated Statistical Summary
Periods Ended September 30, 2009 and 2008**

Line		3 Months Ended September			9 Months Ended September		
		2009	2008	Incr (Decr)	2009	2008	Incr (Decr)
	EARNINGS CONTRIBUTION BY SUBSIDIARY (\$ Millions)						
1	Arizona Public Service	\$ 197	\$ 160	\$ 37	\$ 260	\$ 279	\$ (19)
2	APS Energy Services	-	-	-	(1)	-	(1)
3	SunCor	(19)	(7)	(12)	(255)	(17)	(238)
4	El Dorado	-	(1)	1	(6)	(7)	1
5	Parent Company	9	-	9	94	3	91
6	Income From Continuing Operations	187	152	35	92	258	(166)
	Income (Loss) From Discontinued Operations - Net of Tax						
7	SunCor	(2)	1	(3)	(14)	25	(39)
8	Other	1	(1)	2	5	(2)	7
9	Total	(1)	-	(1)	(9)	23	(32)
10	Net Income	186	152	34	83	281	(198)
11	Less: Net Income (Loss) Attributable to Noncontrolling Interests	(1)	-	(1)	(15)	-	(15)
12	Net Income Attributable to Common Shareholders	\$ 187	\$ 152	\$ 35	\$ 98	\$ 281	\$ (183)
	EARNINGS PER SHARE BY SUBSIDIARY - DILUTED						
13	Arizona Public Service	\$ 1.94	\$ 1.58	\$ 0.36	\$ 2.57	\$ 2.76	\$ (0.19)
14	APS Energy Services	-	-	-	(0.01)	0.01	(0.02)
15	SunCor	(0.19)	(0.07)	(0.12)	(2.52)	(0.16)	(2.36)
16	El Dorado	-	(0.01)	0.01	(0.06)	(0.08)	0.02
17	Parent Company	0.09	-	0.09	0.93	0.03	0.90
18	Income From Continuing Operations	1.84	1.50	0.34	0.91	2.56	(1.65)
	Income (Loss) From Discontinued Operations - Net of Tax						
19	SunCor	(0.02)	0.01	(0.03)	(0.14)	0.24	(0.38)
20	Other	0.01	(0.01)	0.02	0.05	(0.02)	0.07
21	Total	(0.01)	-	(0.01)	(0.09)	0.22	(0.31)
22	Net Income	1.83	1.50	0.33	0.82	2.78	(1.96)
23	Less: Net Income (Loss) Attributable to Noncontrolling Interests	(0.01)	-	(0.01)	(0.15)	-	(0.15)
24	Net Income Attributable to Common Shareholders	\$ 1.84	\$ 1.50	\$ 0.34	\$ 0.97	\$ 2.78	\$ (1.81)
25	BOOK VALUE PER SHARE	\$ 33.54	\$ 35.84	\$ (2.30)	\$ 33.54	\$ 35.84	\$ (2.30)
	COMMON SHARES OUTSTANDING (Thousands)						
26	Average - Diluted	101,385	101,018	367	101,184	100,911	273
27	End of Period	101,275	100,799	476	101,275	100,799	476

Pinnacle West Capital Corporation

Quarterly Consolidated Statistical Summary
Periods Ended September 30, 2009 and 2008

