PINNACLE WEST
CAPITAL CORPORATION

POWERING GROWTH
DELIVERING VALUE

Fourth Quarter and Full-Year 2019 Results
February 21, 2020

FORWARD LOOKING STATEMENTS AND NON-GAAP FINANCIAL MEASURES

This presentation contains forward-looking statements based on current expectations, including statements regarding our earnings guidance and financial outlook and goals. These forward-looking statements are often identified by words such as “estimate,” “predict,” “may,” “believe,” “plan,” “expect,” “require,” “intend,” “assume,” “project” 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 high reliability and customer service levels; variations in demand for electricity, including those due to weather seasonality, the general economy, customer and sales growth (or decline), the effects of energy conservation measures and distributed generation, and technological advancements; power plant and transmission system performance and outages; competition in retail and wholesale power markets; regulatory and judicial decisions, developments and proceedings; new legislation, ballot initiatives and regulation, including those relating to environmental requirements, regulatory policy, nuclear plant operations and potential deregulation of retail electric markets; fuel and water supply availability; our ability to achieve timely and adequate rate recovery of our costs, including returns on and of debt and equity capital investments; 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; current and future economic conditions in Arizona, including in real estate markets; the direct or indirect effect on our facilities or business from cybersecurity threats or intrusions, data security breaches, terrorist attack, physical attack, severe storms, droughts, or other catastrophic events, such as fires, explosions, pandemic health events or similar occurrences; the development of new technologies which may affect electric sales or delivery; the cost of debt and equity capital and the ability to access capital markets when required; environmental, economic and other concerns surrounding coal-fired generation, including regulation of greenhouse gas emissions; volatile fuel and purchased power costs; the investment performance of the assets of our nuclear decommissioning trust, pension, and other postretirement benefit plans and the resulting impact on future funding requirements; the liquidity of wholesale power markets and the use of derivative contracts in our business; potential shortfalls in insurance coverage; new accounting requirements or new interpretations of existing requirements; generation, transmission and distribution facility and system conditions and operating costs; the ability to meet the anticipated future need for additional generation and associated transmission facilities in our region; the willingness or ability of our counterparties, power plant participants and power plant land owners to meet contractual or other obligations or continue or discontinue power plant operations consistent with our corporate interests; and restrictions on dividends or other provisions in our credit agreements and ACC orders. These and other factors are discussed in Risk Factors described in Part I, Item 1A of the Pinnacle West/APS Annual Report on Form 10-K for the fiscal year ended December 31, 2019, which you should review carefully before placing any reliance on our financial statements, disclosures or earnings outlook. Neither Pinnacle West nor APS assumes any obligation to update these statements, even if our internal estimates change, except as required by law.

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

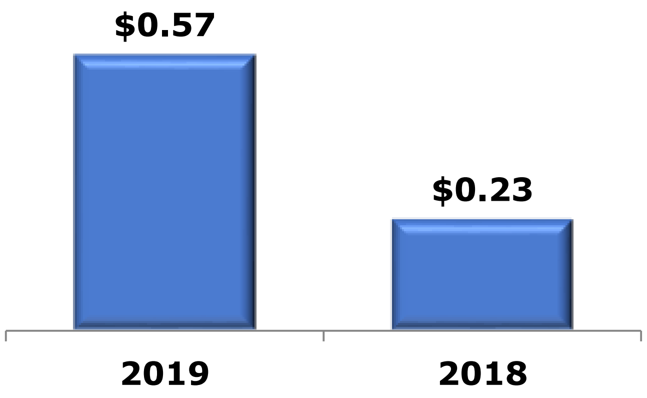
We present “gross margin” per diluted share of common stock. Gross margin refers to operating revenues less fuel and purchased power expenses. Gross margin is a “non-GAAP financial measure,” as defined in accordance with SEC rules. The appendix contains a reconciliation of this non-GAAP financial measure 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, and is 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.

We present “adjusted gross margin” and “adjusted operations and maintenance” that have been adjusted to exclude costs and offsetting operating revenues associated with renewable energy and demand side management programs. We also present “adjusted D&A,” “adjusted other taxes,” “adjusted interest, net of AFUDC,” and “adjusted other, net” that has been adjusted for the deferral impacts of the Four Corner’s Selective Catalytic Reduction (SCR) equipment and the Ocotillo Modernization Project. We also present “adjusted income taxes" that shows the impact of tax reform. Adjusted gross margin, adjusted operations and maintenance, adjusted D&A, adjusted other taxes, adjusted interest, net of AFUDC, adjusted other, net, and adjusted income taxes are “non-GAAP financial measures,” as defined in accordance with SEC rules. The appendix contains a reconciliation to show the exclusion of costs and offsetting operating revenues associated with renewable energy and demand side management programs, the deferral impacts of the Four Corners SCR equipment and the Ocotillo Modernization Project, and the impact of tax reform. We believe the information provided in the reconciliation provides investors with useful indicators of our results that are comparable among periods because they exclude the effects of unusual items that may occur on an irregular basis, such as the installation of the SCR equipment, the Ocotillo Modernization Project and tax reform impacts, and exclude the effects of programs that overstate our gross margin.

