

Pinnacle West Capital Corporation
Complete Earnings Release and Analysis Packet
Second 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 and 2010 Earnings Outlook (Excerpt from August 4, 2009 Form 8-K)
- 2009 and 2010 Earnings Outlook Reconciliations
- 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 for 2006-2009 year-to-date are also available on our website.

FOR IMMEDIATE RELEASE

August 4, 2009

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PINNACLE WEST REPORTS LOWER SECOND-QUARTER EARNINGS

PHOENIX – Pinnacle West Capital Corporation (NYSE: PNW) today reported consolidated net income attributable to common shareholders of \$68.3 million, or \$0.68 per diluted share of common stock, for the quarter ended June 30, 2009. These results compare with net income attributable to common shareholders of \$133.9 million, or \$1.33 per diluted share, for the same period a year ago.

The Company's on-going consolidated earnings in the 2009 second quarter were \$77.3 million, or \$0.77 per share, compared with \$89.2 million, or \$0.88 per share in the comparable 2008 quarter. On-going earnings for both quarters exclude results for the Company's real estate segment. Second-quarter 2008 on-going earnings also exclude income tax credits related to prior years of \$30 million.

Arizona Public Service Co. (APS) reported a decrease in on-going earnings, recording income of \$78.5 million for the 2009 second quarter, compared with \$96.1 million in the 2008 like period. Rising costs incurred by APS to maintain reliability and expand its electric service were the primary factor driving the lower results. These costs included: seasonal power plant overhauls and system maintenance; increased expenses related to infrastructure additions; and lower mark-to-market valuations of fuel contracts. A decrease in kilowatt-hour sales, principally from commercial and industrial customers, also contributed to the diminished quarterly results. An interim retail rate increase implemented in January 2009 and modest customer growth partially offset the negative factors.

"The bottom line is our current electricity prices do not reflect our real cost of doing business," said Pinnacle West Chairman Don Brandt. "We must continue working with our regulators to better match our prices and costs while continuing to control costs. Cost management alone will not provide the financial strength necessary for APS to reliably serve our customers and provide a fair return for our investors."

Brandt cited APS' proposed retail rate settlement pending before the Arizona Corporation Commission as an example of the progress being achieved on the regulatory front. "Our Company is focused on working with the Commission and other interested parties to find positive solutions to complex and difficult energy issues facing our customers now and going forward," he said. "If approved as proposed, the settlement will provide a measure of price stability for APS customers, and enable APS to attract the capital that is critical to support a sustainable energy future for the state of Arizona."

The settlement not only addresses pricing and earnings issues, added Brandt, it also promotes renewable resources, energy efficiency and environmental stewardship that provide the building blocks for a recovery of economic vitality for the state of Arizona.

For more information on Pinnacle West's operating statistics and earnings, please visit www.pinnaclewest.com/investors.

Conference Call

Pinnacle West invites interested parties to listen to the live web cast of management's conference call to discuss the Company's 2009 second-quarter results and recent developments at 12 noon (ET) today, August 4. 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 Number 16241469. A replay of the call also will be available until 11:55 p.m. (ET), Tuesday, August 11, 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.

Pinnacle West is a Phoenix-based company with consolidated assets of about \$11.9 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.

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 June 30, 2009		Three Months Ended June 30, 2008	
	\$ in Millions	Diluted EPS	\$ in Millions	Diluted EPS
PINNACLE WEST CAPITAL CORPORATION				
Net Income attributable to common shareholders	\$ 68.3	\$ 0.68	\$ 133.9	\$ 1.33
Adjustments:				
Real estate segment	9.0	0.09	(14.7)	(0.15)
Income tax credits related to prior years	--	--	(30.0)	(0.30)
On-going Earnings	<u>\$ 77.3</u>	<u>\$ 0.77</u>	<u>\$ 89.2</u>	<u>\$ 0.88</u>
 ARIZONA PUBLIC SERVICE COMPANY				
Net Income	\$ 78.5		\$ 125.4	
Adjustment:				
Income tax credits related to prior years	--		(29.3)	
On-going Earnings	<u>\$ 78.5</u>		<u>\$ 96.1</u>	

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

	THREE MONTHS ENDED JUNE 30,		Increase (Decrease)	
	2009	2008	Amount	Percent
Operating Revenues				
Regulated electricity segment	\$ 812,510	\$ 829,478	\$ (16,968)	2.0% W
Real estate segment	16,763	23,365	(6,602)	28.3% W
Marketing and trading	-	22,508	(22,508)	100.0% W
Other revenues	10,782	9,162	1,620	17.7% B
Total	<u>840,055</u>	<u>884,513</u>	<u>(44,458)</u>	5.0% W
Operating Expenses				
Regulated electricity segment fuel and purchased power	291,699	327,561	(35,862)	10.9% B
Real estate segment operations	23,693	30,594	(6,901)	22.6% B
Real estate impairment charge	632	-	632	100.0% W
Marketing and trading fuel and purchased power	-	18,687	(18,687)	100.0% B
Operations and maintenance	226,245	193,700	32,545	16.8% W
Depreciation and amortization	100,063	97,770	2,293	2.3% W
Taxes other than income taxes	32,887	33,251	(364)	1.1% B
Other expenses	7,733	6,822	911	13.4% W
Total	<u>682,952</u>	<u>708,385</u>	<u>(25,433)</u>	3.6% B
Operating Income	<u>157,103</u>	<u>176,128</u>	<u>(19,025)</u>	10.8% W
Other				
Allowance for equity funds used during construction	4,730	5,414	(684)	12.6% W
Other income	6,587	3,928	2,659	67.7% B
Other expense	(4,187)	(10,055)	5,868	58.4% B
Total	<u>7,130</u>	<u>(713)</u>	<u>7,843</u>	1100.0% B
Interest Expense				
Interest charges	58,951	51,521	7,430	14.4% W
Capitalized interest	(3,311)	(4,938)	1,627	32.9% W
Total	<u>55,640</u>	<u>46,583</u>	<u>9,057</u>	19.4% W
Income From Continuing Operations Before Income Taxes	108,593	128,832	(20,239)	15.7% W
Income Taxes	<u>37,600</u>	<u>16,025</u>	<u>21,575</u>	134.6% W
Income From Continuing Operations	70,993	112,807	(41,814)	37.1% W
Income (Loss) From Discontinued Operations				
Net of Income Taxes	<u>(2,798)</u>	<u>21,055</u>	<u>(23,853)</u>	113.3% W
Net Income	68,195	133,862	(65,667)	49.1% W
Less: Net loss attributable to noncontrolling interests	(152)	-	(152)	100.0% W
Net Income Attributable To Common Shareholders	<u>\$ 68,347</u>	<u>\$ 133,862</u>	<u>\$ (65,515)</u>	48.9% W
Weighted-Average Common Shares Outstanding - Basic	101,109	100,653	456	0.5%
Weighted-Average Common Shares Outstanding - Diluted	101,193	100,917	276	0.3%
Earnings Per Weighted-Average Common Share Outstanding				
Income from continuing operations attributable to common shareholders - basic	\$ 0.70	\$ 1.12	\$ (0.42)	37.5% W
Net income attributable to common shareholders - basic	\$ 0.68	\$ 1.33	\$ (0.65)	48.9% W
Income from continuing operations attributable to common shareholders - diluted	\$ 0.70	\$ 1.12	\$ (0.42)	37.5% W
Net income attributable to common shareholders - diluted	\$ 0.68	\$ 1.33	\$ (0.65)	48.9% W
Amounts Attributable To Common Shareholders				
Income from continuing operations, net of tax	\$ 71,145	\$ 112,807	\$ (41,662)	36.9% W
Discontinued operations, net of tax	(2,798)	21,055	(23,853)	113.3% W
Net income attributable to common shareholders	<u>\$ 68,347</u>	<u>\$ 133,862</u>	<u>\$ (65,515)</u>	48.9% W