Line	3 Months Ended September			9 Months Ended September		
	2009	2008	Incr (Decr)	2009	2008	Incr (Decr)
ELECTRIC OPERATING REVENUES (Dollars in Millions)						
REGULATED ELECTRICITY SEGMENT						
Retail						
28 Residential	\$ 588	\$ 555	\$ 33	\$ 1,220	\$ 1,191	\$ 29
29 Business	446	427	19	1,134	1,123	11
30 Total retail	1,034	982	52	2,354	2,314	40
Wholesale revenue on delivered electricity						
31 Traditional contracts	21	23	(2)	49	58	(9)
32 Off-system sales	8	14	(6)	42	68	(26)
33 Transmission for others	10	11	(1)	26	25	1
34 Other miscellaneous services	11	10	1	28	28	-
35 Total regulated operating electricity revenues	1,084	1,040	44	2,499	2,493	6
MARKETING AND TRADING						
36 Electricity and other commodity sales	-	5	(5)	-	57	(57)
37 Total operating electric revenues	\$ 1,084	\$ 1,045	\$ 39	\$ 2,499	\$ 2,550	\$ (51)
ELECTRIC SALES (GWH)						
REGULATED ELECTRICITY SEGMENT						
Retail sales						
38 Residential	4,948	4,876	72	10,627	10,762	(135)
39 Business	4,373	4,447	(74)	11,476	11,775	(299)
40 Total retail	9,321	9,323	(2)	22,103	22,537	(434)
Wholesale electricity delivered						
41 Traditional contracts	295	335	(40)	691	876	(185)
42 Off-system sales	374	525	(151)	1,792	1,551	241
43 Retail load hedge management	541	486	55	917	807	110
44 Total regulated electricity	10,531	10,669	(138)	25,503	25,771	(268)
MARKETING AND TRADING						
45 Wholesale sales of electricity	-	320	(320)	-	2,134	(2,134)
46 Total electric sales	10,531	10,989	(458)	25,503	27,905	(2,402)
POWER SUPPLY ADJUSTOR ("PSA") - REGULATED ELECTRICITY SEGMENT (Dollars in Millions)						
47 Deferred fuel and purchased power regulatory asset - beginning balance	\$ (71)	\$ 23	\$ (94)	\$ 8	\$ 111	\$ (103)
48 Deferred fuel and purchased power costs - current period	60	79	(19)	47	103	(56)
49 Interest on deferred fuel	-	-	-	-	2	(2)
50 Amounts recovered through revenues	(49)	(44)	(5)	(115)	(158)	43
51 Deferred fuel and purchased power regulatory asset - ending balance	\$ (60)	\$ 58	\$ (118)	\$ (60)	\$ 58	\$ (118)

Pinnacle West Capital Corporation**Quarterly Consolidated Statistical Summary
Periods Ended September 30, 2009 and 2008**

Line	3 Months Ended September			9 Months Ended September		
	2009	2008	Incr (Decr)	2009	2008	Incr (Decr)
AVERAGE ELECTRIC CUSTOMERS						
Retail customers						
52 Residential	978,657	973,455	5,202	983,027	977,169	5,858
53 Business	125,291	124,329	962	125,216	123,655	1,561
54 Total	1,103,948	1,097,784	6,164	1,108,243	1,100,824	7,419
55 Wholesale customers	46	51	(5)	47	52	(5)
56 Total customers	1,103,994	1,097,835	6,159	1,108,290	1,100,876	7,414
57 Customer growth (% over prior year)	0.6%	1.2%	(0.6)%	0.7%	1.6%	(0.9)%
RETAIL SALES (GWH) - WEATHER NORMALIZED						
58 Residential	4,852	4,893	(41)	10,660	10,834	(174)
59 Business	4,369	4,448	(79)	11,473	11,782	(309)
60 Total	9,221	9,341	(120)	22,133	22,616	(483)
RETAIL USAGE (KWh/Average Customer)						
61 Residential	5,056	5,009	47	10,810	11,013	(203)
62 Business	34,905	35,768	(863)	91,642	95,225	(3,583)
RETAIL USAGE - WEATHER NORMALIZED (KWh/Average Customer)						
63 Residential	4,958	5,027	(69)	10,844	11,087	(243)
64 Business	34,870	35,777	(907)	91,622	95,279	(3,657)
ELECTRICITY DEMAND (MW)						
65 Native load peak demand	7,218	7,026	192	7,218	7,026	192
WEATHER INDICATORS						
Actual						
66 Cooling degree-days	2,721	2,533	188	4,408	4,178	230
67 Heating degree-days	-	-	-	407	583	(176)
68 Average humidity	25%	33%	(8)%	26%	30%	(4)%
10-Year Averages						
69 Cooling degree-days	2,586	2,544	42	4,207	4,194	13
70 Heating degree-days	-	-	-	596	545	51
71 Average humidity	30%	32%	(2)%	31%	32%	(2)%

Pinnacle West Capital Corporation**Quarterly Consolidated Statistical Summary
Periods Ended September 30, 2009 and 2008**