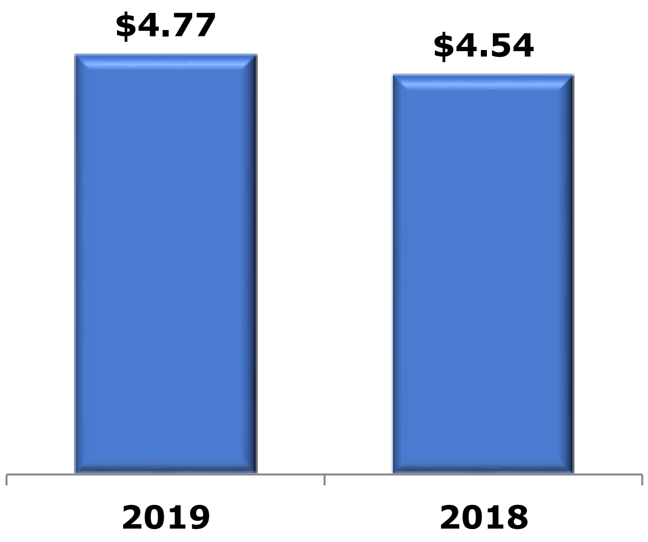
CONSOLIDATED EPS COMPARISON

2019 vs. 2018

4th Quarter Earnings



Full-Year Earnings



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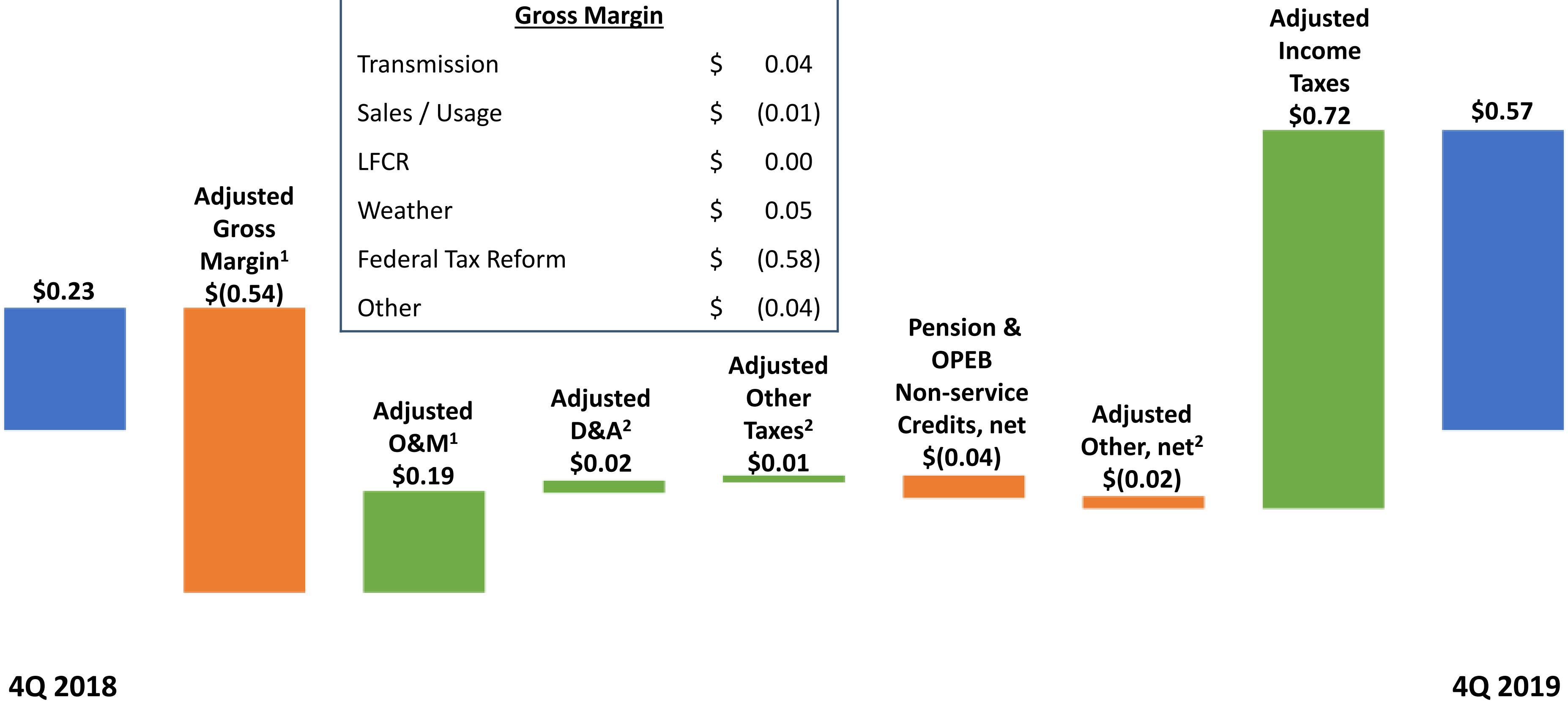
EPS VARIANCES

4th Quarter 2019 vs. 4th Quarter 2018

Gross Margin		
Transmission	$	0.04
Sales / Usage	$	(0.01)
LFCR	$	0.00
Weather	$	0.05
Federal Tax Reform	$	(0.58)
Other	$	(0.04)