B -- Better
W -- Worse

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

	SIX MONTHS ENDED JUNE 30,		Increase (Decrease)	
	2009	2008	Amount	Percent
Operating Revenues				
Regulated electricity segment	\$ 1,415,088	\$ 1,452,279	\$ (37,191)	2.6% W
Real estate segment	35,129	49,631	(14,502)	29.2% W
Marketing and trading	-	52,960	(52,960)	100.0% W
Other revenues	19,231	17,899	1,332	7.4% B
Total	<u>1,469,448</u>	<u>1,572,769</u>	<u>(103,321)</u>	6.6% W
Operating Expenses				
Regulated electricity segment fuel and purchased power	539,087	596,939	(57,852)	9.7% B
Real estate segment operations	53,974	61,551	(7,577)	12.3% B
Real estate impairment charge	211,938	-	211,938	100.0% W
Marketing and trading fuel and purchased power	-	42,673	(42,673)	100.0% B
Operations and maintenance	433,776	386,723	47,053	12.2% W
Depreciation and amortization	199,984	193,364	6,620	3.4% W
Taxes other than income taxes	67,015	66,403	612	0.9% W
Other expenses	14,200	12,760	1,440	11.3% W
Total	<u>1,519,974</u>	<u>1,360,413</u>	<u>159,561</u>	11.7% W
Operating Income (Loss)	<u>(50,526)</u>	<u>212,356</u>	<u>(262,882)</u>	123.8% W
Other				
Allowance for equity funds used during construction	9,722	11,538	(1,816)	15.7% W
Other income	3,568	7,767	(4,199)	54.1% W
Other expense	(10,529)	(14,951)	4,422	29.6% B
Total	<u>2,761</u>	<u>4,354</u>	<u>(1,593)</u>	36.6% W
Interest Expense				
Interest charges	114,757	106,223	8,534	8.0% W
Capitalized interest	(7,145)	(10,617)	3,472	32.7% W
Total	<u>107,612</u>	<u>95,606</u>	<u>12,006</u>	12.6% W
Income (Loss) From Continuing Operations Before Income Taxes	<u>(155,377)</u>	<u>121,104</u>	<u>(276,481)</u>	228.3% W
Income Taxes	<u>(58,574)</u>	<u>14,484</u>	<u>(73,058)</u>	504.4% B
Income (Loss) From Continuing Operations	<u>(96,803)</u>	<u>106,620</u>	<u>(203,423)</u>	190.8% W
Income (Loss) From Discontinued Operations				
Net of Income Taxes	<u>(5,722)</u>	<u>22,769</u>	<u>(28,491)</u>	125.1% W
Net Income (Loss)	<u>(102,525)</u>	<u>129,389</u>	<u>(231,914)</u>	179.2% W
Less: Net loss attributable to noncontrolling interests	(14,362)	-	(14,362)	100.0% W
Net Income (Loss) Attributable To Common Shareholders	<u>\$ (88,163)</u>	<u>\$ 129,389</u>	<u>\$ (217,552)</u>	168.1% W
Weighted-Average Common Shares Outstanding - Basic	101,048	100,587	461	0.5%
Weighted-Average Common Shares Outstanding - Diluted	101,048	100,856	192	0.2%
Earnings Per Weighted-Average Common Share Outstanding				
Income (Loss) from continuing operations - basic	\$ (0.82)	\$ 1.06	\$ (1.88)	177.4% W
Net Income (Loss) attributable to common shareholders - basic	\$ (0.87)	\$ 1.29	\$ (2.16)	167.4% W
Income (Loss) from continuing operations - diluted	\$ (0.82)	\$ 1.06	\$ (1.88)	177.4% W
Net Income (Loss) attributable to common shareholders - diluted	\$ (0.87)	\$ 1.28	\$ (2.15)	168.0% W
Amounts Attributable To Common Shareholders				
Income (Loss) from continuing operations, net of tax	\$ (82,441)	\$ 106,620	\$ (189,061)	177.3% W
Discontinued operations, net of tax	(5,722)	22,769	(28,491)	125.1% W
Net Income (Loss) attributable to common shareholders	<u>\$ (88,163)</u>	<u>\$ 129,389</u>	<u>\$ (217,552)</u>	168.1% 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		Three Months Ended	
	June 30, 2009		June 30, 2008	
	\$ in	Diluted	\$ in	Diluted
	Millions	EPS	Millions	EPS
Pinnacle West Capital Corporation				
Net income attributable to common shareholders	\$ 68.3	\$ 0.68	\$ 133.9	\$ 1.33
Adjustment:				
Real estate segment	9.0	0.09	(14.7)	(0.15)
Income tax credits related to prior years	-	-	(30.0)	(0.30)
On-going earnings	<u>\$ 77.3</u>	<u>\$ 0.77</u>	<u>\$ 89.2</u>	<u>\$ 0.88</u>
 Arizona Public Service				
Net income	\$ 78.5		\$ 125.4	
Adjustment:				
Income tax credits related to prior years	-		(29.3)	
On-going earnings	<u>\$ 78.5</u>		<u>\$ 96.1</u>	

Pinnacle West Capital Corporation
Earnings Variance Explanations
For Three-Month and Six-Month Periods Ended June 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 June 30, 2009 (the “June 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 June 2009 Form 10-Q. Additional operating and financial statistics and a glossary of terms are available on our website (www.pinnaclewest.com).

EARNINGS CONTRIBUTION BY BUSINESS SEGMENT

Pinnacle West’s two reportable business segments are:

- 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.

The following table presents income (loss) from continuing operations for our regulated electricity and real estate segments and reconciles those amounts to our consolidated net income (loss) (dollars in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Regulated electricity segment	\$ 78	\$ 121	\$ 58	\$ 114
Real estate segment (a)	(6)	(6)	(149)	(9)
All other (b)	(1)	(2)	(6)	1
Income (loss) from continuing operations	71	113	(97)	106
Income (loss) from discontinued operations – net of tax:				
Real estate segment (a)	(3)	21	(5)	23
Net income (loss)	68	134	(102)	129
Less: Net loss attributable to noncontrolling interests – real estate segment (a)	--	--	(14)	--
Net income (loss) attributable to common shareholders	\$ 68	\$ 134	\$ (88)	\$ 129

- (a) We recorded an after-tax real estate impairment charge of \$127 million in the six months ended June 30, 2009.
- (b) Includes activities related to marketing and trading, APSES and El Dorado. None of these segments is a reportable segment.