Line	3 Months Ended September			9 Months Ended September		
	2009	2008	Incr (Decr)	2009	2008	Incr (Decr)
ENERGY SOURCES (GWH)						
Generation production						
72 Nuclear	2,544	2,455	89	7,050	6,626	424
73 Coal	3,388	3,611	(223)	9,195	9,744	(549)
74 Gas, oil and other	2,284	2,358	(74)	4,595	5,022	(427)
75 Total generation production	8,216	8,424	(208)	20,840	21,392	(552)
Purchased power						
76 Firm load	2,230	2,047	183	4,628	4,390	238
77 Marketing and trading	753	1,217	(464)	1,738	3,919	(2,181)
78 Total purchased power	2,983	3,264	(281)	6,366	8,309	(1,943)
79 Total energy sources	11,199	11,688	(489)	27,206	29,701	(2,495)
POWER PLANT PERFORMANCE						
Capacity Factors						
80 Nuclear	101%	97%	4%	94%	88%	6%
81 Coal	88%	94%	(6)%	81%	85%	(4)%
82 Gas, oil and other	31%	32%	(1)%	21%	23%	(2)%
83 System average	59%	61%	(2)%	51%	52%	(1)%
ECONOMIC INDICATORS						
Building Permits - Metro Phoenix (a)(c)						
84 Single-family	1,407	1,976	(569)	4,221	8,699	(4,478)
85 Multi-family	27	1,441	(1,414)	930	5,592	(4,662)
86 Total	1,434	3,417	(1,983)	5,151	14,291	(9,140)
Arizona Job Growth (b)(c)						
87 Payroll job growth (% over prior year)	(7.5)%	(2.1)%	(5.4)%	(6.9)%	(0.9)%	(6.0)%
88 Unemployment rate (%, seasonally adjusted)	9.2%	5.8%	3.4%	8.1%	5.1%	3.0%

Sources:

- (a) Arizona Real Estate Center, Arizona State University W.P. Carey College of Business
 (b) Arizona Department of Economic Security
 (c) Economic indicators reflect periods ended August 31, 2009 and August 31, 2008

Pinnacle West Capital Corporation
Consolidated On-Going Earnings Outlook
Year Ending December 31, 2009

Key Factors and Assumptions

Key factors and assumptions affecting the consolidated on-going earnings outlook for 2009 include the following expectations:

- Total electricity gross margin (operating revenues, net of fuel and purchased power expenses, excluding Renewable Energy Surcharge and similar rate adjustors¹) of approximately \$1.865 billion to \$1.885 billion assuming normal weather patterns for the remainder of the year;
- Operating expenses (operations and maintenance, excluding costs for Renewable Energy Standard and similar regulatory programs; depreciation and amortization; and taxes other than income taxes) of approximately \$1.29 billion to \$1.31 billion;
- Interest expense, net of capitalized interest and allowance for equity funds used during construction, of approximately \$200 million to \$205 million;
- Miscellaneous other items, net, of a negative \$5 million to \$10 million;
- An effective income tax rate of approximately 38%; and
- Exclusion of real estate segment results due to SunCor restructuring plan through which the Company plans to sell a substantial majority of the real estate assets.

Forward-Looking Statements

This document contains forward-looking statements regarding our 2009 earnings outlook, and Pinnacle West Capital Corporation assumes no obligation to update these statements, even if our internal estimates change, unless otherwise required by applicable securities laws. Please refer to the "Forward-Looking Statements" and the MD&A sections contained in our 3rd quarter 2009 Form 10-Q, as well as the "Risk Factors" section of our 2008 Form 10-K, all of which identify important factors that could cause actual results to differ materially from historical results or our current expectations.

¹ Revenues and operating costs related to Renewable Energy Standard and similar regulatory programs estimated to be \$94 million.