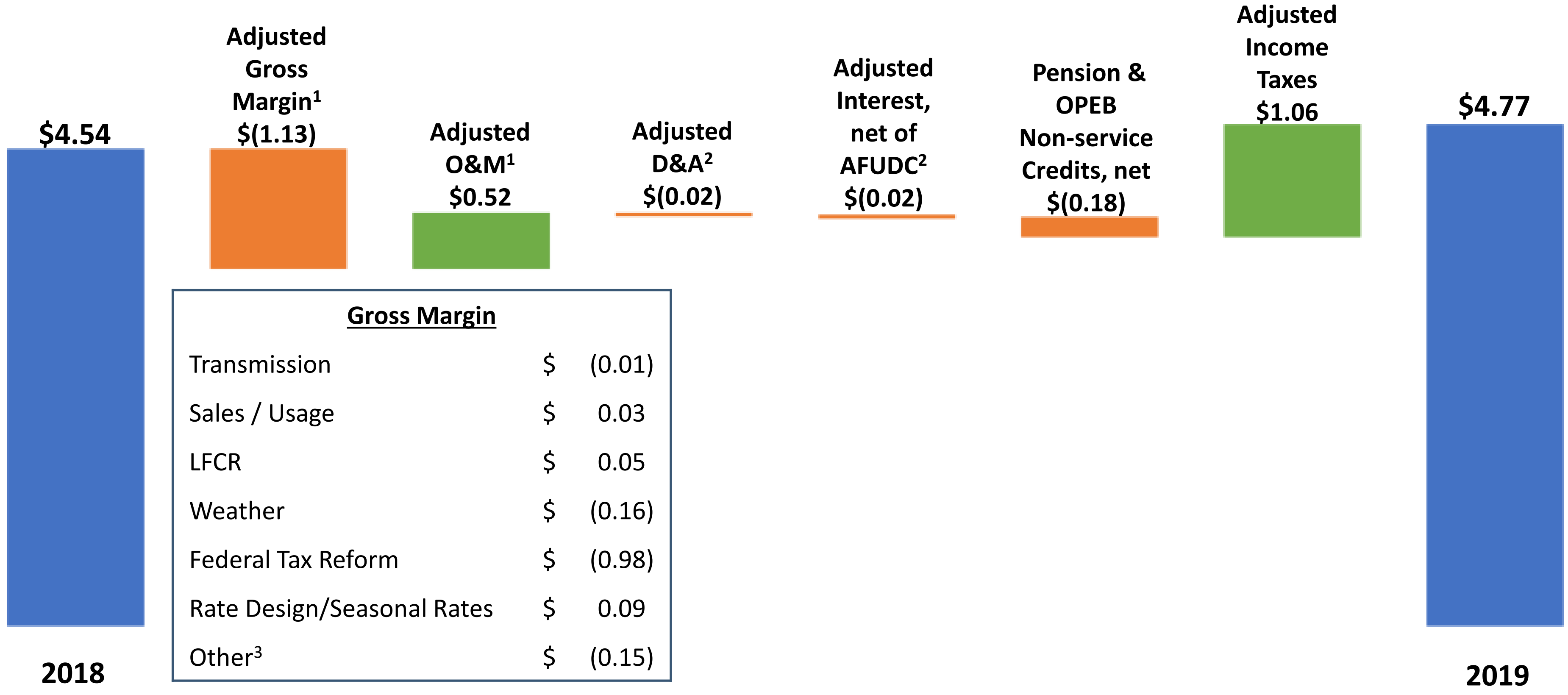


[1] Excludes costs and offsetting operating revenues associated with renewable energy and demand side management programs.
[2] Driver adjusted for the deferral impacts of the Four Corners Selective Catalytic Reduction (SCR) equipment and Ocotillo Modernization Project.

See non-GAAP reconciliation in Appendix.

EPS VARIANCES

Full Year 2019 vs. 2018



Gross Margin

Transmission	$	(0.01)
Sales / Usage	$	0.03
LFCR	$	0.05
Weather	$	(0.16)
Federal Tax Reform	$	(0.98)
Rate Design/Seasonal Rates	$	0.09
Other[3]	$	(0.15)

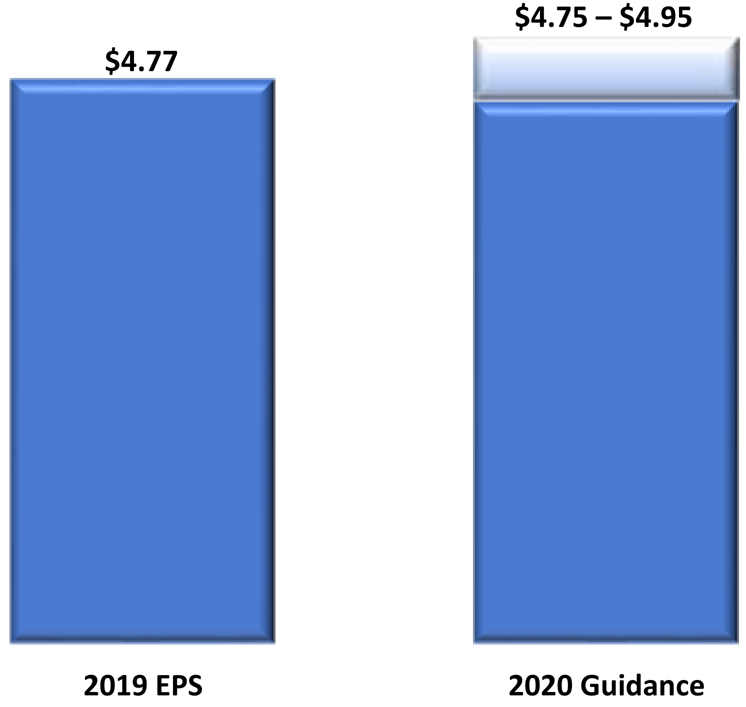
[1] Excludes costs and offsetting operating revenues associated with renewable energy and demand side management programs.
[2] Driver adjusted for the deferral impacts of the Four Corners Selective Catalytic Reduction (SCR) equipment and Ocotillo Modernization Project.
[3] Other gross margin impacts are partially offset by other expenses.

See non-GAAP reconciliation in Appendix.

PINNACLE WEST CAPITAL CORPORATION

EPS GUIDANCE

AS OF FEBRUARY 21, 2020



Key Drivers 2019 – 2020

\+ Lower O&M, primarily due to the Navajo Power Plant retirement, lower fossil planned outage expense and cost management; offset by an increase in expenses associated with revised disconnect policies

\+ Sales growth

\+ Higher transmission revenue

\+ Ocotillo Power Plant cost deferrals

− Higher D&A and property taxes due to plant additions

− Higher interest expense

− Lower AFUDC

See key factors and assumptions in Appendix.

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2020 EPS GUIDANCE

Key Factors & Assumptions as of February 21, 2020

	2020
Adjusted gross margin[1,2] (operating revenues, net of fuel and purchased power expenses)	$2.48 – $2.54 billion
• Retail customer growth about 1.5-2.5%	
• Weather-normalized retail electricity sales volume about 1-2% higher compared to prior year (excludes potential data center load growth)	
• Assumes normal weather	
Adjusted operating and maintenance (O&M)[1,2]	$830 – $850 million
Other operating expenses (depreciation and amortization, deferrals, and taxes other than income taxes)	$830 – $850 million
Other income (pension and other post-retirement non-service credits, other income and other expense)	$70 – $80 million
Interest expense, net of allowance for borrowed and equity funds used during construction (Total AFUDC ~$35 million)	$235 – $245 million
Net income attributable to noncontrolling interests	$20 million
Effective tax rate	14%
Average diluted common shares outstanding	112.8 million
EPS Guidance	$4.75 – $4.95

[1] Excludes O&M of $65 million, and offsetting revenues, associated with renewable energy and demand side management programs.
[2] The disconnection moratorium and revised policies are currently estimated to result in a decrease of approximately $20 million to $30 million of pre-tax income in 2020 depending on certain assumptions, including customer behavior.