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

Our consolidated net income attributable to common shareholders for the three months ended June 30, 2009 was \$68 million, compared with net income of \$134 million for the comparable prior-year period. The major factors that increased (decreased) the net income attributable to common shareholders for the three-month comparison are summarized in the following table (dollars in millions):

	Increase (Decrease)	
	Pretax	After Tax
Regulated electricity segment:		
Retail rate increases primarily due to the interim rate increase effective January 1, 2009	\$ 19	\$ 12
Effects of weather on retail sales	12	7
Lower retail sales primarily due to lower per customer usage, including the effects of the Company's energy efficiency programs, excluding the effects of weather	(13)	(8)
Lower mark-to-market valuations of fuel and purchased power contracts related to changes in market prices, net of related PSA deferrals	(9)	(5)
Higher operations and maintenance expense primarily related to higher generation costs, including more planned maintenance	(17)	(10)
Higher interest expense, net of capitalized financing costs, primarily due to higher debt balances	(9)	(5)
Income tax benefits related to prior years resolved in 2008	--	(30)
Miscellaneous items, net	(5)	(4)
Decrease in regulated electricity segment net income	(22)	(43)
Decrease in other expense, net of other income, primarily due to investment losses recorded in 2008	5	3
Other miscellaneous items, net	(3)	(2)
Decrease in income from continuing operations	<u>\$ (20)</u>	<u>(42)</u>
Decrease in income from discontinued operations primarily related to certain real estate commercial property sales in 2008		(24)
Decrease in net income attributable to common shareholders		<u>\$ (66)</u>

Regulated Electricity Segment Revenues

Regulated electricity segment revenues were \$17 million lower for the three months ended June 30, 2009 compared with the prior year period primarily because of:

- a \$26 million decrease in retail revenues related to recovery of PSA deferrals, which had no earnings effect because of amortization of the same amount recorded as fuel and purchased power expense (see Note 5);
- a \$23 million decrease in retail revenues primarily related to lower usage, excluding weather effects;

- an \$18 million decrease in revenues from Off-System Sales due to lower market prices;
- a \$19 million increase in retail revenues due to the effects of weather;
- a \$19 million increase in retail revenues due to an interim rate increase effective January 2009 and transmission rate increases (including related retail rates);
- a \$16 million increase in renewable energy and demand side management surcharges which are offset by operations and maintenance expense (see Note 5); and
- a \$4 million net decrease due to miscellaneous factors.

Real Estate Segment Revenues

Real estate segment revenues were \$7 million lower for the three months ended June 30, 2009 compared with the prior year period primarily because of lower residential property and parcel sales as a result of the distressed real estate market.

All Other Revenues

Other revenues were \$21 million lower for the three months ended June 30, 2009 compared with the prior year period because of planned reductions of marketing and trading activities.

Operating Results – Six-month period ended June 30, 2009 compared with six-month period ended June 30, 2008

Our consolidated net loss attributable to common shareholders for the six months ended June 30, 2009 was \$88 million, compared with net income of \$129 million for the comparable prior-year period. The major factors that increased (decreased) the net income attributable to common shareholders for the six-month comparison are summarized in the following table (dollars in millions):

	Increase (Decrease)	
	Pretax	After Tax
Regulated electricity segment:		
Interim rate increase effective January 1, 2009	\$ 29	\$ 18
Transmission rate increases (including related retail rates)	9	5
Lower mark-to-market valuations of fuel and purchased power contracts related to changes in market prices, net of related PSA deferrals	(28)	(17)
Lower retail sales primarily due to lower per customer usage, including the effects of the Company's energy efficiency programs, excluding the effects of weather	(17)	(10)
Higher operations and maintenance expense primarily related to higher generation costs, including more planned maintenance	(16)	(10)
Higher depreciation and amortization primarily due to increased utility plant in service	(7)	(4)
Higher interest expense, net of capitalized financing costs, primarily due to higher debt balances	(13)	(8)
Income tax benefits related to prior years resolved in 2008	--	(30)
Miscellaneous items, net	(1)	--
Decrease in regulated electricity segment net income	(44)	(56)
Real estate segment:		
Real estate impairment charge (Note 21)	(212)	(134)
Higher real estate segment costs primarily related to employee severance	(9)	(6)
Lower marketing and trading contributions primarily due to lower sales volumes	(11)	(7)
Decrease in income from continuing operations	<u>\$ (276)</u>	<u>(203)</u>
Decrease in income from discontinued operations primarily related to certain real estate commercial property sales in 2008		(28)
Decrease in net income		(231)
Less: Net loss attributable to real estate noncontrolling interests primarily due to real estate impairment		(14)
Decrease in net income attributable to common shareholders		<u>\$ (217)</u>

Regulated Electricity Segment Revenues

Regulated electricity segment revenues were \$37 million lower for the six months ended June 30, 2009 compared with the prior year period primarily because of:

- a \$48 million decrease in retail revenues related to recovery of PSA deferrals, which had no earnings effect because of amortization of the same amount recorded as fuel and purchased power expense (see Note 5);
- a \$30 million decrease in retail revenues primarily related to lower usage, excluding weather effects;
- a \$21 million decrease in revenues from Off-System Sales due to lower market prices;
- a \$3 million decrease in retail revenues due to the effects of weather;

- a \$38 million increase in retail revenues due to an interim rate increase effective January 2009 and transmission rate increases (including related retail rates);
- a \$32 million increase in renewable energy and demand side management surcharges which are offset by operations and maintenance expense (see Note 5); and
- a \$5 million net decrease due to miscellaneous factors.

Real Estate Segment Revenues

Real estate segment revenues were \$15 million lower for the six months ended June 30, 2009 compared with the prior year period primarily because of lower residential property and parcel sales as a result of the distressed real estate market.

All Other Revenues

Other revenues were \$52 million lower for the six months ended June 30, 2009 compared with the prior year period because of planned reductions of marketing and trading activities.

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

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

2009 Second 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 June 30, 2009 and 2008

Line		3 Months Ended June			6 Months Ended June		
		2009	2008	Incr (Decr)	2009	2008	Incr (Decr)
	EARNINGS CONTRIBUTION BY SUBSIDIARY (\$ Millions)						
1	Arizona Public Service	\$ 78	\$ 125	\$ (47)	\$ 63	\$ 119	\$ (56)
2	APS Energy Services	-	-	-	(1)	-	(1)
3	SunCor	(14)	(6)	(8)	(238)	(10)	(228)
4	El Dorado	-	(5)	5	(6)	(6)	-
5	Parent Company	7	(1)	8	85	3	82
6	Income (Loss) From Continuing Operations	71	113	(42)	(97)	106	(203)
	Income (Loss) From Discontinued Operations - Net of Tax						
7	SunCor	(5)	21	(26)	(9)	23	(32)
8	Other	2	-	2	4	-	4
9	Total	(3)	21	(24)	(5)	23	(28)
10	Net Income (Loss)	68	134	(66)	(102)	129	(231)
11	Less: Net Income (Loss) Attributable to Noncontrolling Interests	-	-	-	(14)	-	(14)
12	Net Income (Loss) Attributable to Common Shareholders	\$ 68	\$ 134	\$ (66)	\$ (88)	\$ 129	\$ (217)
	EARNINGS PER SHARE BY SUBSIDIARY - DILUTED						
13	Arizona Public Service	\$ 0.78	\$ 1.24	\$ (0.46)	\$ 0.62	\$ 1.18	\$ (0.56)
14	APS Energy Services	-	-	-	(0.01)	0.01	(0.02)
15	SunCor	(0.14)	(0.06)	(0.08)	(2.35)	(0.09)	(2.26)
16	El Dorado	(0.01)	(0.05)	0.04	(0.06)	(0.07)	0.01
17	Parent Company	0.07	(0.01)	0.08	0.84	0.03	0.81
18	Income (Loss) From Continuing Operations	0.70	1.12	(0.42)	(0.96)	1.06	(2.02)
	Income (Loss) From Discontinued Operations - Net of Tax						
19	SunCor	(0.04)	0.21	(0.25)	(0.09)	0.23	(0.32)
20	Other	0.02	-	0.02	0.04	(0.01)	0.05
21	Total	(0.02)	0.21	(0.23)	(0.05)	0.22	(0.27)
22	Net Income (Loss)	0.68	1.33	(0.65)	(1.01)	1.28	(2.29)
23	Less: Net Income (Loss) Attributable to Noncontrolling Interests	-	-	-	(0.14)	-	(0.14)
24	Net Income (Loss) Attributable to Common Shareholders	\$ 0.68	\$ 1.33	\$ (0.65)	\$ (0.87)	\$ 1.28	\$ (2.15)
25	BOOK VALUE PER SHARE	\$ 31.70	\$ 37.22	\$ (5.52)	\$ 31.70	\$ 37.22	\$ (5.52)
	COMMON SHARES OUTSTANDING (Thousands)						
26	Average - Diluted	101,193	100,917	276	101,048	100,856	192
27	End of Period	101,171	100,706	465	101,171	100,706	465