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

	Three Months Ended September 30,	
	2009	2008
OPERATING REVENUES		
Regulated electricity segment	\$ 1,083,750	\$ 1,040,348
Real estate segment	48,474	16,152
Marketing and trading	--	4,663
Other revenues	10,853	8,925
Total	1,143,077	1,070,088
OPERATING EXPENSES		
Regulated electricity segment fuel and purchased power	381,543	419,979
Real estate segment operations	26,863	26,129
Real estate impairment charge	36,993	--
Marketing and trading fuel and purchased power	--	1,456
Operations and maintenance	208,769	211,332
Depreciation and amortization	102,273	98,556
Taxes other than income taxes	34,111	28,423
Other expenses	8,014	8,321
Total	798,566	794,196
OPERATING INCOME	344,511	275,892
OTHER		
Allowance for equity funds used during construction	2,197	4,673
Other income	4,488	1,786
Other expense	(1,934)	(7,102)
Total	4,751	(643)
INTEREST EXPENSE		
Interest charges	60,244	51,165
Capitalized interest	(1,423)	(3,976)
Total	58,821	47,189
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	290,441	228,060
INCOME TAXES	103,061	76,592
INCOME FROM CONTINUING OPERATIONS	187,380	151,468
INCOME (LOSS) FROM DISCONTINUED OPERATIONS		
Net of income tax expense (benefit) of (\$848) and \$81	(1,310)	118
NET INCOME	186,070	151,586
Less: Net loss attributable to noncontrolling interests	(582)	--
NET INCOME ATTRIBUTABLE TO COMMON SHAREHOLDERS	\$ 186,652	\$ 151,586
 WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING – BASIC	101,223	100,750
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING – DILUTED	101,385	101,018
 EARNINGS PER WEIGHTED-AVERAGE COMMON SHARE OUTSTANDING		
Income from continuing operations attributable to common shareholders – basic	\$ 1.86	\$ 1.50
Net income attributable to common shareholders – basic	1.84	1.50
Income from continuing operations attributable to common shareholders – diluted	1.85	1.50
Net income attributable to common shareholders – diluted	1.84	1.50
DIVIDENDS DECLARED PER SHARE	\$ 0.525	\$ 0.525
 AMOUNTS ATTRIBUTABLE TO COMMON SHAREHOLDERS:		
Income from continuing operations, net of tax	\$ 187,962	\$ 151,468
Discontinued operations, net of tax	(1,310)	118
Net income attributable to common shareholders	\$ 186,652	\$ 151,586

See Notes to Pinnacle West's Condensed Consolidated Financial Statements.

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

	Nine Months Ended September 30,	
	2009	2008
OPERATING REVENUES		
Regulated electricity segment	\$ 2,498,838	\$ 2,492,627
Real estate segment	80,333	62,165
Marketing and trading	--	57,623
Other revenues	30,084	26,824
Total	2,609,255	2,639,239
OPERATING EXPENSES		
Regulated electricity segment fuel and purchased power	920,630	1,016,918
Real estate segment operations	76,893	83,822
Real estate impairment charge	247,509	--
Marketing and trading fuel and purchased power	--	44,129
Operations and maintenance	642,545	598,055
Depreciation and amortization	302,255	291,915
Taxes other than income taxes	101,126	94,826
Other expenses	22,214	21,081
Total	2,313,172	2,150,746
OPERATING INCOME	296,083	488,493
OTHER		
Allowance for equity funds used during construction	11,919	16,211
Other income	4,452	9,489
Other expense	(8,887)	(22,053)
Total	7,484	3,647
INTEREST EXPENSE		
Interest charges	174,985	157,371
Capitalized interest	(8,568)	(14,593)
Total	166,417	142,778
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	137,150	349,362
INCOME TAXES	45,307	91,154
INCOME FROM CONTINUING OPERATIONS	91,843	258,208
INCOME (LOSS) FROM DISCONTINUED OPERATIONS		
Net of income tax expense (benefit) of (\$5,371) and \$14,766	(8,298)	22,767
NET INCOME	83,545	280,975
Less: Net loss attributable to noncontrolling interests	(14,944)	--
NET INCOME ATTRIBUTABLE TO COMMON SHAREHOLDERS	\$ 98,489	\$ 280,975
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING – BASIC	101,107	100,642
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING – DILUTED	101,184	100,911
EARNINGS PER WEIGHTED-AVERAGE COMMON SHARE OUTSTANDING		
Income from continuing operations attributable to common shareholders – basic	\$ 1.06	\$ 2.57
Net income attributable to common shareholders – basic	0.97	2.79
Income from continuing operations attributable to common shareholders – diluted	1.06	2.56
Net income attributable to common shareholders – diluted	0.97	2.78
DIVIDENDS DECLARED PER SHARE	\$ 1.575	\$ 1.575
AMOUNTS ATTRIBUTABLE TO COMMON SHAREHOLDERS:		
Income from continuing operations, net of tax	\$ 106,787	\$ 258,208
Discontinued operations, net of tax	(8,298)	22,767
Net income attributable to common shareholders	\$ 98,489	\$ 280,975

See Notes to Pinnacle West's Condensed Consolidated Financial Statements.

