



PINNACLE WEST
CAPITAL CORPORATION

Earnings Release Kit First Quarter 2013

This kit contains the following documents:

- Earnings release with comparative income statements
- Conference call slides
- Earnings variance explanations
- Quarterly statistics summary
- Comparative financial statements for PNW and APS

Copies of individual items are available on our website at www.pinnaclewest.com. For further analysis, quarterly statistics and other information for 2011-2012 are also available on our website.

FOR IMMEDIATE RELEASE

May 3, 2013

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PINNACLE WEST REPORTS 2013 FIRST-QUARTER RESULTS

- *Customer growth and colder weather drive higher retail electricity sales*
- *2012 regulatory settlement contributes to improved financial results*
- *Company continues operational excellence and cost management execution*
- *Company affirms full-year 2013 earnings guidance*

PHOENIX – Pinnacle West Capital Corp. (NYSE: PNW) today reported consolidated on-going earnings of \$24.4 million, or \$0.22 per diluted share of common stock, for the quarter ended March 31, 2013. This result compares with a consolidated on-going loss of \$7.5 million, or \$0.07 per share, in the same 2012 period.

The Company's net income attributable to common shareholders for the 2013 first quarter was \$24.4 million, or \$0.22 per diluted share, compared with a net loss of \$8.3 million, or \$0.08 per diluted share, for the same quarter a year ago. On-going earnings exclude results of discontinued operations. A reconciliation of reported earnings to on-going earnings is provided at the end of this release.

"It was a strong first quarter, building on our momentum from 2012," said Pinnacle West Chairman, President and Chief Executive Officer [Don Brandt](#). "Economic improvement in our market area, combined with superior operational performance by our employees, continued execution of our cost management program, and colder-than-normal weather allowed us to produce solid financial and operating results."

"As growth in our state begins to increase, we must maintain top-tier customer service and reliability, while providing solid financial returns for shareholders."

The 2013 first-quarter on-going results were positively impacted by the following factors:

- *The Company's 2012 regulatory settlement*, which included a retail non-fuel base rate increase, improved earnings by \$0.13 per share. The settlement became effective July 1, 2012.

- *Higher retail electricity sales* – excluding the effects of weather variations, but including the effects of customer conservation, energy efficiency programs and distributed renewable generation – improved earnings by \$0.06 per share. The 0.6 percent sales increase compared to the same quarter a year ago was related to customer growth of 1.4 percent and changes in customer usage patterns and related pricing.
- *Colder-than-normal weather* improved the Company's earnings by \$0.06 per share compared to the 2012 first quarter, during which warmer weather adversely affected earnings by \$0.01 per share compared with historically normal conditions. In the 2013 first quarter, there were 613 residential heating degree-days (a measure of the effects of weather) – 24 percent more than normal and 47 percent more than the year-ago first quarter.
- *Higher transmission revenues* improved earnings by \$0.06 per share, primarily because of retail transmission rate changes implemented in 2012.
- *Lower infrastructure-related costs* increased results by \$0.06 per share, due to decreased interest expense resulting from lower debt balances and interest rates; and lower property taxes. These lower costs were partially offset by higher depreciation and amortization expenses.

The positive factors were partially offset by higher operations and maintenance expenses, which impacted earnings by \$0.07 per share compared with the prior-year quarter. The expense increase primarily related to higher performance-based labor and employee benefit costs, including amortization of certain retirement benefits in 2013 compared with the regulatory deferral of such costs in 2012. The O&M variance excludes costs associated with renewable energy, energy efficiency and similar regulatory programs, which are largely offset by comparable amounts of operating revenues.

Arizona Public Service (APS), the Company's principal subsidiary, reported 2013 first-quarter net income attributable to common shareholder of \$26.0 million, compared with a net loss of \$4.1 million for the comparable 2012 quarter.

Financial Outlook

Pinnacle West expects its 2013 consolidated on-going earnings will be near the top of the range of \$3.45 to \$3.60 per diluted share. Key factors and assumptions underlying the outlook remain unchanged, except for actual weather through March and normal weather patterns for the remainder of the year.

Longer term, the Company's goal is to achieve a consolidated earned return on average common equity of at least 9.5 percent annually in 2013 through 2015. Key factors and assumptions underlying the outlook can be found in the earnings presentation slides for the first-quarter 2013 on the Company's website at pinnaclewest.com/investors.

Conference Call and Web Cast

Pinnacle West invites interested parties to listen to the live webcast of management's conference call to discuss the Company's 2013 first-quarter results, as well as recent developments, at 12 noon ET (9 a.m. AZ time) today, May 3. The webcast can be accessed at pinnaclewest.com/presentations and will be available for replay on the website for 30 days. To access the live conference call by telephone, dial (877) 407-8035 or (201) 689-8035 for international callers. A replay of the call also will be available until 11:55 p.m. (ET), Friday, May 10, 2013, by calling (877) 660-6853 in the U.S. and Canada or (201) 612-7415 internationally and entering conference ID number 412208.

General Information

Pinnacle West Capital, an energy holding company based in Phoenix, has consolidated assets of about \$13.3 billion, more than 6,300 megawatts of generating capacity and about 6,600 employees in Arizona and New Mexico. Through its principal subsidiary, [Arizona Public Service](#), the Company provides retail electricity service to more than 1.1 million Arizona homes and businesses. For more information about Pinnacle West, visit the Company's website at pinnaclewest.com.

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 pinnaclewest.com/investors.

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

	Three Months Ended March 31, 2013		Three Months Ended March 31, 2012	
	Dollars in Millions	Diluted EPS	Dollars in Millions	Diluted EPS
Net Income (Loss) Attributable to Common Shareholders	\$ 24.4	\$ 0.22	\$ (8.3)	\$ (0.08)
Adjustments:				
Loss from Discontinued Operations	--	--	0.8	0.01
On-going Earnings (Loss)	<u>\$ 24.4</u>	<u>\$ 0.22</u>	<u>\$ (7.5)</u>	<u>\$ (0.07)</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 based on our current expectations, including statements regarding our earnings guidance and financial outlook and goals. These forward-looking statements are often identified by words such as “estimate,” “predict,” “may,” “believe,” “plan,” “expect,” “require,” “intend,” “assume” 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. These factors include, but are not limited to:

- our ability to manage capital expenditures and operations and maintenance costs while maintaining reliability and customer service levels;
- variations in demand for electricity, including those due to weather, the general economy, customer and sales growth (or decline), and the effects of energy conservation measures and distributed generation;
- power plant and transmission system performance and outages;
- volatile fuel and purchased power costs;
- fuel and water supply availability;
- our ability to achieve timely and adequate rate recovery of our costs, including returns on debt and equity capital;
- regulatory and judicial decisions, developments and proceedings;
- new legislation or regulation including those relating to environmental requirements and nuclear plant operations;
- our ability to meet renewable energy and energy efficiency mandates 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 real estate market conditions;
- the cost of debt and equity capital and the ability to access capital markets when required;
- 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;
- the liquidity of wholesale power markets and the use of derivative contracts in our business;
- potential shortfalls in insurance coverage;
- new accounting requirements or new interpretations of existing requirements;
- generation, transmission and distribution facility and system conditions and operating costs;

- the ability to meet the anticipated future need for additional baseload generation and associated transmission facilities in our region;
- the willingness or ability of our counterparties, power plant participants and power plant land owners to meet contractual or other obligations or extend the rights for continued power plant operations;
- technological developments affecting the electric industry; and
- restrictions on dividends or other provisions in our credit agreements and Arizona Corporation Commission orders.