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

Line	3 Months Ended June			6 Months Ended June		
	2009	2008	Incr (Decr)	2009	2008	Incr (Decr)
ELECTRIC OPERATING REVENUES (Dollars in Millions)						
REGULATED ELECTRICITY SEGMENT						
Retail						
28 Residential	\$ 377	\$ 365	\$ 12	\$ 633	\$ 636	\$ (3)
29 Business	389	396	(7)	687	696	(9)
30 Total retail	766	761	5	1,320	1,332	(12)
Wholesale revenue on delivered electricity						
31 Traditional contracts	17	22	(5)	28	34	(6)
32 Off-system sales	12	30	(18)	34	54	(20)
33 Transmission for others	8	8	-	15	15	-
34 Other miscellaneous services	9	8	1	18	17	1
35 Total regulated operating electricity revenues	812	829	(17)	1,415	1,452	(37)
MARKETING AND TRADING						
36 Electricity and other commodity sales	-	23	(23)	-	53	(53)
37 Total operating electric revenues	\$ 812	\$ 852	\$ (40)	\$ 1,415	\$ 1,505	\$ (90)
ELECTRIC SALES (GWH)						
REGULATED ELECTRICITY SEGMENT						
Retail sales						
38 Residential	3,180	3,112	68	5,679	5,886	(207)
39 Business	3,842	3,990	(148)	7,102	7,328	(226)
40 Total retail	7,022	7,102	(80)	12,781	13,214	(433)
Wholesale electricity delivered						
41 Traditional contracts	232	319	(87)	397	541	(144)
42 Off-system sales	720	610	110	1,417	1,026	391
43 Retail load hedge management	225	159	66	377	321	56
44 Total regulated electricity	8,199	8,190	9	14,972	15,102	(130)
MARKETING AND TRADING						
45 Wholesale sales of electricity	-	979	(979)	-	1,890	(1,890)
46 Total electric sales	8,199	9,169	(970)	14,972	16,992	(2,020)
POWER SUPPLY ADJUSTOR ("PSA") - REGULATED ELECTRICITY SEGMENT (Dollars in Millions)						
47 Deferred fuel and purchased power regulatory asset - beginning balance	\$ (49)	\$ 50	\$ (99)	\$ 8	\$ 111	\$ (103)
48 Deferred fuel and purchased power costs - current period	15	37	(22)	(13)	26	(39)
49 Interest on deferred fuel	-	-	-	-	1	(1)
50 Amounts recovered through revenues	(37)	(64)	27	(66)	(115)	49
51 Deferred fuel and purchased power regulatory asset - ending balance	\$ (71)	\$ 23	\$ (94)	\$ (71)	\$ 23	\$ (94)

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

Line	3 Months Ended June			6 Months Ended June		
	2009	2008	Incr (Decr)	2009	2008	Incr (Decr)
AVERAGE ELECTRIC CUSTOMERS						
Retail customers						
52 Residential	981,749	975,594	6,155	985,212	979,026	6,186
53 Business	125,245	123,802	1,443	125,178	123,318	1,860
54 Total	1,106,994	1,099,396	7,598	1,110,390	1,102,344	8,046
55 Wholesale customers	44	54	(10)	47	52	(5)
56 Total customers	1,107,038	1,099,450	7,588	1,110,437	1,102,396	8,041
57 Customer growth (% over prior year)	0.7%	1.6%	(0.9)%	0.7%	1.8%	(1.1)%
RETAIL SALES (GWH) - WEATHER NORMALIZED						
58 Residential	3,199	3,247	(48)	5,808	5,941	(133)
59 Business	3,818	4,034	(216)	7,104	7,334	(230)
60 Total	7,017	7,281	(264)	12,912	13,275	(363)
RETAIL USAGE (KWh/Average Customer)						
61 Residential	3,239	3,190	49	5,764	6,012	(248)
62 Business	30,678	32,229	(1,551)	56,738	59,424	(2,686)
RETAIL USAGE - WEATHER NORMALIZED (KWh/Average Customer)						
63 Residential	3,259	3,328	(69)	5,895	6,068	(173)
64 Business	30,484	32,581	(2,097)	56,753	59,469	(2,716)
ELECTRICITY DEMAND (MW)						
65 Native load peak demand	6,452	6,771	(319)	6,452	6,771	(319)
WEATHER INDICATORS						
Actual						
66 Cooling degree-days	1,583	1,540	43	1,687	1,645	42
67 Heating degree-days	24	-	24	407	583	(176)
68 Average humidity	20%	17%	3%	28%	29%	(1)%
10-Year Averages						
69 Cooling degree-days	1,550	1,554	(4)	1,621	1,650	(29)
70 Heating degree-days	25	28	(3)	596	545	51
71 Average humidity	22%	22%	0%	31%	32%	(1)%

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

Line	3 Months Ended June			6 Months Ended June		
	2009	2008	Incr (Decr)	2009	2008	Incr (Decr)
ENERGY SOURCES (GWH)						
Generation production						
72 Nuclear	2,014	1,856	158	4,506	4,171	335
73 Coal	2,857	3,227	(370)	5,807	6,133	(326)
74 Gas, oil and other	1,283	1,516	(233)	2,306	2,664	(358)
75 Total generation production	6,154	6,599	(445)	12,619	12,968	(349)
Purchased power						
76 Firm load	1,890	1,603	287	2,398	2,343	55
77 Marketing and trading	726	1,506	(780)	986	2,702	(1,716)
78 Total purchased power	2,616	3,109	(493)	3,384	5,045	(1,661)
79 Total energy sources	8,770	9,708	(938)	16,003	18,013	(2,010)
POWER PLANT PERFORMANCE						
Capacity Factors						
80 Nuclear	81%	74%	7%	91%	83%	8%
81 Coal	75%	85%	(10)%	77%	81%	(4)%
82 Gas, oil and other	17%	21%	(4)%	16%	18%	(2)%
83 System average	45%	49%	(4)%	46%	48%	(2)%
ECONOMIC INDICATORS						
Building Permits - Metro Phoenix (a)						
84 Single-family	1,978	3,732	(1,754)	2,815	6,723	(3,908)
85 Multi-family	364	2,263	(1,899)	903	4,151	(3,248)
86 Total	2,342	5,995	(3,653)	3,718	10,874	(7,156)
Arizona Job Growth (b)						
87 Payroll job growth (% over prior year)	(7.1)%	(1.3)%	(5.8)%	(6.8)%	(0.7)%	(6.1)%
88 Unemployment rate (%, seasonally adjusted)	8.2%	5.2%	3.0%	7.8%	4.9%	2.9%