PINNACLE WEST CAPITAL CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)
(dollars in thousands)

	September 30, 2009	December 31, 2008
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 100,824	\$ 105,245
Customer and other receivables	383,694	292,682
Accrued utility revenues	156,509	100,089
Allowance for doubtful accounts	(3,955)	(3,383)
Materials and supplies (at average cost)	180,144	173,252
Fossil fuel (at average cost)	39,641	29,752
Deferred income taxes	58,640	79,729
Income tax receivable	167,747	--
Home inventory	7,881	50,688
Assets held for sale	6,273	--
Assets from risk management and trading activities	32,220	32,581
Other current assets	21,205	21,847
Total current assets	<u>1,150,823</u>	<u>882,482</u>
INVESTMENTS AND OTHER ASSETS		
Real estate investments – net	150,253	415,296
Assets from risk management and trading activities	22,167	33,675
Nuclear decommissioning trust	399,808	343,052
Other assets	106,560	117,935
Total investments and other assets	<u>678,788</u>	<u>909,958</u>
PROPERTY, PLANT AND EQUIPMENT		
Plant in service and held for future use	12,636,322	12,264,805
Less accumulated depreciation and amortization	4,296,823	4,141,546
Net	<u>8,339,499</u>	<u>8,123,259</u>
Construction work in progress	540,991	572,354
Intangible assets, net of accumulated amortization	154,450	131,722
Nuclear fuel, net of accumulated amortization	126,767	89,323
Total property, plant and equipment	<u>9,161,707</u>	<u>8,916,658</u>
DEFERRED DEBITS		
Deferred fuel and purchased power regulatory asset	--	7,984
Other regulatory assets	726,883	787,506
Other deferred debits	113,022	115,505
Total deferred debits	<u>839,905</u>	<u>910,995</u>
TOTAL ASSETS	<u><u>\$ 11,831,223</u></u>	<u><u>\$ 11,620,093</u></u>

See Notes to Pinnacle West's Condensed Consolidated Financial Statements.

PINNACLE WEST CAPITAL CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)
(dollars in thousands)

	September 30, 2009	December 31, 2008
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 208,134	\$ 261,029
Accrued taxes	156,667	109,798
Accrued interest	49,389	40,741
Short-term borrowings	142,252	670,469
Current maturities of long-term debt	148,677	177,646
Customer deposits	74,128	78,745
Liabilities from risk management and trading activities	50,976	69,585
Other current liabilities	124,213	97,915
Total current liabilities	<u>954,436</u>	<u>1,505,928</u>
LONG-TERM DEBT LESS CURRENT MATURITIES	<u>3,519,934</u>	<u>3,031,603</u>
DEFERRED CREDITS AND OTHER		
Deferred income taxes	1,542,402	1,403,318
Deferred fuel and purchased power regulatory liability	60,488	--
Other regulatory liabilities	668,567	587,586
Liability for asset retirements	289,921	275,970
Liabilities for pension and other postretirement benefits	726,756	675,788
Liabilities from risk management and trading activities	46,498	126,532
Customer advances	131,512	132,023
Coal mine reclamation	91,847	91,201
Unrecognized tax benefits	162,717	68,904
Other	210,982	227,872
Total deferred credits and other	<u>3,931,690</u>	<u>3,589,194</u>
COMMITMENTS AND CONTINGENCIES		
EQUITY		
Common stock, no par value	2,149,465	2,151,323
Treasury stock	(3,811)	(2,854)
Total common stock	<u>2,145,654</u>	<u>2,148,469</u>
Retained earnings	<u>1,381,547</u>	<u>1,444,208</u>
Accumulated other comprehensive loss:		
Pension and other postretirement benefits	(47,753)	(47,547)
Derivative instruments	(82,786)	(99,151)
Total accumulated other comprehensive loss	<u>(130,539)</u>	<u>(146,698)</u>
Total Pinnacle West shareholders' equity	<u>3,396,662</u>	<u>3,445,979</u>
Noncontrolling real estate interests	<u>28,501</u>	<u>47,389</u>
Total equity	<u>3,425,163</u>	<u>3,493,368</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 11,831,223</u>	<u>\$ 11,620,093</u>

See Notes to Pinnacle West's Condensed Consolidated Financial Statements.