These and other factors are discussed in Risk Factors described in Part 1, Item 1A of the Pinnacle West/APS Annual Report on Form 10-K for the fiscal year ended December 31, 2012, which readers should review carefully before placing any reliance on our financial statements or disclosures. Neither Pinnacle West nor APS assumes any obligation to update these statements, even if our internal estimates change, except as required by law.

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

	THREE MONTHS ENDED		Increase (Decrease)	
	MARCH 31, 2013	2012	Amount	Percent
Operating Revenues	\$ 686,652	\$ 620,631	\$ 66,021	10.6% B
Operating Expenses				
Fuel and purchased power	230,679	216,309	14,370	6.6% W
Operations and maintenance	223,250	210,663	12,587	6.0% W
Depreciation and amortization	103,730	100,109	3,621	3.6% W
Taxes other than income taxes	40,021	42,475	(2,454)	5.8% B
Other expenses	2,049	3,068	(1,019)	33.2% B
Total	<u>599,729</u>	<u>572,624</u>	<u>27,105</u>	4.7% W
Operating Income	<u>86,923</u>	<u>48,007</u>	<u>38,916</u>	81.1% B
Other Income (Deductions)				
Allowance for equity funds used during construction	6,864	4,756	2,108	44.3% B
Other income	758	760	(2)	0.3% W
Other expense	(3,752)	(4,068)	316	7.8% B
Total	<u>3,870</u>	<u>1,448</u>	<u>2,422</u>	167.3% B
Interest Expense				
Interest charges	49,478	56,967	(7,489)	13.1% B
Allowance for borrowed funds used during construction	(3,990)	(3,151)	(839)	26.6% B
Total	<u>45,488</u>	<u>53,816</u>	<u>(8,328)</u>	15.5% B
Income (Loss) From Continuing Operations Before Income Taxes	45,305	(4,361)	49,666	1138.9% B
Income Taxes	<u>12,469</u>	<u>(4,645)</u>	<u>17,114</u>	368.4% W
Income From Continuing Operations	32,836	284	32,552	11462.0% B
Loss From Discontinued Operations				
Net of Income Taxes	<u>-</u>	<u>(765)</u>	<u>765</u>	100.0% B
Net Income (Loss)	32,836	(481)	33,317	6926.6% B
Less: Net income attributable to noncontrolling interests	8,392	7,776	616	7.9% W
Net Income (Loss) Attributable To Common Shareholders	<u>\$ 24,444</u>	<u>\$ (8,257)</u>	<u>\$ 32,701</u>	396.0% B
Weighted-Average Common Shares Outstanding - Basic	109,832	109,299	533	0.5%
Weighted-Average Common Shares Outstanding - Diluted	110,835	109,299	1,536	1.4%
Earnings Per Weighted-Average Common Share Outstanding				
Income (loss) from continuing operations attributable to common shareholders - basic	\$ 0.22	\$ (0.07)	\$ 0.29	414.3% B
Net income (loss) attributable to common shareholders - basic	\$ 0.22	\$ (0.08)	\$ 0.30	375.0% B
Income (loss) from continuing operations attributable to common shareholders - diluted	\$ 0.22	\$ (0.07)	\$ 0.29	414.3% B
Net income (loss) attributable to common shareholders - diluted	\$ 0.22	\$ (0.08)	\$ 0.30	375.0% B
Amounts Attributable To Common Shareholders				
Income (loss) from continuing operations, net of tax	\$ 24,444	\$ (7,483)	\$ 31,927	426.7% B
Discontinued operations, net of tax	-	(774)	774	100.0% B
Net income (loss) attributable to common shareholders	<u>\$ 24,444</u>	<u>\$ (8,257)</u>	<u>\$ 32,701</u>	396.0% B

B -- Better

W -- Worse



PINNACLE WEST

CAPITAL CORPORATION

1st Quarter 2013 Results

First Quarter 2013

Forward-Looking Statements



PINNACLE WEST
CAPITAL CORPORATION

This presentation contains forward-looking statements based on current expectations, including statements regarding our earnings guidance and financial outlook and goals. These forward-looking statements are often identified by words such as “estimate,” “predict,” “may,” “believe,” “plan,” “expect,” “require,” “intend,” “assume” and similar words. Because actual results may differ materially from expectations, we caution you not to place undue reliance on these statements. A number of factors could cause future results to differ materially from historical results, or from outcomes currently expected or sought by Pinnacle West or APS. These factors include, but are not limited to: our ability to manage capital expenditures and operations and maintenance costs while maintaining reliability and customer service levels; variations in demand for electricity, including those due to weather, the general economy, customer and sales growth (or decline), and the effects of energy conservation measures and distributed generation; power plant and transmission system performance and outages; volatile fuel and purchased power costs; fuel and water supply availability; our ability to achieve timely and adequate rate recovery of our costs, including returns on debt and equity capital; regulatory and judicial decisions, developments and proceedings; new legislation or regulation, including those relating to environmental requirements and nuclear plant operations; our ability to meet renewable energy and energy efficiency mandates 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 real estate market conditions; the cost of debt and equity capital and the ability to access capital markets when required; 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; the liquidity of wholesale power markets and the use of derivative contracts in our business; potential shortfalls in insurance coverage; new accounting requirements or new interpretations of existing requirements; generation, transmission and distribution facility and system conditions and operating costs; the ability to meet the anticipated future need for additional baseload generation and associated transmission facilities in our region; the willingness or ability of our counterparties, power plant participants and power plant land owners to meet contractual or other obligations or extend the rights for continued power plant operations; technological developments affecting the electric industry; and restrictions on dividends or other provisions in our credit agreements and Arizona Corporation Commission orders. These and other factors are discussed in Risk Factors described in Part I, Item 1A of the Pinnacle West/APS Annual Report on Form 10-K for the fiscal year ended December 31, 2012, which you should review carefully before placing any reliance on our financial statements, disclosures or earnings outlook. Neither Pinnacle West nor APS assumes any obligation to update these statements, even if our internal estimates change, except as required by law.

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Amounts Attributable to Common Shareholders and Non-GAAP Financial Measures



In this presentation, references to net income and earnings per share (EPS) refer to amounts attributable to common shareholders.

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

We refer to "on-going earnings" in this presentation, which is also a non-GAAP financial measure. 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. Reconciliations of on-going earnings to our net income attributable to common shareholders are included in this presentation.

Investors should note that these non-GAAP financial measures may involve judgments by management, including whether an item is classified as an unusual item. These measures are key components of our internal financial reporting and are used by our management in analyzing the operations of our business. We believe that investors benefit from having access to the same financial measures that management uses.