FINANCIAL OUTLOOK

Key Factors & Assumptions as of February 21, 2020

Gross Margin – Customer and Sales Growth (2020-2022)

Assumption	Impact
Retail customer growth	• Expected to average about 1.5-2.5% annually • Strength in Arizona and U.S. economic conditions
Weather-normalized retail electricity sales volume growth (excludes potential data center load growth)	• About 1.0–2.0%

Gross Margin – Related to 2017 Rate Review Order

Assumption	Impact
Lost Fixed Cost Recovery (LFCR)	• Offsets 30-40% of revenues lost due to ACC-mandated energy efficiency and distributed renewable generation initiatives
Environmental Improvement Surcharge (EIS)	• Ability to recover up to $14 million annually of carrying costs for government-mandated environmental capital expenditures (cumulative per kWh cap rate of $0.00050)
Power Supply Adjustor (PSA)	• 100% recovery • Includes certain environmental chemical costs and third-party battery storage
Transmission Cost Adjustor (TCA)	• TCA is filed each May and automatically goes into rates effective June 1 • Transmission revenue is accrued each month as it is earned
APS Solar Communities	• Additions to flow through RES until next base rate case

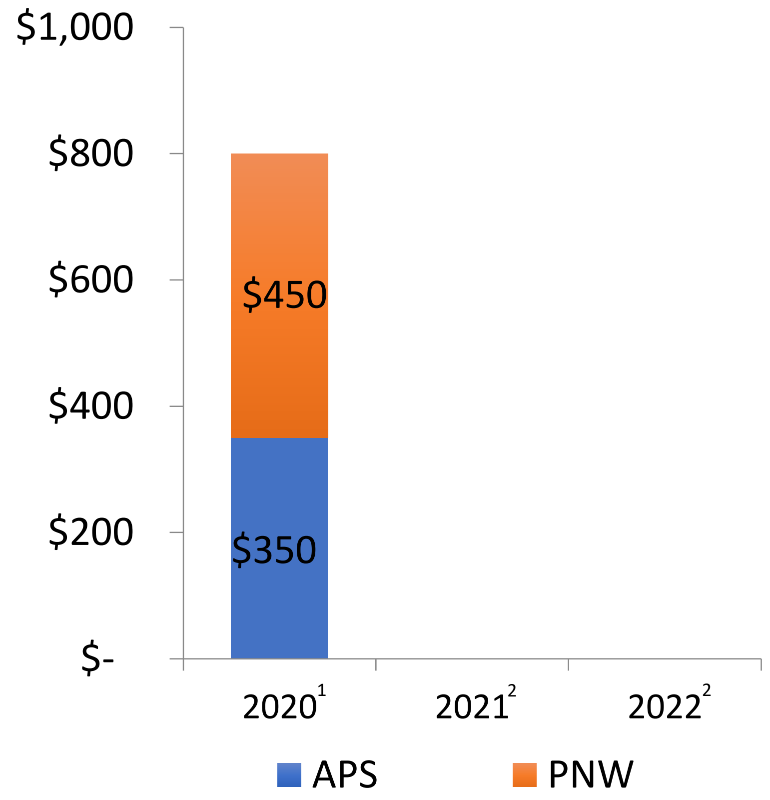
Property Tax Rate Deferral: APS is allowed to defer for future recovery (or credit to customers) the Arizona property tax expense above (or below) the 2015 test year caused by changes to the applicable composite property tax rate.

Outlook Through 2020: Goal of earning more than 9.5% Return on Equity (earned Return on Equity based on average Total Shareholder's Equity for PNW consolidated, weather-normalized)

BALANCE SHEET STRENGTH

Near-Term Long-Term Debt Maturities

$ in millions



2019 Major Financing Activities

- $200 million 18-month APS unsecured term loan entered into in February 2019
- $300 million 30-year 4.25% APS senior unsecured notes issued February 2019
- $300 million 10-year 2.6% APS senior unsecured notes issued August 2019
- $300 million 30-year 3.5% APS senior unsecured notes issued November 2019

2020 Major Financing Activities

- Expect *up to* $1.0 billion of term debt issuance at APS and $450 million at PNW in 2020

[1] 2020 maturities include $150 million of APS 2.2% notes repaid in January 2020.

[2] No long-term debt maturities in 2021 and 2022.

ECONOMIC DEVELOPMENT

Arizona's focus on economic development continues to support growth in the state

2019 – New companies moving into APS's service territory include:

- Microsoft – constructing three world-class data centers
- Nike – multimillion-dollar manufacturing facility employing at least 500 people
- Red Bull – 700,000 square-foot facility
- Fairlife – 300,000 square-foot facility; scheduled to begin operation in 2020
- Stream Data Centers – 2 million square-feet of data center facilities
- Compass Datacenters – eight buildings on 225 acre campus

What Others are Saying:

- Arizona's Booming Job Growth Ranks Second in the Nation; January 28, 2020
- Arizona a top state for population growth, new Census data shows; Phoenix Business Journal, January 3, 2020
- New study ranks Arizona economy among best in US; Phoenix Business Journal, June 9, 2019
- Phoenix leads US in population growth, new Census data shows; Phoenix Business Journal, May 23, 2019
- Arizona climbs on ranking of best states for business; Phoenix Business Journal, May 11, 2019