PINNACLE WEST CAPITAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)
(dollars in thousands)

	Nine Months Ended September 30,	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 83,545	\$ 280,975
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization including nuclear fuel	332,532	317,366
Deferred fuel and purchased power	(46,743)	(104,774)
Deferred fuel and purchased power amortization	115,214	157,999
Allowance for equity funds used during construction	(11,919)	(16,211)
Real estate impairment charge	260,450	--
Deferred income taxes	154,517	228,567
Change in mark-to-market valuations	(5,970)	1,411
Changes in current assets and liabilities:		
Customer and other receivables	(79,297)	(40,195)
Accrued utility revenues	(56,420)	(50,843)
Materials, supplies and fossil fuel	(16,781)	(13,527)
Other current assets	26,308	25,906
Accounts payable	(35,923)	(10,571)
Accrued taxes and income tax receivable-net	(120,878)	22,136
Other current liabilities	25,808	44,153
Expenditures for real estate investments	(2,410)	(17,397)
Gains and other changes in real estate assets	(10,527)	34,875
Change in unrecognized tax benefits	92,720	(107,069)
Change in other regulatory liabilities	92,598	(4,397)
Change in other long-term assets	(47,925)	30,662
Change in other long-term liabilities	12,071	4,875
Net cash flow provided by operating activities	<u>760,970</u>	<u>783,941</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(558,495)	(707,685)
Contributions in aid of construction	17,393	40,950
Capitalized interest	(8,568)	(14,593)
Proceeds from nuclear decommissioning trust sales	370,399	255,706
Investment in nuclear decommissioning trust	(386,743)	(271,263)
Proceeds from sale of commercial real estate investments	30,847	94,171
Other	(1,404)	5,628
Net cash flow used for investing activities	<u>(536,571)</u>	<u>(597,086)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of long-term debt	867,582	88,550
Repayment and reacquisition of long-term debt	(414,474)	(179,796)
Short-term borrowings and payments – net	(528,217)	100,886
Dividends paid on common stock	(153,740)	(158,477)
Common stock equity issuance	2,623	8,165
Other	(2,594)	2,024
Net cash flow used for financing activities	<u>(228,820)</u>	<u>(138,648)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,421)	48,207
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>105,245</u>	<u>56,321</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>\$ 100,824</u></u>	<u><u>\$ 104,528</u></u>
Supplemental disclosure of cash flow information		
Cash paid during the period for:		
Income taxes, net of (refunds)	\$ (34,700)	\$ 202
Interest, net of amounts capitalized	\$ 153,725	\$ 136,996

See Notes to Pinnacle West's Condensed Consolidated Financial Statements.

ARIZONA PUBLIC SERVICE COMPANY
CONDENSED STATEMENTS OF INCOME
(unaudited)
(dollars in thousands)

	Three Months Ended September 30,	
	2009	2008
ELECTRIC OPERATING REVENUES	\$ 1,083,825	\$ 1,042,084
OPERATING EXPENSES		
Fuel and purchased power	381,543	421,632
Operations and maintenance	203,446	206,526
Depreciation and amortization	101,027	96,769
Income taxes	118,923	86,484
Other taxes	33,782	28,018
Total	838,721	839,429
OPERATING INCOME	245,104	202,655
OTHER INCOME (DEDUCTIONS)		
Income taxes	1,070	1,909
Allowance for equity funds used during construction	2,197	4,673
Other income	3,530	1,462
Other expense	(2,790)	(9,458)
Total	4,007	(1,414)
INTEREST DEDUCTIONS		
Interest on long-term debt	51,216	40,841
Interest on short-term borrowings	1,058	2,563
Debt discount, premium and expense	1,115	1,162
Allowance for borrowed funds used during construction	(1,343)	(3,079)
Total	52,046	41,487
NET INCOME	\$ 197,065	\$ 159,754

See Notes to Pinnacle West's Condensed Consolidated Financial Statements and Supplemental Notes to Arizona Public Service Company's Condensed Financial Statements.