Sources:

- (a) Arizona Real Estate Center, Arizona State University W.P. Carey College of Business
(b) Arizona Department of Economic Security

Pinnacle West Capital Corporation
Earnings Outlook
Excerpted from Form 8-K Filed August 4, 2009

2009 Earnings Outlook

In this discussion, earnings per share amounts are after income taxes and are based on diluted common shares outstanding. The earnings guidance in this Form 8-K supersedes all previous earnings guidance provided by Pinnacle West.

Our 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.

We estimate that our consolidated earnings for 2009 will be within a reasonable range around \$2.30 per share, excluding the impact of SunCor Development Company (“SunCor”). This guidance takes into account the effects of milder weather in the first quarter, as well as the 2009 portion of the annualized pretax cost savings identified in our March 2009 report to the Arizona Corporation Commission (the “ACC”), as required by the ACC’s interim rate decision in December 2008.

We estimate that Arizona Public Service Company’s (“APS”) earnings contribution included in such consolidated earnings will be within a reasonable range around \$2.35 per share (equivalent to a return on APS’ average common equity of about 7%). This estimate assumes that the interim base rate surcharge will remain in effect throughout 2009. We currently estimate that holding company expenses and other items, net, will be a net loss within a reasonable range around \$0.05 per share. For additional details regarding the major factors affecting our consolidated earnings outlook for 2009, see Exhibit 99.4 attached hereto.

2010 Earnings Outlook

Assuming APS’ proposed general retail rate settlement is approved as proposed and is effective for the entire year, we estimate that our consolidated earnings for 2010, with negligible impact from SunCor, if any, will be within a reasonable range around \$3.00 per share. We estimate that APS’ earnings contribution included in such 2010 consolidated earnings will be within a reasonable range around \$3.00 per share (equivalent to a return on APS’ average common equity of about 9%). We currently estimate that holding company expenses and other items, net, will not have any meaningful impact on our 2010 consolidated financial results. For additional details regarding major factors affecting our consolidated earnings outlook for 2010, see Exhibit 99.5 attached hereto.

Forward-Looking Statements

This Form 8-K contains forward-looking statements regarding our 2009 and 2010 earnings outlook. Neither Pinnacle West nor APS assumes any obligation to update these statements or make any further statements on any of these issues, except as required by applicable law. These forward-looking statements are often identified by words such as “estimate,” “predict,” “hope,” “may,” “believe,” “anticipate,” “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 results or outcomes currently expected or sought by Pinnacle West or APS. In addition to the Risk Factors described in Item 1A of the 2008 Form 10-K, these factors include, but are not limited to: state and federal regulatory and legislative decisions and actions, including the outcome or timing of the pending rate case of APS; increases in our capital expenditures and operating costs and our ability to achieve timely and adequate rate recovery of these increased costs; our ability to reduce capital expenditures and other costs while maintaining reliability and customer service levels, and unexpected developments that would limit us from achieving all or some of our planned capital expenditure reductions; volatile fuel and purchased power costs, including fluctuations in market prices for natural gas, coal, uranium and other fuels used in our generating facilities, availability of supplies of such commodities, and our ability to recover the costs of such commodities; the outcome and resulting costs of regulatory, legislative and judicial proceedings, both current and future, including those related to environmental matters and climate change; the availability of sufficient water supplies to operate our generation facilities, including as the result of drought conditions; the potential for additional restructuring of the electric industry, including decisions impacting wholesale competition and the introduction of retail electric competition in Arizona; regional, national and international economic and market conditions, including the strength of the real estate, credit and financial markets; the potential adverse impact of current economic conditions on our results of operations; the cost of debt and equity capital and access to capital markets; changes in the market price of our common stock; restrictions on dividends or other burdensome provisions in new or existing credit agreements; our ability, or the ability of our subsidiaries, to meet debt service obligations; current credit ratings remaining in effect for any given period of time; the performance of the stock market and the changing interest rate environment, which affect the value of our nuclear decommissioning trust, pension, and other postretirement benefit plan assets, the amount of required contributions to Pinnacle West’s pension plan and contributions to APS’ nuclear decommissioning trust funds, as well as the reported costs of providing pension and other postretirement benefits and our ability to recover such costs; volatile market liquidity, any deteriorating counterparty credit and the use of derivative contracts in our business (including the interpretation of the subjective and complex accounting rules related to these contracts); the potential shortfall in insurance coverage for a loss resulting from an insurer failing to meet, or being unwilling to meet, its obligations under our insurance policies, or from our commercially reasonable levels of insurance failing to fully cover the loss incurred; changes in accounting principles generally accepted in the United States of America, the interpretation of those principles and the impact of the adoption of new accounting standards; customer growth and energy usage; weather variations affecting local and regional customer energy usage; power plant performance and outages; transmission outages and constraints; the completion of generation and transmission construction in the region, which could affect customer growth and the cost of power supplies; risks inherent in the operation of nuclear facilities, such as environmental, regulatory, health and financial risks, risk of terrorist attack, planned and unplanned outages, and unfunded decommissioning costs; the ability of our power plant participants to meet contractual or other obligations; technological developments in the electric industry; the results of litigation and other proceedings resulting from the California and Pacific Northwest energy situations; the performance of Pinnacle West’s subsidiaries and any resulting effects on its cash flow; the strength of the real estate and credit markets and economic and other conditions affecting the real estate and credit markets in SunCor’s market areas, which include Arizona, Idaho, New Mexico and Utah; and other uncertainties, all of which are difficult to predict and many of which are beyond the control of Pinnacle West and APS.