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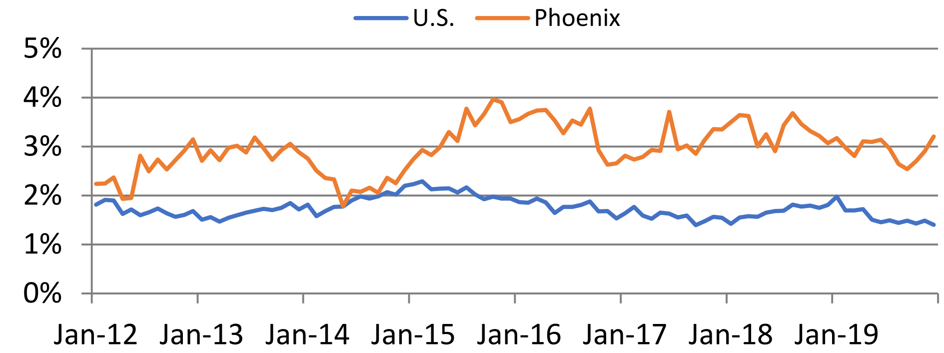
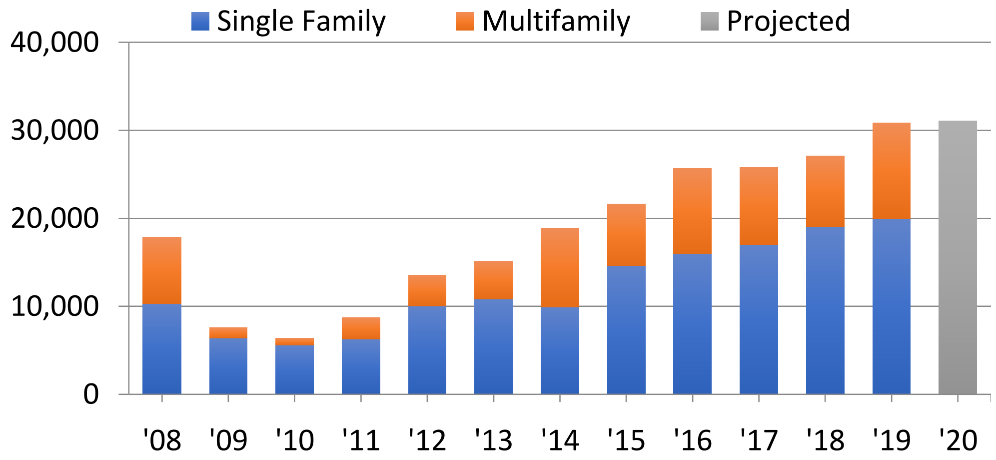
ECONOMIC INDICATORS

Year over Year Employment Growth



Single Family & Multifamily Housing Permits
Maricopa County



Arizona's job growth ranked second in the nation in 2019 [1]

Maricopa County ranked #1 in U.S. for population growth for third straight year [2]

Arizona is the 3rd fastest-growing state in the U.S. according to Census data. [3]

[1] U.S. Bureau of Labor Statistics December 2019
[2] U.S. Census Bureau April 2019
[3] Census Bureau, Population Division, Release date December 2019

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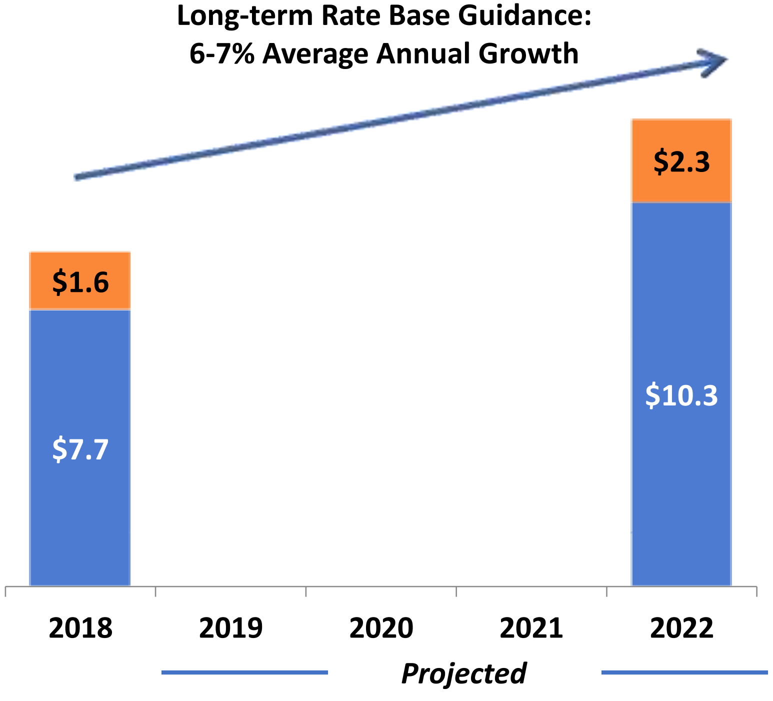
RATE BASE

APS's revenues come from a regulated retail rate base and meaningful transmission business