ARIZONA PUBLIC SERVICE COMPANY
CONDENSED STATEMENTS OF INCOME

(unaudited)
(dollars in thousands)

	Nine Months Ended September 30,	
	2009	2008
ELECTRIC OPERATING REVENUES	\$ 2,499,072	\$ 2,498,743
OPERATING EXPENSES		
Fuel and purchased power	920,630	1,022,762
Operations and maintenance	625,674	582,480
Depreciation and amortization	298,036	286,615
Income taxes	158,041	113,194
Other taxes	100,077	93,549
Total	2,102,458	2,098,600
OPERATING INCOME	396,614	400,143
OTHER INCOME (DEDUCTIONS)		
Income taxes	3,684	4,863
Allowance for equity funds used during construction	11,919	16,211
Other income	7,580	4,560
Other expense	(10,798)	(21,546)
Total	12,385	4,088
INTEREST DEDUCTIONS		
Interest on long-term debt	148,267	123,733
Interest on short-term borrowings	5,326	8,931
Debt discount, premium and expense	3,560	3,482
Allowance for borrowed funds used during construction	(8,284)	(10,687)
Total	148,869	125,459
NET INCOME	\$ 260,130	\$ 278,772

See Notes to Pinnacle West's Condensed Consolidated Financial Statements and Supplemental Notes to Arizona Public Service Company's Condensed Financial Statements.

ARIZONA PUBLIC SERVICE COMPANY
CONDENSED BALANCE SHEETS
(unaudited)
(dollars in thousands)

	September 30, 2009	December 31, 2008
ASSETS		
UTILITY PLANT		
Electric plant in service and held for future use	\$ 12,569,397	\$ 12,198,010
Less accumulated depreciation and amortization	4,283,668	4,129,958
Net	<u>8,285,729</u>	<u>8,068,052</u>
Construction work in progress	536,119	571,977
Intangible assets, net of accumulated amortization	154,243	131,243
Nuclear fuel, net of accumulated amortization	126,767	89,323
Total utility plant	<u>9,102,858</u>	<u>8,860,595</u>
INVESTMENTS AND OTHER ASSETS		
Nuclear decommissioning trust	399,808	343,052
Assets from management and trading activities	22,167	33,675
Other assets	65,576	60,604
Total investments and other assets	<u>487,551</u>	<u>437,331</u>
CURRENT ASSETS		
Cash and cash equivalents	86,338	71,544
Customer and other receivables	366,241	262,177
Accrued utility revenues	156,509	100,089
Allowance for doubtful accounts	(3,758)	(3,155)
Materials and supplies (at average cost)	180,144	173,252
Fossil fuel (at average cost)	39,641	29,752
Income tax receivable	84,766	--
Assets from risk management and trading activities	32,220	32,181
Deferred income taxes	58,873	79,694
Other current assets	18,770	19,866
Total current assets	<u>1,019,744</u>	<u>765,400</u>
DEFERRED DEBITS		
Deferred fuel and purchased power regulatory asset	--	7,984
Other regulatory assets	726,883	787,506
Unamortized debt issue costs	20,300	22,026
Other	85,399	82,735
Total deferred debits	<u>832,582</u>	<u>900,251</u>
TOTAL ASSETS	<u><u>\$ 11,442,735</u></u>	<u><u>\$ 10,963,577</u></u>

See Notes to Pinnacle West's Condensed Consolidated Financial Statements and Supplemental Notes to Arizona Public Service Company's Condensed Financial Statements.