CEO Discussion Agenda



- Capital investments
- Regulatory environment
- Operational excellence
- Looking ahead

CFO Agenda

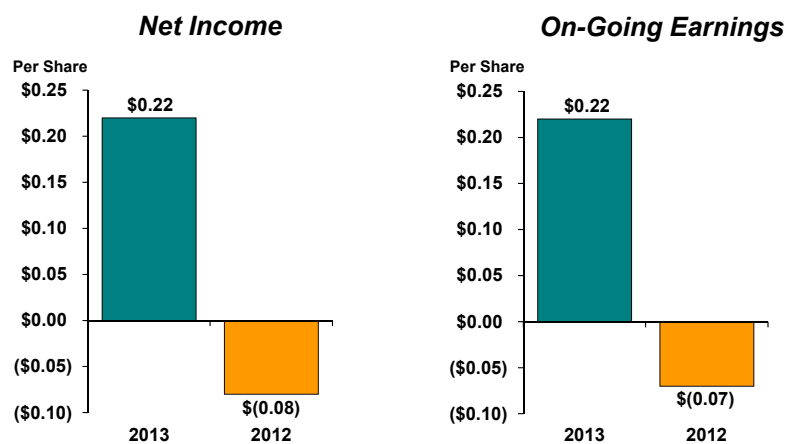


- 1st quarter results
- Arizona economic outlook
- Earnings guidance and financial outlook

First Quarter 2013

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Consolidated EPS Comparisons 1st Quarter 2013 vs. 1st Quarter 2012



First Quarter 2013

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Non-GAAP EPS Reconciliation

1st Quarter 2013 vs. 1st Quarter 2012



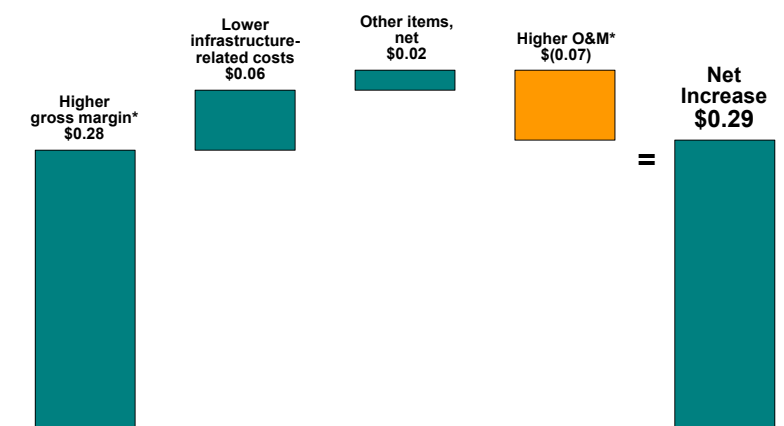
	1st Qtr 2013	1st Qtr 2012	Change
EPS as reported	\$ 0.22	\$ (0.08)	\$ 0.30
Adjustments:			
Loss from discontinued operations	-	0.01	(0.01)
On-going EPS	\$ 0.22	\$ (0.07)	\$ 0.29

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On-Going EPS Variances

1st Quarter 2013 vs. 1st Quarter 2012



* Excludes costs, and offsetting operating revenues, associated with renewable energy (net of AZ Sun), energy efficiency and similar regulatory programs. See non-GAAP reconciliation for gross margin in appendix.

First Quarter 2013

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Gross Margin EPS Drivers 1st Quarter 2013 vs. 1st Quarter 2012



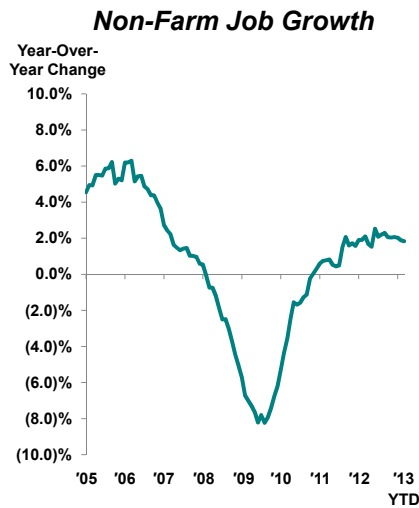
See non-GAAP reconciliation in appendix.

* Higher fuel and purchased power costs, net of off-system sales and mark-to-market.

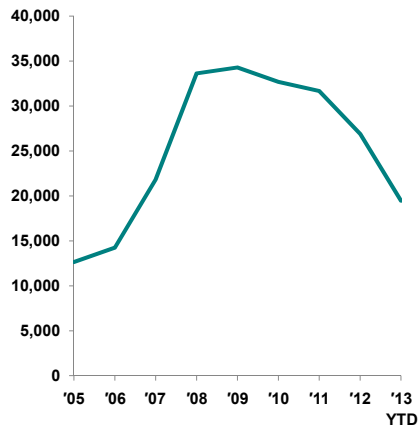
First Quarter 2013

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Arizona Economic Indicators Employment & Excess Housing



Metro Phoenix Excess Housing APS Service Territory



First Quarter 2013

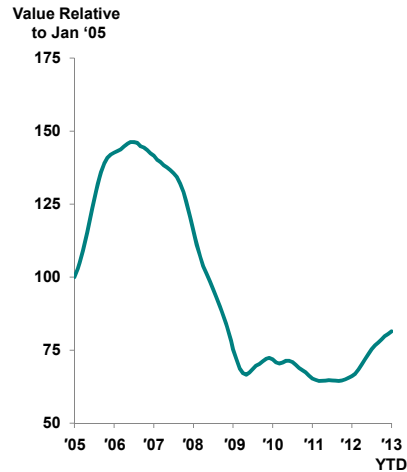
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Arizona Economic Indicators

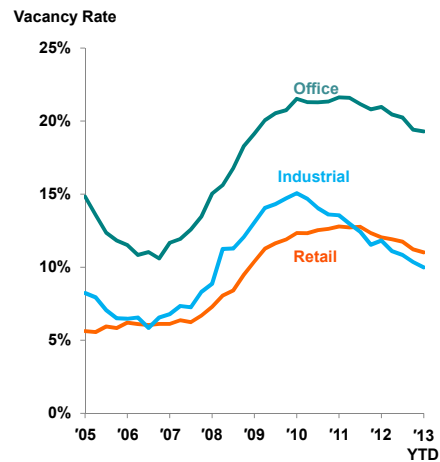
Metro Phoenix Housing Prices & Nonresidential Vacancy



Home Prices



Nonresidential Building Vacancy



First Quarter 2013

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Consolidated Financial Outlook

As of May 3, 2013



On-Going EPS



* Guidance near top of range. See key factors and assumptions in appendix.

First Quarter 2013

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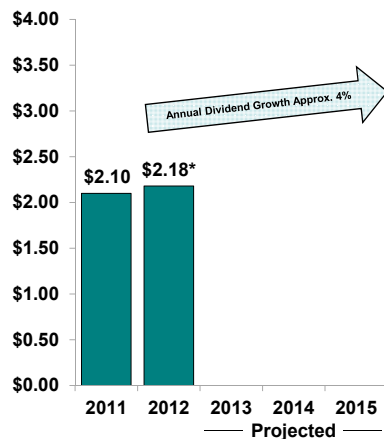
Consolidated Financial Outlook

As of May 3, 2013



Dividend Growth Goal

Indicated Annual Dividend Rate at Year-End

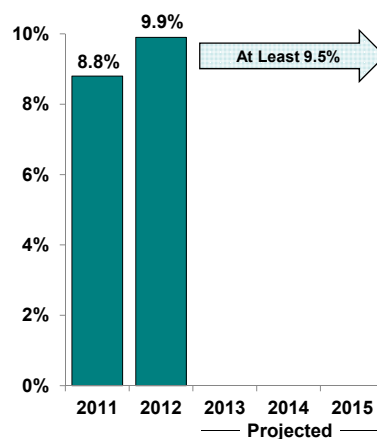


* Increase effective 4th quarter 2012

Future dividends subject to declaration at Board of Directors' discretion.