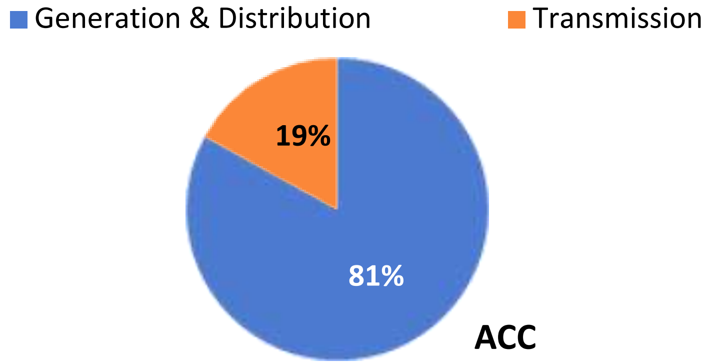
APS Rate Base Growth

Year-End



Rate base $ in billions, rounded

Total Approved Rate Base



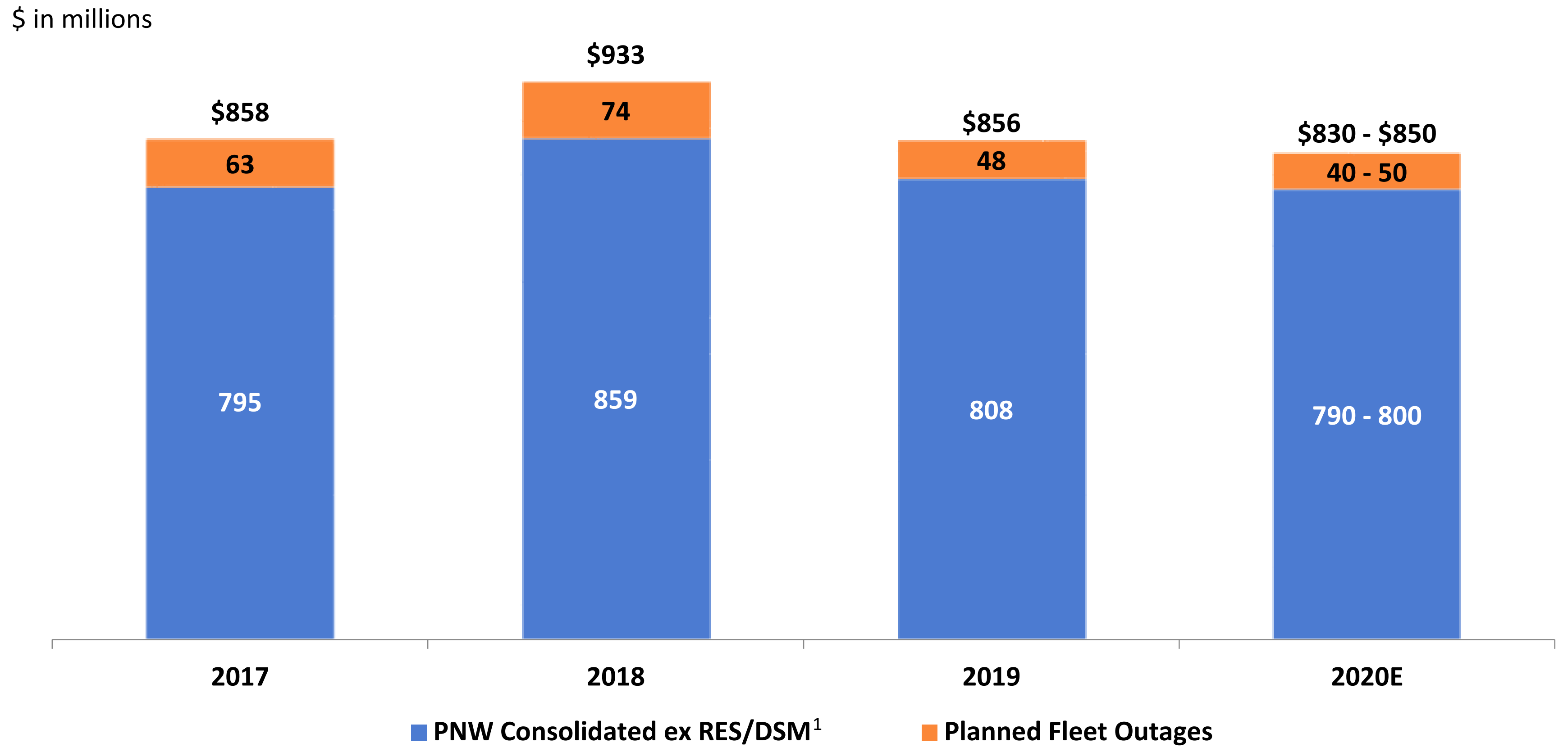
	ACC	FERC
Rate Effective Date	8/19/2017	6/1/2019
Test Year Ended	12/31/2015[1, 2]	12/31/2018
Rate Base	$6.8B	$1.6B
Equity Layer	55.8%	54.6%
Allowed ROE	10.0%	10.75%

[1] Adjusted to include post test-year plant in service through 12/31/2016

[2] On 10/31/19 APS filed an ACC general rate case with a proposed $8.9B rate base for an adjusted test year ended 6/30/19.

OPERATIONS & MAINTENANCE

Goal is to keep O&M per kWh flat, adjusted for planned outages



[1] Excludes RES/DSM of $91 million in 2017, $104 million in 2018, $86 million in 2019, and $65 million in 2020E.

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2020 PLANNED OUTAGE SCHEDULE

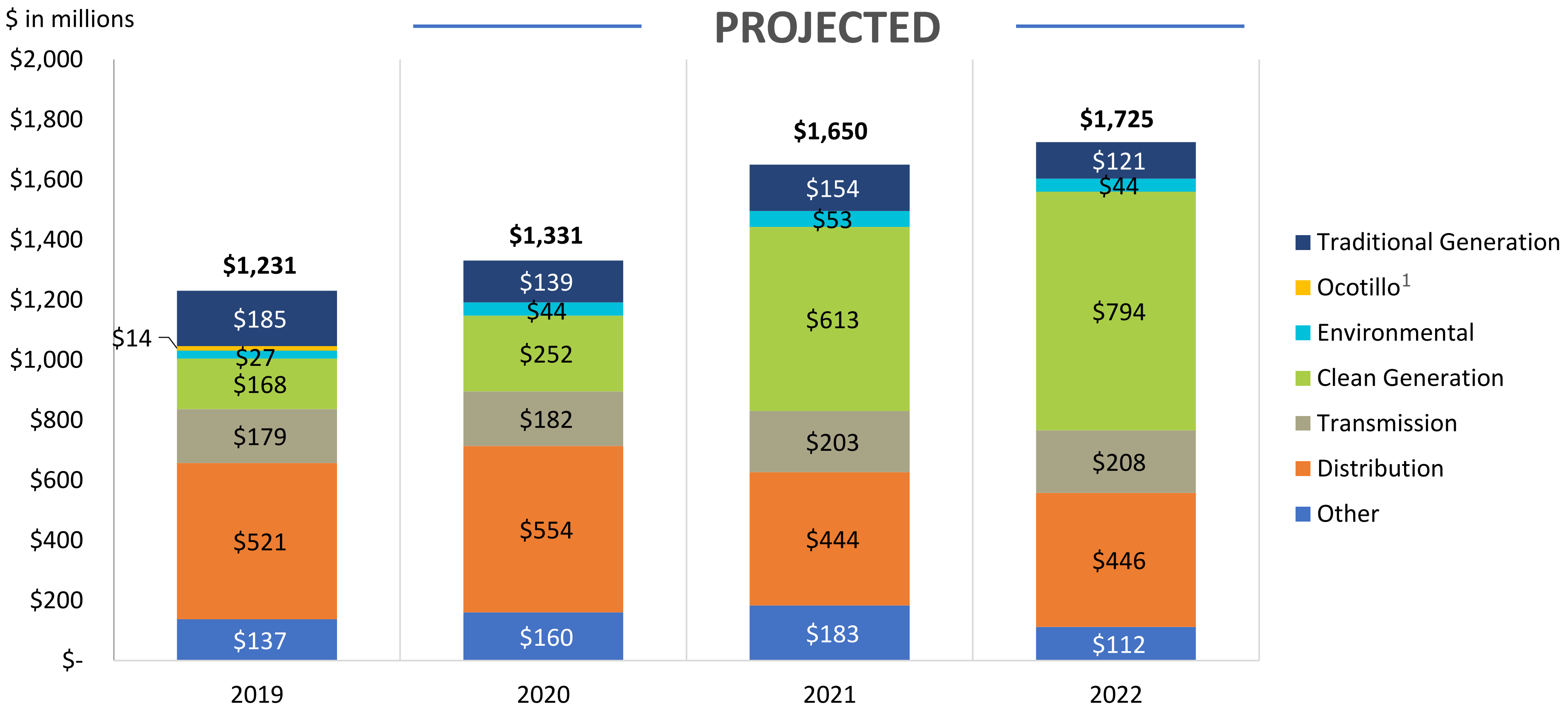
Coal, Nuclear, and Large Gas Planned Outages