ARIZONA PUBLIC SERVICE COMPANY
CONDENSED BALANCE SHEETS
(unaudited)
(dollars in thousands)

	September 30, 2009	December 31, 2008
LIABILITIES AND EQUITY		
CAPITALIZATION		
Common stock	\$ 178,162	\$ 178,162
Additional paid-in capital	2,126,863	2,117,789
Retained earnings	1,301,531	1,168,901
Accumulated other comprehensive loss:		
Pension and other postretirement benefits	(27,433)	(26,960)
Derivative instruments	(82,445)	(98,742)
Common stock equity	3,496,678	3,339,150
Long-term debt less current maturities	3,327,025	2,850,242
Total capitalization	6,823,703	6,189,392
CURRENT LIABILITIES		
Short-term borrowings	--	521,684
Current maturities of long-term debt	50,541	874
Accounts payable	184,036	233,529
Accrued taxes	153,905	219,129
Accrued interest	48,820	39,860
Customer deposits	73,171	77,452
Liabilities from risk management and trading activities	50,976	69,585
Other current liabilities	117,256	105,655
Total current liabilities	678,705	1,267,768
DEFERRED CREDITS AND OTHER		
Deferred income taxes	1,638,537	1,401,412
Regulatory liabilities	668,567	587,586
Deferred fuel and purchased power regulatory liability	60,488	--
Liability for asset retirements	289,921	275,970
Liabilities for pension and other postretirement benefits	684,661	635,327
Customer advances	131,512	132,023
Liabilities from risk management and trading activities	46,498	126,532
Coal mine reclamation	91,847	91,201
Unrecognized tax benefits	161,987	67,846
Other	166,309	188,520
Total deferred credits and other	3,940,327	3,506,417
COMMITMENTS AND CONTINGENCIES		
TOTAL LIABILITIES AND EQUITY	\$ 11,442,735	\$ 10,963,577

See Notes to Pinnacle West's Condensed Consolidated Financial Statements and Supplemental Notes to Arizona Public Service Company's Condensed Financial Statements.

ARIZONA PUBLIC SERVICE COMPANY
CONDENSED STATEMENTS OF CASH FLOWS
(unaudited)
(dollars in thousands)

	Nine Months Ended September 30,	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 260,130	\$ 278,772
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization including nuclear fuel	328,313	312,022
Deferred fuel and purchased power	(46,743)	(104,774)
Deferred fuel and purchased power amortization	115,214	157,999
Allowance for equity funds used during construction	(11,919)	(16,211)
Deferred income taxes	252,282	220,180
Change in mark-to-market valuations	(5,970)	190
Changes in current assets and liabilities:		
Customer and other receivables	(92,535)	(59,607)
Accrued utility revenues	(56,420)	(50,843)
Materials, supplies and fossil fuel	(16,781)	(13,527)
Other current assets	(2,473)	2,774
Accounts payable	(28,018)	40,339
Accrued taxes and income tax receivable - net	(149,990)	7,268
Other current liabilities	16,279	58,887
Change in regulatory liabilities	92,598	(4,397)
Change in unrecognized tax benefits	92,973	(104,523)
Change in other long-term assets	(53,530)	41,379
Change in other long-term liabilities	10,053	16,365
Net cash flow provided by operating activities	<u>703,463</u>	<u>782,293</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(551,042)	(681,775)
Contributions in aid of construction	17,393	40,950
Allowance for borrowed funds used during construction	(8,284)	(10,687)
Proceeds from nuclear decommissioning trust sales	370,399	255,706
Investment in nuclear decommissioning trust	(386,743)	(271,263)
Other	(1,404)	4,267
Net cash flow used for investing activities	<u>(559,681)</u>	<u>(662,802)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Equity infusion	--	7,601
Issuance of long-term debt	863,903	--
Repayment and reacquisition of long-term debt	(343,707)	(27,485)
Short-term borrowings and payments-net	(521,684)	51,580
Dividends paid on common stock	(127,500)	(127,500)
Net cash flow used for financing activities	<u>(128,988)</u>	<u>(95,804)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>14,794</u>	<u>23,687</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>71,544</u>	<u>52,151</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 86,338</u>	<u>\$ 75,838</u>
Supplemental disclosure of cash flow information		
Cash paid during the period for:		
Income taxes, net of refunds	\$ 13,555	\$ 25,710
Interest, net of amounts capitalized	\$ 136,349	\$ 119,302
See Notes to Pinnacle West's Condensed Consolidated Financial Statements and Supplemental Notes to Arizona Public Service Company's Condensed Financial Statements		