First Quarter 2013

Consolidated Earned ROE Goal



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Appendix

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2013 On-Going EPS Guidance

Key Factors & Assumptions as of May 3, 2013



- Electricity gross margin* (operating revenues, net of fuel and purchased power expenses) about \$2.17 billion to \$2.22 billion
 - Retail customer growth about 1.5%
 - Weather-normalized retail electricity sales volume about flat to prior year taking into account effects of customer conservation and energy efficiency and distributed renewable generation initiatives
 - Actual weather through March; normal weather patterns remainder of year
- Operating expenses* (operations and maintenance, depreciation and amortization, and taxes other than income taxes) about \$1.34 billion to \$1.37 billion
- Interest expense, net of allowances for borrowed and equity funds used during construction, about \$175 million to \$185 million
- Net income attributable to noncontrolling interests about \$30 million to \$35 million
- Effective tax rate about 35%

* Excludes O&M of \$114 million, and offsetting operating revenues, associated with renewable energy and energy efficiency programs

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2013-2015 Financial Outlook

Key Drivers & Assumptions as of May 3, 2013



- 2012 retail rate settlement effective July 1, 2012
 - Revenue provisions
 - Retail base rate changes effective July 1, 2012
 - Adjustment mechanisms
 - Four Corners acquisition
 - AZ Sun additions to flow through RES until next base rate case
 - Lost Fixed Cost Recovery (LFCR) mechanism assumed to offset 30-40% of revenues lost due to ACC-mandated energy efficiency and distributed renewable generation initiatives
 - Environmental Improvement Surcharge (EIS) assumed to recover up to \$5 million annually of carrying costs for government-mandated environmental capital expenditures
 - Cost mitigation provisions
 - Power Supply Adjustor (PSA) – 100% pass-through
 - Potential property tax deferrals – assume 60% of property tax increases relate to tax rates, therefore, will be eligible for deferrals
 - Deferral rates: 50% in 2013; 75% in 2014 and thereafter

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2013-2015 Financial Outlook

Key Drivers & Assumptions as of May 3, 2013 (cont.)

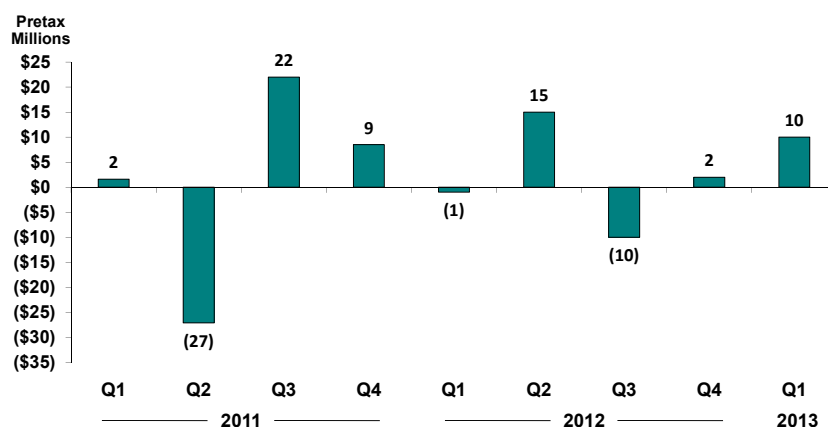


- Modestly improving Arizona and U.S. economic conditions
- Retail customer growth to average 2% annually
- Weather-normalized retail electricity sales volume growth:
 - Less than 1% after customer conservation and energy efficiency and distributed renewable generation initiatives
- Rate base growth to average 6% annually
- AZ Sun Program
- Transmission rate adjustments (FERC formula rates and retail adjustor)
- Four Corners cost deferrals between dates acquired and included in retail rates
- Company-wide operating and capital cost management
- Financing to maintain balanced capital structure for credit ratings and retail regulatory test year
- Interest rates
- Actual weather through March 2013; normal weather patterns thereafter

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Gross Margin Effects of Weather Variances Versus Normal*

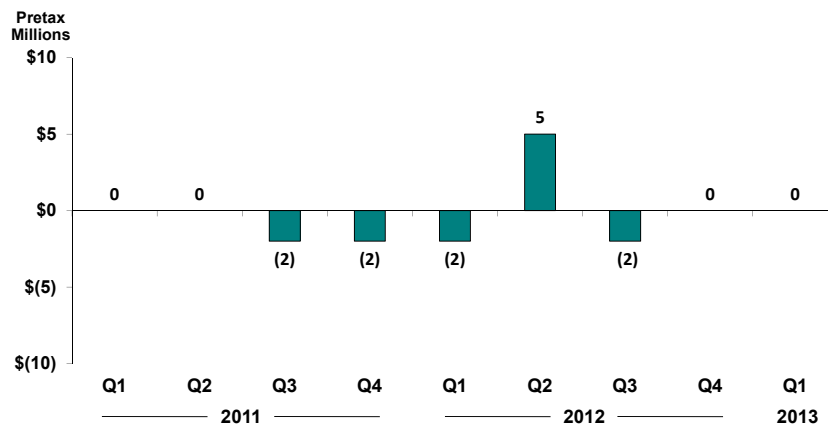


*All periods recalculated to conform to current presentation.

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Quarterly Mark-to-Market on Hedge Contracts*

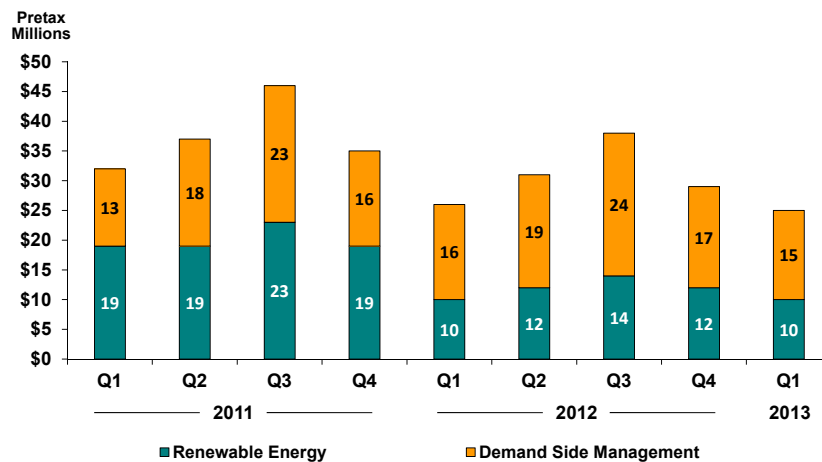


* Related to APS 10% share under Power Supply Adjustor (PSA), net of related deferrals, effective through June 30, 2012.

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Renewable Energy, Demand Side Management and Similar Regulatory Expenses*



* O&M expenses related to Renewable Energy Standard and similar regulatory programs are offset by comparable revenue amounts.