Pinnacle West Capital Corporation

**Major Factors Affecting Consolidated Earnings Outlook
for Year Ending December 31, 2009**

Compared with Year Ended December 31, 2008

(Earnings Per Diluted Share Outstanding)

2008 net income	\$	2.40
Adjustments:		
Real estate segment		0.26
Income tax credits related to prior years		(0.30)
Severance costs related to workforce reductions		0.08
Income from discontinued operations for resolution of a tax issue related to 2005 Silverhawk plant sale		<u>(0.08)</u>
2008 on-going earnings		2.36
Projected increases (decreases) in 2009:		
Regulated electricity segment gross margin (revenues net of fuel and purchased power costs, excluding Renewable Energy Surcharge and similar rate adjustors) including: retail interim rate increase for full year; transmission revenue increases; higher fuel and purchased power costs (net of deferrals); lower usage due to first quarter 2009 mild weather and customer conservation; and minimal weather-normalized retail sales growth		0.20 - 0.30
Lower marketing and trading gross margin (revenues net of fuel and purchased power costs)		(0.14)
Increased operations and maintenance expense (excluding costs for Renewable Energy Standard, other regulatory programs and severance) related primarily to fossil plant maintenance and outages; pension and other post-retirement benefits; partially offset by cost efficiency efforts, including cost reductions reported to ACC		(0.10) - (0.20)
Costs related to utility capital expenditures (such as depreciation, property taxes and interest expense, net of capitalized financing costs)		(0.30) - (0.35)
Miscellaneous other items - net		0.15 - 0.20
Estimated 2009 earnings -- a reasonable range around (excluding potential real estate results)	\$	2.30

Pinnacle West Capital Corporation

**Major Factors Affecting Consolidated Earnings Outlook
for Year Ending December 31, 2010
Compared with Year Ending December 31, 2009
(Earnings Per Diluted Share Outstanding)**

Estimated 2009 earnings -- a reasonable range around (excluding potential real estate results)	\$	2.30
Projected increases (decreases) in 2010:		
Retail revenue increase from general rate case settlement in excess of interim revenues		1.10
Other regulated electricity segment gross margin (revenues net of fuel and purchased power costs, excluding Renewable Energy Surcharge and similar rate adjustors) including: transmission revenue increases; higher fuel and purchased power costs (net of deferrals); and minimal weather-normalized retail sales growth		0.15 - 0.25
Increased operations and maintenance expense (excluding costs for Renewable Energy Standard and other regulatory programs) primarily due to inflation; and pension and other post-retirement benefits; partially offset by cost efficiency efforts, including cost reductions reported to ACC		(0.05) - (0.15)
Costs related to utility capital expenditures (such as depreciation, property taxes and interest expense, net of capitalized financing costs)		(0.30) - (0.35)
Miscellaneous other items - net		(0.10) - (0.15)
Estimated 2010 earnings -- a reasonable range around (excluding potential real estate results)	\$	3.00

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

	Three Months Ended June 30,	
	2009	2008
OPERATING REVENUES		
Regulated electricity segment	\$ 812,510	\$ 829,478
Real estate segment	16,763	23,365
Marketing and trading	--	22,508
Other revenues	10,782	9,162
Total	840,055	884,513
OPERATING EXPENSES		
Regulated electricity segment fuel and purchased power	291,699	327,561
Real estate segment operations	23,693	30,594
Real estate impairment charge	632	--
Marketing and trading fuel and purchased power	--	18,687
Operations and maintenance	226,245	193,700
Depreciation and amortization	100,063	97,770
Taxes other than income taxes	32,887	33,251
Other expenses	7,733	6,822
Total	682,952	708,385
OPERATING INCOME	157,103	176,128
OTHER		
Allowance for equity funds used during construction	4,730	5,414
Other income	6,587	3,928
Other expense	(4,187)	(10,055)
Total	7,130	(713)
INTEREST EXPENSE		
Interest charges	58,951	51,521
Capitalized interest	(3,311)	(4,938)
Total	55,640	46,583
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	108,593	128,832
INCOME TAXES	37,600	16,025
INCOME FROM CONTINUING OPERATIONS	70,993	112,807
INCOME (LOSS) FROM DISCONTINUED OPERATIONS		
Net of income tax expense (benefit) of \$(1,811) and \$13,660	(2,798)	21,055
NET INCOME	68,195	133,862
Less: Net loss attributable to noncontrolling interests	(152)	--
NET INCOME ATTRIBUTABLE TO COMMON SHAREHOLDERS	\$ 68,347	\$ 133,862
 WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING – BASIC	101,109	100,653
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING – DILUTED	101,193	100,917
 EARNINGS PER WEIGHTED-AVERAGE COMMON SHARE OUTSTANDING		
Income from continuing operations attributable to common shareholders – basic	\$ 0.70	\$ 1.12
Net income attributable to common shareholders – basic	0.68	1.33
Income from continuing operations attributable to common shareholders – diluted	0.70	1.12
Net income attributable to common shareholders – diluted	0.68	1.33
DIVIDENDS DECLARED PER SHARE	\$ 0.525	\$ 0.525
 AMOUNTS ATTRIBUTABLE TO COMMON SHAREHOLDERS:		
Income from continuing operations, net of tax	\$ 71,145	\$ 112,807
Discontinued operations, net of tax	(2,798)	21,055
Net income attributable to common shareholders	\$ 68,347	\$ 133,862

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)

	Six Months Ended June 30,	
	2009	2008
OPERATING REVENUES		
Regulated electricity segment	\$ 1,415,088	\$ 1,452,279
Real estate segment	35,129	49,631
Marketing and trading	--	52,960
Other revenues	19,231	17,899
Total	<u>1,469,448</u>	<u>1,572,769</u>
OPERATING EXPENSES		
Regulated electricity segment fuel and purchased power	539,087	596,939
Real estate segment operations	53,974	61,551
Real estate impairment charge	211,938	--
Marketing and trading fuel and purchased power	--	42,673
Operations and maintenance	433,776	386,723
Depreciation and amortization	199,984	193,364
Taxes other than income taxes	67,015	66,403
Other expenses	14,200	12,760
Total	<u>1,519,974</u>	<u>1,360,413</u>
OPERATING INCOME (LOSS)	<u>(50,526)</u>	<u>212,356</u>
OTHER		
Allowance for equity funds used during construction	9,722	11,538
Other income	3,568	7,767
Other expense	(10,529)	(14,951)
Total	<u>2,761</u>	<u>4,354</u>
INTEREST EXPENSE		
Interest charges	114,757	106,223
Capitalized interest	(7,145)	(10,617)
Total	<u>107,612</u>	<u>95,606</u>
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	<u>(155,377)</u>	<u>121,104</u>
INCOME TAXES	(58,574)	14,484
INCOME (LOSS) FROM CONTINUING OPERATIONS	<u>(96,803)</u>	<u>106,620</u>
INCOME (LOSS) FROM DISCONTINUED OPERATIONS		
Net of income tax expense (benefit) of \$(3,703) and \$14,763	(5,722)	22,769
NET INCOME (LOSS)	<u>(102,525)</u>	<u>129,389</u>
Less: Net loss attributable to noncontrolling interests	(14,362)	--
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON SHAREHOLDERS	<u>\$ (88,163)</u>	<u>\$ 129,389</u>
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING – BASIC	101,048	100,587
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING – DILUTED	101,048	100,856
EARNINGS PER WEIGHTED-AVERAGE COMMON SHARE OUTSTANDING		
Income (loss) from continuing operations attributable to common shareholders – basic	\$ (0.82)	\$ 1.06
Net income (loss) attributable to common shareholders – basic	(0.87)	1.29
Income (loss) from continuing operations attributable to common shareholders – diluted	(0.82)	1.06
Net income (loss) attributable to common shareholders – diluted	(0.87)	1.28
DIVIDENDS DECLARED PER SHARE	\$ 1.05	\$ 1.05
AMOUNTS ATTRIBUTABLE TO COMMON SHAREHOLDERS:		
Income (loss) from continuing operations, net of tax	\$ (82,441)	\$ 106,620
Discontinued operations, net of tax	(5,722)	22,769
Net income (loss) attributable to common shareholders	<u>\$ (88,163)</u>	<u>\$ 129,389</u>