Q1				Q2				Q4		
Plant	Unit	Estimated Duration in Days		Plant	Unit	Estimated Duration in Days		Plant	Unit	Estimated Duration in Days
Four Corners*	5	46		Four Corners*	5	30		Palo Verde	1	44
				Palo Verde	2	30				

*Outage duration spans Q1-Q2. Number of days noted per quarter.

APS CAPITAL EXPENDITURES

Capital expenditures will support our growing customer base and utilization of advanced technology



- 2020 – 2022 as disclosed in the 2019 Form 10-K.

[1] Ocotillo Modernization Project: Units in service second quarter 2019.

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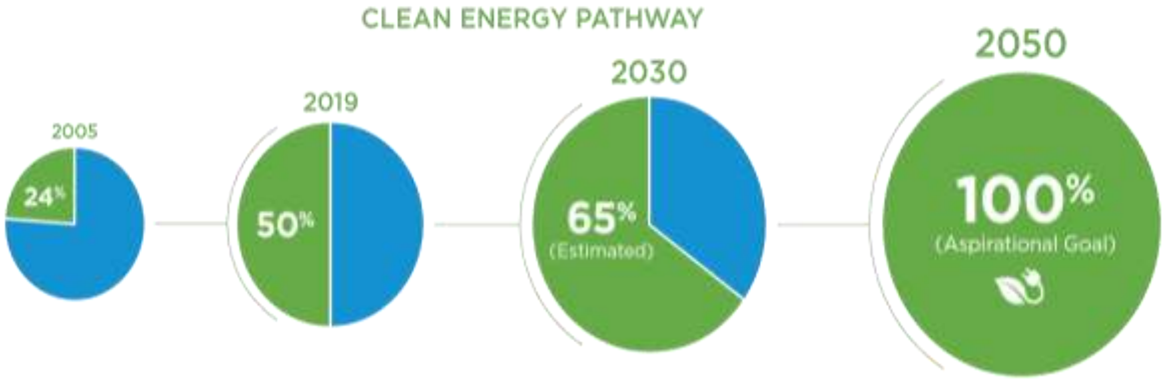
FUTURE FOCUS: CLEAN ENERGY PLAN

APS Clean Energy Commitment



Clean energy commitments

- 100% clean, carbon-free electricity by 2050
- 65% clean energy by 2030 with 45% renewable energy
- End APS's use of coal-fired generation by the end of 2031

A clean economic future

- Meet our responsibility to power Arizona and move toward a low-carbon economy
- Guided by sound science to advance a healthy environment
- Market-driven energy innovation and a strong Arizona economy are critical
- Starting from an energy mix that is 50% clean which includes: renewables, energy efficiency and carbon-free, clean energy from Palo Verde Generating Station

FUTURE FOCUS: CLEAN ENERGY PLAN

Pathways to 100% Clean

Policy decisions	Support policy decisions that leverage market-based technology and innovation to attract investment in Arizona
Existing power sources	Near-term use of natural gas until technological advances are available to maintain reliable service at reasonable prices
Evolving market-based solutions	Participation in the Energy Imbalance Market provides access to clean energy resources while saving customers money
Electrification	Electrification will drive a cleaner environment and more energy-efficient operations throughout the economy
Modernization of the electric grid	Continue to advance infrastructure that is responsive and resilient while providing customers more choice and control
Energy storage solutions	Storage creates opportunity to take advantage of midday solar generation and better respond to peak demand

Renewable additions of 300-500 MW/year to meet a 45% target by 2030

Next Steps: Collaboration, alignment and innovation

- Reliability and affordability are foundational
- Collaborate with customers, stakeholders and regulators
- Promote economy-wide electrification of industry, transportation and buildings
- Support innovation, research and development of new technology