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Non-GAAP Measure Reconciliation Gross Margin



	Three Months Ended March 31,		EPS Change
	2013	2012	
\$ millions pretax, except per share amounts			
Operating revenues*	\$ 687	\$ 621	
Fuel and purchased power expenses*	(231)	(217)	
Gross margin	456	404	\$ 0.28
Less			
Renewable energy (excluding AZ Sun), energy efficiency and similar regulatory programs	(25)	(24)	-
Gross margin - adjusted	\$ 431	\$ 380	\$ 0.28

* Line items from Consolidated Statements of Income

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Non-GAAP EPS Reconciliation Consolidated On-Going EPS Guidance



	Year 2011 Actual	Year 2012 Actual	Year 2013 Guidance*
Net income attributable to common shareholders	\$ 3.09	\$ 3.45	
Adjustments:			
Loss (income) from discontinued operations	(0.10)	0.05	
On-going EPS	\$ 2.99	\$ 3.50	\$3.45 - \$3.60

* As of May 3, 2013

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**Pinnacle West Capital Corporation
Earnings Variance Explanations
For Three-Months Ended March 31, 2013 and 2012**

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 March 31, 2013 (the “March 2013 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, 2012 and the March 2013 Form 10-Q. Additional operating and financial statistics and a glossary of terms are available on our website (www.pinnaclewest.com).

RESULTS OF OPERATIONS

Pinnacle West’s only reportable business segment is our regulated electricity segment, which consists of traditional regulated retail and wholesale electricity businesses (primarily electricity service to Native Load customers) and related activities and includes electricity generation, transmission and distribution.

Operating Results

Three-month period ended March 31, 2013 compared with three-month period ended March 31, 2012 Our consolidated net income attributable to common shareholders for the three months ended March 31, 2013 was \$24 million, compared with a net loss of \$8 million for the prior-year period. The results reflect an increase of approximately \$31 million for the regulated electricity segment primarily due to increases related to the retail regulatory settlement effective July 1, 2012 (see Note 3), the effects of weather, higher retail transmission revenues, higher retail sales due to customer growth and changes in customer usage patterns and related pricing, and lower net interest charges due to lower debt balances and lower interest rates in the current-year period. These positive factors were partially offset by higher operations and maintenance expenses and higher income taxes in the current-year period.

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

	Three Months Ended March 31,		Net Change
	2013	2012	
	(dollars in millions)		
Regulated Electricity Segment:			
Operating revenues less fuel and purchased power expenses	\$ 455	\$ 404	\$ 51
Operations and maintenance	(223)	(211)	(12)
Depreciation and amortization	(104)	(100)	(4)
Taxes other than income taxes	(40)	(43)	3
Other income (expenses), net	3	1	2
Interest charges, net of allowance for borrowed funds used during construction	(45)	(53)	8
Income taxes	(13)	4	(17)
Less income related to noncontrolling interests (Note 6)	(8)	(8)	--
Regulated electricity segment net income (loss)	25	(6)	31
All other	(1)	(1)	--
Income (Loss) from Continuing Operations Attributable to Common Shareholders	24	(7)	31
Loss from Discontinued Operations Attributable to Common Shareholders (a)	--	(1)	1
Net Income (Loss) Attributable to Common Shareholders	\$ 24	\$ (8)	\$ 32

(a) Includes activities related to SunCor.

Operating revenues less fuel and purchased power expenses Regulated electricity segment operating revenues less fuel and purchased power expenses were \$51 million higher for the three months ended March 31, 2013 compared with the prior-year period. The following table summarizes the major components of this change:

	Increase (Decrease)		
	Operating	Fuel and purchased power expenses	Net change
	revenues		
	(dollars in millions)		
Impacts of retail regulatory settlement effective July 1, 2012	\$ 25	\$ 2	\$ 23
Effects of weather	19	7	12
Higher retail sales due to customer growth and changes in customer usage patterns and related pricing	11	1	10
Higher retail transmission revenues	10	--	10
Higher demand-side management, renewable energy and similar regulatory surcharges	6	2	4
Higher fuel and purchased power costs, net of related deferrals and off-system sales	(5)	3	(8)
Miscellaneous items, net	(1)	(1)	--
Total	\$ 65	\$ 14	\$ 51

Operations and maintenance Operations and maintenance expenses increased \$12 million for the three months ended March 31, 2013 compared with the prior-year period primarily because of:

- An increase of \$8 million related to higher performance-based compensation costs resulting from an improved company stock price and estimated full-year performance;
- An increase of \$4 million related to employee benefit costs, comprised of an increase of \$11 million related to amortization of certain pension and other postretirement benefit costs in 2013 compared with regulatory deferral of such costs in 2012, and a decrease of \$7 million related to other employee benefit costs, primarily pension and other postretirement benefit costs;
- An increase of \$4 million in information technology costs;
- A decrease of \$6 million in generation costs, primarily due to lower power plant maintenance costs as a result of less work being completed early in the year compared to 2012; and
- An increase of \$2 million related to other miscellaneous factors.

Interest charges, net of allowance for borrowed funds used during construction Interest charges, net of allowance for borrowed funds used during construction, decreased \$8 million for the

three months ended March 31, 2013 compared with the prior-year period primarily because of lower debt balances and lower interest rates in the current year.

Income taxes Income taxes were \$17 million higher for the three months ended March 31, 2013 compared with the prior-year period primarily due to higher pretax income in the current period.

Pinnacle West Capital Corporation
Quarterly Consolidated Statistical Summary
Periods Ended March 31, 2013 and 2012

List of Contents

This file contains financial and operating statistics for the
three-month periods ended March 31, 2013 and 2012

The same statistics by quarter for 2011 and 2012 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 March 31, 2013 and 2012**

		3 Months Ended March		
		2013	2012	Incr (Decr)
EARNINGS CONTRIBUTION BY SUBSIDIARY (\$ Millions)				
1	Arizona Public Service	\$ 33	\$ 4	\$ 29
2	El Dorado	-	-	-
3	Parent Company	(1)	(4)	3
4	Income From Continuing Operations	32	-	32
	Income (Loss) From Discontinued Operations - Net of Tax			
5	SunCor	-	(1)	1
6	Other	-	1	(1)
7	Total	-	-	-
8	Net Income	32	-	32
9	Less: Net Income (Loss) Attributable to Noncontrolling Interests	8	8	-
10	Net Income Attributable to Common Shareholders	\$ 24	\$ (8)	\$ 32
EARNINGS PER SHARE BY SUBSIDIARY - DILUTED				
11	Arizona Public Service	\$ 0.31	\$ 0.03	\$ 0.28
12	El Dorado	-	-	-
13	Parent Company	(0.01)	(0.03)	0.02
14	Income From Continuing Operations	0.30	-	0.30
	Income (Loss) From Discontinued Operations - Net of Tax			
15	SunCor	-	(0.01)	0.01
16	Other	-	-	-
17	Total	-	(0.01)	0.01
18	Net Income	0.30	(0.01)	0.31
19	Less: Net Income (Loss) Attributable to Noncontrolling Interests	0.08	0.07	0.01
20	Net Income Attributable to Common Shareholders	\$ 0.22	\$ (0.08)	\$ 0.30
21	BOOK VALUE PER SHARE	\$ 36.51	\$ 34.24	\$ 2.27
COMMON SHARES OUTSTANDING (Thousands)				
22	Average - Diluted	110,835	109,299	1,536
23	End of Period	109,946	109,372	574