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

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

	June 30, 2009	December 31, 2008
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 17,595	\$ 105,245
Trust fund for bond redemption	163,975	--
Customer and other receivables	261,630	292,682
Accrued utility revenues	144,398	100,089
Allowance for doubtful accounts	(2,860)	(3,383)
Materials and supplies (at average cost)	184,043	173,252
Fossil fuel (at average cost)	40,589	29,752
Deferred income taxes	101,356	79,729
Income tax receivable	165,353	--
Home inventory	12,910	50,688
Assets held for sale	28,863	--
Assets from risk management and trading activities	43,652	32,581
Other current assets	23,318	21,847
Total current assets	<u>1,184,822</u>	<u>882,482</u>
INVESTMENTS AND OTHER ASSETS		
Real estate investments – net	199,470	415,296
Assets from long-term risk management and trading activities	24,720	33,675
Nuclear decommissioning trust	363,221	343,052
Other assets	99,544	117,935
Total investments and other assets	<u>686,955</u>	<u>909,958</u>
PROPERTY, PLANT AND EQUIPMENT		
Plant in service and held for future use	12,557,986	12,264,805
Less accumulated depreciation and amortization	4,234,290	4,141,546
Net	<u>8,323,696</u>	<u>8,123,259</u>
Construction work in progress	481,759	572,354
Intangible assets, net of accumulated amortization	140,411	131,722
Nuclear fuel, net of accumulated amortization	138,163	89,323
Total property, plant and equipment	<u>9,084,029</u>	<u>8,916,658</u>
DEFERRED DEBITS		
Deferred fuel and purchased power regulatory asset	--	7,984
Other regulatory assets	790,609	787,506
Other deferred debits	116,421	115,505
Total deferred debits	<u>907,030</u>	<u>910,995</u>
TOTAL ASSETS	<u><u>\$ 11,862,836</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)

	June 30, 2009	December 31, 2008
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 202,011	\$ 261,029
Accrued taxes	105,397	109,798
Accrued interest	54,730	40,741
Short-term borrowings	390,498	670,469
Current maturities of long-term debt	331,128	177,646
Customer deposits	76,785	78,745
Liabilities from risk management and trading activities	53,038	69,585
Other current liabilities	82,430	97,915
Total current liabilities	<u>1,296,017</u>	<u>1,505,928</u>
LONG-TERM DEBT LESS CURRENT MATURITIES	<u>3,528,987</u>	<u>3,031,603</u>
DEFERRED CREDITS AND OTHER		
Deferred income taxes	1,475,278	1,403,318
Deferred fuel and purchased power regulatory liability	71,323	--
Other regulatory liabilities	622,411	587,586
Liability for asset retirements	285,247	275,970
Liabilities for pension and other postretirement benefits	713,445	675,788
Liabilities from risk management and trading activities	109,711	126,532
Other	524,444	520,000
Total deferred credits and other	<u>3,801,859</u>	<u>3,589,194</u>
COMMITMENTS AND CONTINGENCIES		
EQUITY		
Common stock, no par value	2,147,022	2,151,323
Treasury stock	(4,400)	(2,854)
Total common stock	<u>2,142,622</u>	<u>2,148,469</u>
Retained earnings	<u>1,248,086</u>	<u>1,444,208</u>
Accumulated other comprehensive loss:		
Pension and other postretirement benefits	(48,530)	(47,547)
Derivative instruments	(135,373)	(99,151)
Total accumulated other comprehensive loss	<u>(183,903)</u>	<u>(146,698)</u>
Total Pinnacle West shareholders' equity	<u>3,206,805</u>	<u>3,445,979</u>
Noncontrolling real estate interests	<u>29,168</u>	<u>47,389</u>
Total equity	<u>3,235,973</u>	<u>3,493,368</u>
TOTAL LIABILITIES AND EQUITY	<u><u>\$ 11,862,836</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 STATEMENTS OF CASH FLOWS

(unaudited)
(dollars in thousands)

	Six Months Ended June 30,	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ (102,525)	\$ 129,389
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization including nuclear fuel	218,939	209,355
Deferred fuel and purchased power	13,144	(25,867)
Deferred fuel and purchased power amortization	66,163	114,265
Allowance for equity funds used during construction	(9,722)	(11,538)
Real estate impairment charge	222,055	--
Deferred income taxes	77,588	154,249
Change in mark-to-market valuations	(401)	(29,369)
Changes in current assets and liabilities:		
Customer and other receivables	37,447	23,165
Accrued utility revenues	(44,309)	(60,492)
Materials, supplies and fossil fuel	(21,628)	(3,988)
Other current assets	(1,432)	22,531
Accounts payable	(49,711)	(399)
Accrued taxes	(169,754)	(23,337)
Other current liabilities	(7,977)	(1,036)
Expenditures for real estate investments	(1,560)	(15,614)
Other changes in real estate assets	7,135	6,357
Change in margin and collateral accounts – assets	(2,457)	251,299
Change in margin and collateral accounts – liabilities	(91,856)	6,275
Change in unrecognized tax benefits	14,386	(115,337)
Change in other long-term assets	(8,025)	9,088
Change in other long-term liabilities	46,898	39,840
Net cash flow provided by operating activities	<u>192,398</u>	<u>678,836</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(393,682)	(477,269)
Contributions in aid of construction	33,371	22,970
Capitalized interest	(7,145)	(10,617)
Proceeds from nuclear decommissioning trust sales	244,858	188,311
Investment in nuclear decommissioning trust	(255,754)	(198,682)
Proceeds from sale of commercial real estate investments	--	94,171
Trust fund for bond redemption	(163,975)	--
Other	990	1,977
Net cash flow used for investing activities	<u>(541,337)</u>	<u>(379,139)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of long-term debt	840,630	63,127
Repayment and reacquisition of long-term debt	(195,767)	(147,467)
Short-term borrowings and payments – net	(279,971)	(74,210)
Dividends paid on common stock	(102,439)	(105,592)
Common stock equity issuance	1,707	5,562
Other	(2,871)	(890)
Net cash flow provided by (used for) financing activities	<u>261,289</u>	<u>(259,470)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(87,650)</u>	<u>40,227</u>
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>\$ 17,595</u>	<u>\$ 96,548</u>
Supplemental disclosure of cash flow information		
Cash paid during the period for:		
Income taxes, net of refunds	\$ 17,602	\$ 10,809
Interest, net of amounts capitalized	\$ 90,847	\$ 93,734

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 June 30,	
	2009	2008
ELECTRIC OPERATING REVENUES	\$ 812,587	\$ 831,083
OPERATING EXPENSES		
Fuel and purchased power	291,699	329,077
Operations and maintenance	221,128	187,819
Depreciation and amortization	98,998	95,961
Income taxes	45,862	21,553
Other taxes	32,515	32,813
Total	<u>690,202</u>	<u>667,223</u>
OPERATING INCOME	<u>122,385</u>	<u>163,860</u>
OTHER INCOME (DEDUCTIONS)		
Income taxes	1,432	1,839
Allowance for equity funds used during construction	4,730	5,414
Other income	4,958	1,034
Other expense	<u>(4,973)</u>	<u>(6,200)</u>
Total	<u>6,147</u>	<u>2,087</u>
INTEREST DEDUCTIONS		
Interest on long-term debt	50,656	40,719
Interest on short-term borrowings	1,293	2,519
Debt discount, premium and expense	1,256	1,160
Allowance for borrowed funds used during construction	<u>(3,217)</u>	<u>(3,833)</u>
Total	<u>49,988</u>	<u>40,565</u>
NET INCOME	<u><u>\$ 78,544</u></u>	<u><u>\$ 125,382</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 STATEMENTS OF INCOME

(unaudited)
(dollars in thousands)

	Six Months Ended June 30,	
	2009	2008
ELECTRIC OPERATING REVENUES	\$ 1,415,247	\$ 1,456,659
OPERATING EXPENSES		
Fuel and purchased power	539,087	601,130
Operations and maintenance	422,228	375,954
Depreciation and amortization	197,009	189,846
Income taxes	39,118	26,710
Other taxes	66,295	65,531
Total	<u>1,263,737</u>	<u>1,259,171</u>
OPERATING INCOME	<u>151,510</u>	<u>197,488</u>
OTHER INCOME (DEDUCTIONS)		
Income taxes	2,614	2,954
Allowance for equity funds used during construction	9,722	11,538
Other income	4,050	3,098
Other expense	(8,008)	(12,088)
Total	<u>8,378</u>	<u>5,502</u>
INTEREST DEDUCTIONS		
Interest on long-term debt	97,051	82,892
Interest on short-term borrowings	4,268	6,368
Debt discount, premium and expense	2,445	2,320
Allowance for borrowed funds used during construction	(6,941)	(7,608)
Total	<u>96,823</u>	<u>83,972</u>
NET INCOME	<u><u>\$ 63,065</u></u>	<u><u>\$ 119,018</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)

	June 30, 2009	December 31, 2008
ASSETS		
UTILITY PLANT		
Electric plant in service and held for future use	\$ 12,491,259	\$ 12,198,010
Less accumulated depreciation and amortization	4,221,713	4,129,958
Net	8,269,546	8,068,052
Construction work in progress	478,525	571,977
Intangible assets, net of accumulated amortization	140,193	131,243
Nuclear fuel, net of accumulated amortization	138,163	89,323
Total utility plant	9,026,427	8,860,595
INVESTMENTS AND OTHER ASSETS		
Nuclear decommissioning trust	363,221	343,052
Assets from long-term risk management and trading activities	24,720	33,675
Other assets	62,814	60,604
Total investments and other assets	450,755	437,331
CURRENT ASSETS		
Cash and cash equivalents	2,917	71,544
Trust fund for bond redemption	163,975	--
Customer and other receivables	245,281	262,177
Accrued utility revenues	144,398	100,089
Allowance for doubtful accounts	(2,767)	(3,155)
Materials and supplies (at average cost)	184,043	173,252
Fossil fuel (at average cost)	40,589	29,752
Assets from risk management and trading activities	43,652	32,181
Deferred income taxes	101,643	79,694
Other current assets	21,353	19,866
Total current assets	945,084	765,400
DEFERRED DEBITS		
Deferred fuel and purchased power regulatory asset	--	7,984
Other regulatory assets	790,609	787,506
Unamortized debt issue costs	22,856	22,026
Other	85,971	82,735
Total deferred debits	899,436	900,251
TOTAL ASSETS	\$ 11,321,702	\$ 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 BALANCE SHEETS
(unaudited)
(dollars in thousands)

	June 30, 2009	December 31, 2008
LIABILITIES AND EQUITY		
CAPITALIZATION		
Common stock	\$ 178,162	\$ 178,162
Additional paid-in capital	2,122,292	2,117,789
Retained earnings	1,146,966	1,168,901
Accumulated other comprehensive loss:		
Pension and other postretirement benefits	(28,036)	(26,960)
Derivative instruments	(134,816)	(98,742)
Common stock equity	3,284,568	3,339,150
Long-term debt less current maturities	3,349,801	2,850,242
Total capitalization	6,634,369	6,189,392
CURRENT LIABILITIES		
Short-term borrowings	209,220	521,684
Current maturities of long-term debt	165,012	874
Accounts payable	175,142	233,529
Accrued taxes	158,290	219,129
Accrued interest	53,972	39,860
Customer deposits	75,998	77,452
Liabilities from risk management and trading activities	53,038	69,585
Other current liabilities	84,403	105,655
Total current liabilities	975,075	1,267,768
DEFERRED CREDITS AND OTHER		
Deferred income taxes	1,471,064	1,401,412
Regulatory liabilities	622,411	587,586
Deferred fuel and purchased power regulatory liability	71,323	--
Liability for asset retirements	285,247	275,970
Liabilities for pension and other postretirement benefits	671,805	635,327
Customer advances for construction	134,387	132,023
Liabilities from long-term risk management and trading activities	109,711	126,532
Other	346,310	347,567
Total deferred credits and other	3,712,258	3,506,417
COMMITMENTS AND CONTINGENCIES		
TOTAL LIABILITIES AND EQUITY	\$ 11,321,702	\$ 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)

	Six Months Ended June 30,	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 63,065	\$ 119,018
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization including nuclear fuel	215,964	205,810
Deferred fuel and purchased power	13,144	(25,867)
Deferred fuel and purchased power amortization	66,163	114,265
Allowance for equity funds used during construction	(9,722)	(11,538)
Deferred income taxes	75,096	152,408
Change in mark-to-market valuations	(401)	(28,825)
Changes in current assets and liabilities:		
Customer and other receivables	23,252	12,759
Accrued utility revenues	(44,309)	(60,492)
Materials, supplies and fossil fuel	(21,628)	(3,988)
Other current assets	(4,687)	1,949
Accounts payable	(44,577)	35,147
Accrued taxes	(60,839)	(22,964)
Other current liabilities	(8,594)	11,514
Change in margin and collateral accounts - assets	(2,856)	251,299
Change in margin and collateral accounts - liabilities	(91,856)	6,276
Change in unrecognized tax benefits	14,639	(112,507)
Change in other long-term assets	(21,695)	4,072
Change in other long-term liabilities	46,962	38,127
Net cash flow provided by operating activities	<u>207,121</u>	<u>686,463</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(388,526)	(462,598)
Contributions in aid of construction	33,371	22,970
Allowance for borrowed funds used during construction	(6,941)	(7,608)
Proceeds from nuclear decommissioning trust sales	244,858	188,311
Investment in nuclear decommissioning trust	(255,754)	(198,682)
Trust fund for bond redemption	(163,975)	--
Other	990	555
Net cash flow used for investing activities	<u>(535,977)</u>	<u>(457,052)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Equity infusion	--	7,601
Issuance of long-term debt	837,193	--
Repayment and reacquisition of long-term debt	(179,500)	(494)
Short-term borrowings and payments-net	(312,464)	(118,000)
Dividends paid on common stock	(85,000)	(85,000)
Net cash flow provided by (used for) financing activities	<u>260,229</u>	<u>(195,893)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(68,627)</u>	<u>33,518</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><u>\$ 2,917</u></u>	<u><u>\$ 85,669</u></u>
Supplemental disclosure of cash flow information		
Cash paid during the period for:		
Income taxes, net of refunds	\$ 13,704	\$ 7,197
Interest, net of amounts capitalized	\$ 80,266	\$ 81,459

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