Quarterly Consolidated Statistical Summary
Periods Ended March 31, 2013 and 2012

Line		3 Months Ended March		
		2013	2012	Incr (Decr)
	ELECTRIC OPERATING REVENUES (Dollars in Millions)			
	REGULATED ELECTRICITY SEGMENT			
	Retail			
24	Residential	\$ 307	\$ 273	\$ 34
25	Business	329	292	37
26	Total retail	636	565	71
	Wholesale revenue on delivered electricity			
27	Traditional contracts	11	12	(1)
28	Off-system sales	23	20	3
29	Native load hedge liquidation	1	-	1
30	Transmission for others	7	6	1
31	Other miscellaneous services	8	17	(9)
32	Total electric operating revenue	686	620	66
	ELECTRIC SALES (GWH)			
	Retail sales			
33	Residential	2,730	2,553	177
34	Business	3,271	3,189	82
35	Total retail	6,001	5,742	259
	Wholesale electricity delivered			
36	Traditional contracts	130	163	(33)
37	Off-system sales	816	866	(50)
38	Retail load hedge management	-	31	(31)
39	Total electric sales	6,947	6,802	145

Pinnacle West Capital Corporation**Quarterly Consolidated Statistical Summary****Periods Ended March 31, 2013 and 2012**

Line		3 Months Ended March		
		2013	2012	Incr (Decr)
	AVERAGE ELECTRIC CUSTOMERS			
	Retail customers			
40	Residential	1,021,817	1,007,582	14,235
41	Business	127,895	126,631	1,264
42	Total	1,149,712	1,134,213	15,499
43	Wholesale customers	53	47	6
44	Total customers	1,149,765	1,134,260	15,505
45	Customer growth (% over prior year)	1.4%	0.8%	0.6%
	RETAIL SALES (GWH) - WEATHER NORMALIZED			
46	Residential	2,580	2,563	17
47	Business	3,225	3,206	19
48	Total	5,805	5,769	36
	RETAIL USAGE (KWh/Average Customer)			
49	Residential	2,672	2,534	138
50	Business	25,577	25,185	392
	RETAIL USAGE - WEATHER NORMALIZED (KWh/Average Customer)			
51	Residential	2,525	2,543	(18)
52	Business	25,214	25,322	(108)
	ELECTRICITY DEMAND (MW)			
53	Native load peak demand	4,825	4,113	712
	WEATHER INDICATORS - RESIDENTIAL			
	Actual			
54	Cooling degree-days	-	-	-
55	Heating degree-days	613	417	196
56	Average humidity	-	-	-
	10-Year Averages			
57	Cooling degree-days	-	-	-
58	Heating degree-days	496	496	-
59	Average humidity	-	-	-

Pinnacle West Capital Corporation**Quarterly Consolidated Statistical Summary****Periods Ended March 31, 2013 and 2012**

Line		3 Months Ended March		
		2013	2012	Incr (Decr)
	ENERGY SOURCES (GWH)			
	Generation production			
60	Nuclear	2,456	2,360	96
61	Coal	2,753	2,571	182
62	Gas, oil and other	1,250	1,244	6
63	Total generation production	6,459	6,175	284
	Purchased power			
64	Firm load	692	1,169	(477)
65	Marketing and trading	113	71	42
66	Total purchased power	805	1,240	(435)
67	Total energy sources	7,264	7,415	(151)
	POWER PLANT PERFORMANCE			
	Capacity Factors			
68	Nuclear	99%	94%	5%
69	Coal	73%	67%	6%
70	Gas, oil and other	16%	17%	(1)%
71	System average	47%	45%	2%
	ECONOMIC INDICATORS			
	Building Permits			
72	Housing Permits - Metro Phoenix (a)	3,276	2,868	408
	Arizona Job Growth (b)			
73	Payroll job growth (% over prior year)	1.8%	1.9%	(0.1)%
74	Unemployment rate (%, seasonally adjusted)	7.9%	8.5%	(0.6)%

Sources:

(a) U.S. Census Bureau

(b) Arizona Department of Economic Security

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

	Three Months Ended March 31,	
	2013	2012
OPERATING REVENUES	\$ 686,652	\$ 620,631
OPERATING EXPENSES		
Fuel and purchased power	230,679	216,309
Operations and maintenance	223,250	210,663
Depreciation and amortization	103,730	100,109
Taxes other than income taxes	40,021	42,475
Other expenses	2,049	3,068
Total	599,729	572,624
OPERATING INCOME	86,923	48,007
OTHER INCOME (DEDUCTIONS)		
Allowance for equity funds used during construction	6,864	4,756
Other income (Note 10)	758	760
Other expense (Note 10)	(3,752)	(4,068)
Total	3,870	1,448
INTEREST EXPENSE		
Interest charges	49,478	56,967
Allowance for borrowed funds used during construction	(3,990)	(3,151)
Total	45,488	53,816
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	45,305	(4,361)
INCOME TAXES	12,469	(4,645)
INCOME FROM CONTINUING OPERATIONS	32,836	284
LOSS FROM DISCONTINUED OPERATIONS		
Net of income tax benefit of \$(505)	--	(765)
NET INCOME (LOSS)	32,836	(481)
Less: Net income attributable to noncontrolling interests (Note 6)	8,392	7,776
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON SHAREHOLDERS	\$ 24,444	\$ (8,257)
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING – BASIC	109,832	109,299
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING – DILUTED	110,835	109,299
EARNINGS PER WEIGHTED-AVERAGE COMMON SHARE OUTSTANDING		
Income (loss) from continuing operations attributable to common shareholders – basic	\$ 0.22	\$ (0.07)
Net income (loss) attributable to common shareholders – basic	0.22	(0.08)
Income (loss) from continuing operations attributable to common shareholders – diluted	0.22	(0.07)
Net income (loss) attributable to common shareholders – diluted	0.22	(0.08)
DIVIDENDS DECLARED PER SHARE	\$ --	\$ 0.525
AMOUNTS ATTRIBUTABLE TO COMMON SHAREHOLDERS:		
Income (loss) from continuing operations, net of tax	\$ 24,444	\$ (7,483)
Discontinued operations, net of tax	--	(774)
Net income (loss) attributable to common shareholders	\$ 24,444	\$ (8,257)

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

PINNACLE WEST CAPITAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)
(dollars in thousands)

	Three Months Ended March 31,	
	2013	2012
NET INCOME (LOSS)	\$ 32,836	\$ (481)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX		
Derivative instruments:		
Net unrealized gain (loss), net of tax benefit (expense) of (\$38) and \$16,551	58	(25,352)
Reclassification of net realized loss, net of tax benefit of \$3,300 and \$5,728	5,053	8,772
Pension and other postretirement benefits activity, net of tax expense of \$631 and \$631	966	966
Total other comprehensive income (loss)	6,077	(15,614)
COMPREHENSIVE INCOME (LOSS)	38,913	(16,095)
Less: Comprehensive income attributable to noncontrolling interests	8,392	7,776
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO COMMON SHAREHOLDERS	\$ 30,521	\$ (23,871)

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

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

	March 31, 2013	December 31, 2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 25,109	\$ 26,202
Customer and other receivables	267,937	277,225
Accrued unbilled revenues	90,147	94,845
Allowance for doubtful accounts	(2,537)	(3,340)
Materials and supplies (at average cost)	223,605	218,096
Fossil fuel (at average cost)	35,211	31,334
Deferred income taxes	75,866	152,191
Income tax receivable (Note 5)	2,856	2,423
Assets from risk management activities (Note 7)	20,346	25,699
Deferred fuel and purchased power regulatory asset (Note 3)	41,315	72,692
Other regulatory assets (Note 3)	52,872	71,257
Other current assets	39,050	37,102
Total current assets	<u>871,777</u>	<u>1,005,726</u>
INVESTMENTS AND OTHER ASSETS		
Assets from risk management activities (Note 7)	34,047	35,891
Nuclear decommissioning trust (Note 13)	596,168	570,625
Other assets	64,325	62,694
Total investments and other assets	<u>694,540</u>	<u>669,210</u>
PROPERTY, PLANT AND EQUIPMENT		
Plant in service and held for future use	14,494,326	14,346,367
Accumulated depreciation and amortization	(4,997,126)	(4,929,613)
Net	<u>9,497,200</u>	<u>9,416,754</u>
Construction work in progress	498,124	565,716
Palo Verde sale leaseback, net of accumulated depreciation (Note 6)	128,027	128,995
Intangible assets, net of accumulated amortization	162,978	162,150
Nuclear fuel, net of accumulated amortization	140,909	122,778
Total property, plant and equipment	<u>10,427,238</u>	<u>10,396,393</u>
DEFERRED DEBITS		
Regulatory assets (Note 3)	1,097,389	1,099,900
Income tax receivable (Note 5)	70,828	70,389
Other	139,155	137,997
Total deferred debits	<u>1,307,372</u>	<u>1,308,286</u>
TOTAL ASSETS	<u><u>\$ 13,300,927</u></u>	<u><u>\$ 13,379,615</u></u>

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

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

	March 31, 2013	December 31, 2012
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 212,078	\$ 221,312
Accrued taxes (Note 5)	164,554	124,939
Accrued interest	44,818	49,380
Common dividends payable	--	59,789
Short-term borrowings	--	92,175
Current maturities of long-term debt	122,828	122,828
Customer deposits	80,783	79,689
Liabilities from risk management activities (Note 7)	65,354	73,741
Regulatory liabilities (Note 3)	76,640	88,116
Other current liabilities	124,456	171,573
Total current liabilities	<u>891,511</u>	<u>1,083,542</u>
LONG-TERM DEBT LESS CURRENT MATURITIES		
Long-term debt less current maturities	3,265,589	3,160,219
Palo Verde sale leaseback lessor notes less current maturities (Note 6)	38,869	38,869
Total long-term debt less current maturities	<u>3,304,458</u>	<u>3,199,088</u>
DEFERRED CREDITS AND OTHER		
Deferred income taxes	2,064,476	2,151,371
Regulatory liabilities (Note 3)	805,230	759,201
Liability for asset retirements	358,184	357,097
Liabilities for pension and other postretirement benefits (Note 4)	1,034,327	1,058,755
Liabilities from risk management activities (Note 7)	82,876	85,264
Customer advances	108,986	109,359
Coal mine reclamation	119,044	118,860
Unrecognized tax benefits (Note 5)	72,252	71,135
Other	307,253	283,654
Total deferred credits and other	<u>4,952,628</u>	<u>4,994,696</u>
COMMITMENTS AND CONTINGENCIES (SEE NOTES)		
EQUITY (Note 8)		
Common stock, no par value	2,484,347	2,466,923
Treasury stock	(10,482)	(4,211)
Total common stock	<u>2,473,865</u>	<u>2,462,712</u>
Retained earnings	1,648,521	1,624,102
Accumulated other comprehensive loss:		
Pension and other postretirement benefits	(63,450)	(64,416)
Derivative instruments	(44,481)	(49,592)
Total accumulated other comprehensive loss	<u>(107,931)</u>	<u>(114,008)</u>
Total shareholders' equity	4,014,455	3,972,806
Noncontrolling interests (Note 6)	137,875	129,483
Total equity	<u>4,152,330</u>	<u>4,102,289</u>
TOTAL LIABILITIES AND EQUITY	<u><u>\$ 13,300,927</u></u>	<u><u>\$ 13,379,615</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)

	Three Months Ended March 31,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 32,836	\$ (481)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization including nuclear fuel	124,344	118,487
Deferred fuel and purchased power	31,194	46,754
Deferred fuel and purchased power amortization	1,122	(24,514)
Allowance for equity funds used during construction	(6,864)	(4,756)
Deferred income taxes	12,163	(1,989)
Change in derivative instruments fair value	333	1,985
Changes in current assets and liabilities:		
Customer and other receivables	3,931	52,264
Accrued unbilled revenues	4,698	20,511
Materials, supplies and fossil fuel	(9,386)	(13,753)
Other current assets	(2,525)	(3,502)
Accounts payable	11,925	(39,355)
Accrued taxes and income tax receivable – net	39,182	37,398
Other current liabilities	(62,636)	(39,804)
Change in margin and collateral accounts – assets	933	(1,853)
Change in margin and collateral accounts – liabilities	24,205	(32,950)
Change in other long-term assets	(31,202)	(21,469)
Change in other long-term liabilities	37,904	22,362
Net cash flow provided by operating activities	<u>212,157</u>	<u>115,335</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(182,859)	(240,973)
Contributions in aid of construction	14,912	13,871
Allowance for borrowed funds used during construction	(3,990)	(3,151)
Proceeds from nuclear decommissioning trust sales	135,240	92,047
Investment in nuclear decommissioning trust	(139,553)	(96,360)
Other	(470)	(533)
Net cash flow used for investing activities	<u>(176,720)</u>	<u>(235,099)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of long-term debt	104,307	319,081
Repayment of long-term debt	--	(375,727)
Short-term borrowings and payments – net	(92,175)	216,600
Dividends paid on common stock	(58,067)	(55,595)
Common stock equity issuance	9,441	4,289
Other	(36)	(1,757)
Net cash flow provided by (used for) financing activities	<u>(36,530)</u>	<u>106,891</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,093)	(12,873)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>26,202</u>	<u>33,583</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>\$ 25,109</u></u>	<u><u>\$ 20,710</u></u>

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

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

	Three Months Ended March 31,	
	2013	2012
ELECTRIC OPERATING REVENUES	\$ 685,827	\$ 620,248
OPERATING EXPENSES		
Fuel and purchased power	230,679	216,309
Operations and maintenance	220,752	208,447
Depreciation and amortization	103,706	100,085
Income taxes	16,060	(814)
Taxes other than income taxes	39,768	42,226
Total	610,965	566,253
OPERATING INCOME	74,862	53,995
OTHER INCOME (DEDUCTIONS)		
Income taxes	2,332	1,706
Allowance for equity funds used during construction	6,864	4,756
Other income (Note S-2)	1,343	510
Other expense (Note S-2)	(6,296)	(4,624)
Total	4,243	2,348
INTEREST EXPENSE		
Interest on long-term debt	46,221	52,737
Interest on short-term borrowings	1,429	2,035
Debt discount, premium and expense	1,011	1,060
Allowance for borrowed funds used during construction	(3,990)	(3,151)
Total	44,671	52,681
NET INCOME	34,434	3,662
Less: Net income attributable to noncontrolling interests (Note 6)	8,392	7,767
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON SHAREHOLDER	\$ 26,042	\$ (4,105)

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

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

	Three Months Ended March 31,	
	2013	2012
NET INCOME	\$ 34,434	\$ 3,662
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX		
Derivative instruments:		
Net unrealized gain (loss), net of tax benefit (expense) of (\$38) and \$16,554	58	(25,348)
Reclassification of net realized loss, net of tax benefit of \$3,300 and \$5,728	5,052	8,772
Pension and other postretirement benefits activity, net of tax expense of \$576 and \$536	882	821
Total other comprehensive income (loss)	5,992	(15,755)
COMPREHENSIVE INCOME (LOSS)	40,426	(12,093)
Less: Comprehensive income attributable to noncontrolling interests	8,392	7,767
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO COMMON SHAREHOLDER	\$ 32,034	\$ (19,860)

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

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

	March 31, 2013	December 31, 2012
ASSETS		
PROPERTY, PLANT AND EQUIPMENT		
Plant in service and held for future use	\$ 14,490,460	\$ 14,342,501
Accumulated depreciation and amortization	(4,993,480)	(4,925,990)
Net	9,496,980	9,416,511
Construction work in progress	498,124	565,716
Palo Verde sale leaseback, net of accumulated depreciation (Note 6)	128,027	128,995
Intangible assets, net of accumulated amortization	162,823	161,995
Nuclear fuel, net of accumulated amortization	140,909	122,778
Total property, plant and equipment	10,426,863	10,395,995
INVESTMENTS AND OTHER ASSETS		
Nuclear decommissioning trust (Note 13)	596,168	570,625
Assets from risk management activities (Note 7)	34,047	35,891
Other assets	32,120	31,650
Total investments and other assets	662,335	638,166
CURRENT ASSETS		
Cash and cash equivalents	7,328	3,499
Customer and other receivables	266,994	274,815
Accrued unbilled revenues	90,147	94,845
Allowance for doubtful accounts	(2,537)	(3,340)
Materials and supplies (at average cost)	223,605	218,096
Fossil fuel (at average cost)	35,211	31,334
Deferred fuel and purchased power regulatory asset (Note 3)	41,315	72,692
Other regulatory assets (Note 3)	52,872	71,257
Deferred income taxes	59,807	74,420
Assets from risk management activities (Note 7)	20,346	25,699
Other current assets	39,354	37,666
Total current assets	834,442	900,983
DEFERRED DEBITS		
Regulatory assets (Note 3)	1,097,389	1,099,900
Unamortized debt issue costs	22,889	22,492
Income tax receivable (Note 5)	71,223	70,784
Other	114,903	114,222
Total deferred debits	1,306,404	1,307,398
TOTAL ASSETS	\$ 13,230,044	\$ 13,242,542

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

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

	March 31, 2013	December 31, 2012
LIABILITIES AND EQUITY		
CAPITALIZATION		
Common stock	\$ 178,162	\$ 178,162
Additional paid-in capital	2,379,696	2,379,696
Retained earnings	1,650,277	1,624,237
Accumulated other comprehensive loss:		
Pension and other postretirement benefits	(38,621)	(39,503)
Derivative instruments	(44,482)	(49,592)
Total shareholder equity	4,125,032	4,093,000
Noncontrolling interests (Note 6)	137,875	129,483
Total equity (Note S-1)	4,262,907	4,222,483
Long-term debt less current maturities	3,140,589	3,035,219
Palo Verde sale leaseback lessor notes less current maturities (Note 6)	38,869	38,869
Total capitalization	7,442,365	7,296,571
CURRENT LIABILITIES		
Commercial paper	--	92,175
Current maturities of long-term debt	122,828	122,828
Accounts payable	207,310	215,577
Accrued taxes (Note 5)	159,762	116,700
Accrued interest	44,649	49,135
Common dividends payable	--	59,800
Customer deposits	80,783	79,689
Liabilities from risk management activities (Note 7)	65,354	73,741
Regulatory liabilities (Note 3)	76,640	88,116
Other current liabilities	102,349	145,326
Total current liabilities	859,675	1,043,087
DEFERRED CREDITS AND OTHER		
Deferred income taxes	2,109,332	2,133,976
Regulatory liabilities (Note 3)	805,230	759,201
Liability for asset retirements	358,184	357,097
Liabilities for pension and other postretirement benefits (Note 4)	994,365	1,017,556
Liabilities from risk management activities (Note 7)	82,876	85,264
Customer advances	108,986	109,359
Coal mine reclamation	119,044	118,860
Unrecognized tax benefits (Note 5)	72,047	70,932
Other	277,940	250,639
Total deferred credits and other	4,928,004	4,902,884
COMMITMENTS AND CONTINGENCIES (SEE NOTES)		
TOTAL LIABILITIES AND EQUITY	\$ 13,230,044	\$ 13,242,542

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

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

	Three Months Ended March 31,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 34,434	\$ 3,662
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization including nuclear fuel	124,320	118,463
Deferred fuel and purchased power	31,194	46,754
Deferred fuel and purchased power amortization	1,122	(24,514)
Allowance for equity funds used during construction	(6,864)	(4,756)
Deferred income taxes	12,756	(2,044)
Change in derivative instruments fair value	333	1,985
Changes in current assets and liabilities:		
Customer and other receivables	2,464	52,416
Accrued unbilled revenues	4,698	20,511
Materials, supplies and fossil fuel	(9,386)	(13,753)
Other current assets	(2,526)	(3,847)
Accounts payable	12,892	(39,812)
Accrued taxes and income taxes receivable – net	43,323	42,039
Other current liabilities	(58,419)	(53,449)
Change in margin and collateral accounts – assets	933	(1,853)
Change in margin and collateral accounts – liabilities	24,205	(32,950)
Change in other long-term assets	(29,022)	(21,656)
Change in other long-term liabilities	41,760	27,557
Net cash flow provided by operating activities	<u>228,217</u>	<u>114,753</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(182,859)	(240,973)
Contributions in aid of construction	14,912	13,871
Allowance for borrowed funds used during construction	(3,990)	(3,151)
Proceeds from nuclear decommissioning trust sales	135,240	92,047
Investment in nuclear decommissioning trust	(139,553)	(96,360)
Other	(470)	(533)
Net cash flow used for investing activities	<u>(176,720)</u>	<u>(235,099)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of long-term debt	104,307	319,081
Short-term borrowings – net	(92,175)	216,600
Repayment of long-term debt	--	(375,727)
Dividends paid on common stock	(59,800)	(57,400)
Net cash flow provided by (used for) financing activities	<u>(47,668)</u>	<u>102,554</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>3,829</u>	<u>(17,792)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>3,499</u>	<u>19,873</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>\$ 7,328</u></u>	<u><u>\$ 2,081</u></u>
Supplemental disclosure of cash flow information		
Cash paid during the period for:		
Interest, net of amounts capitalized	\$ 48,146	\$ 61,701
Significant non-cash investing and financing activities:		
Accrued capital expenditures	\$ 6,575	\$ 13,622

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