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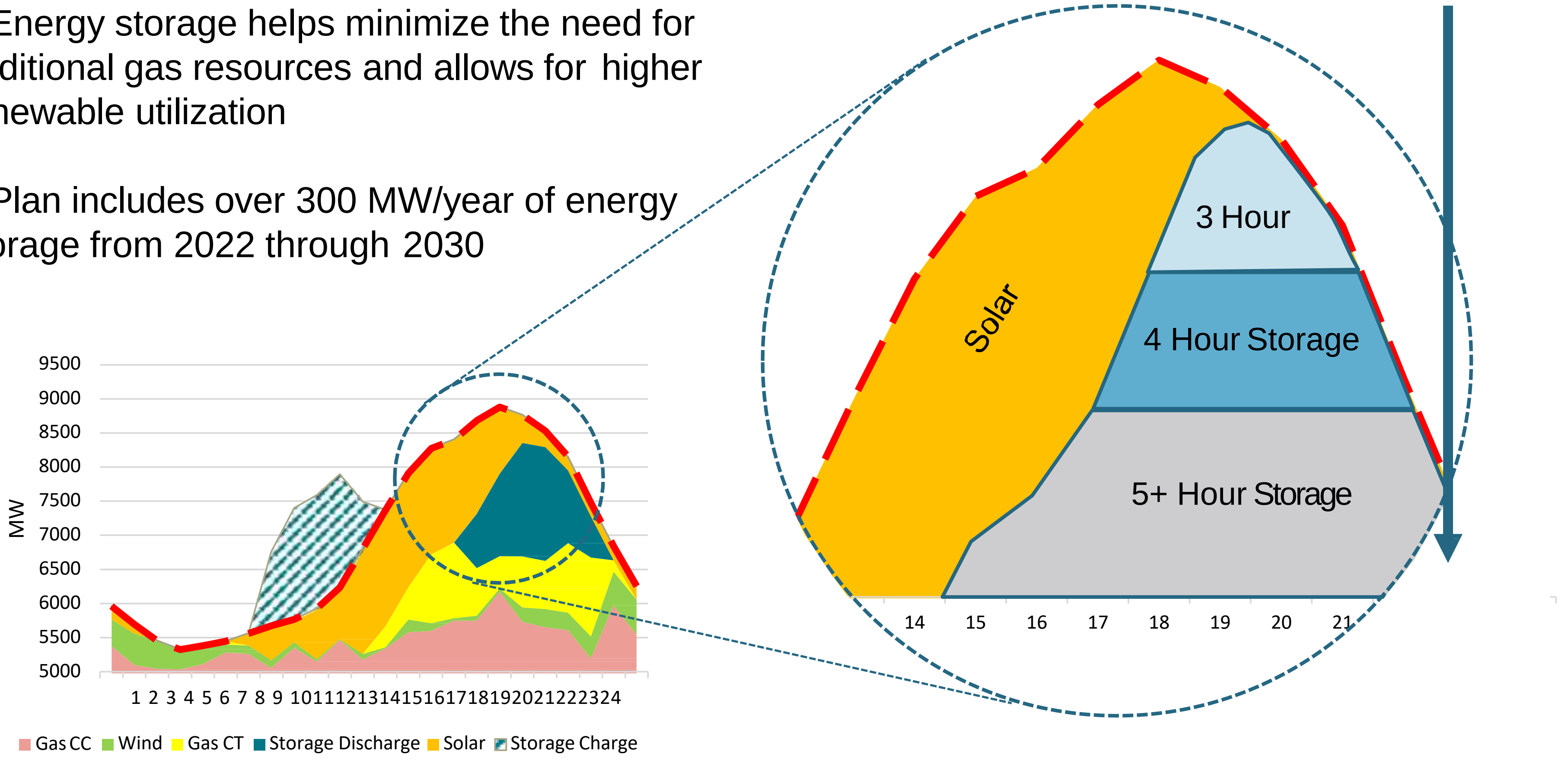
ENERGY STORAGE CONTRIBUTION TO RELIABILITY

- System reliability can be maintained by installing longer duration energy storage
- Energy storage helps minimize the need for additional gas resources and allows for higher renewable utilization
- Plan includes over 300 MW/year of energy storage from 2022 through 2030

Increasing storage duration required to maintain reliability



Pinnacle West Capital Corporation

APPENDIX

CREDIT RATINGS AND METRICS

	APS	Pinnacle West
Corporate Credit Ratings[1]		
Moody's	A2	A3
S&P	A-	A-
Fitch	A-	A-
Senior Unsecured[1]		
Moody's	A2	A3
S&P	A-	BBB+
Fitch	A	A-

S&P rates the outlooks for APS and Pinnacle West as Stable. Fitch & Moody's rate the outlooks for both as Negative.

	2016	2017	2018
APS			
FFO / Debt	27.4%	29.4%	24.5%
FFO / Interest	6.9x	7.5x	6.5x
Debt / Capitalization	47.3%	46.8%	47.0%
Pinnacle West			
FFO / Debt	26.3%	26.4%	22.1%
FFO / Interest	6.8x	7.1x	6.2x
Debt / Capitalization	48.7%	50.0%	51.4%

Source: Standard & Poor's

[1] We are disclosing credit ratings to enhance understanding of our sources of liquidity and the effects of our ratings on our costs of funds.

TAX REFORM

ACC – TAX EXPENSE ADJUSTOR MECHANISM:

- *PHASE I*: The ACC approved $119 million annual rate reduction reflecting the lower federal tax rate. Effective for the March 2018 billing cycle.
- *PHASE II*: The ACC approved an additional $86.5 million rate reduction to return the unprotected “excess” deferred taxes to ACC customers over a 12-month period. Effective for the April 2019 billing cycle.
- *PHASE III*: The ACC approved the rate reduction effective for the December 2019 billing cycle – (i) a one-time bill credit to customers to return $64 million related to amortization of protected “excess” deferred taxes from January 1, 2018 through October 31, 2019; and (ii) a monthly bill credit to return an additional $39.5 million to customers from December 2019 through December 2020 billing cycle.

CASH TAXES

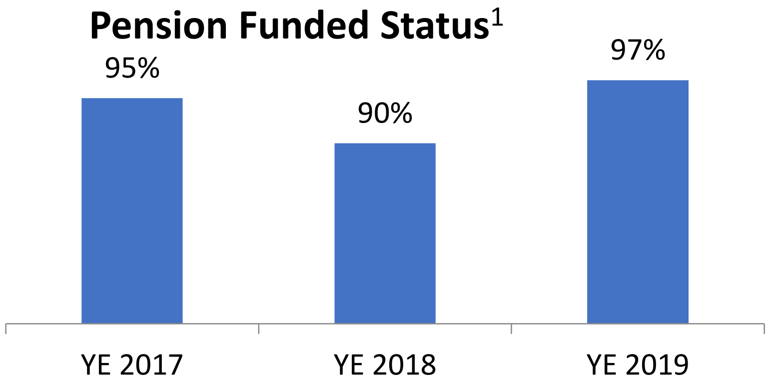
- New bonus deprecation regulations issued in September 2019 resulted in additional accelerated cash tax benefits of $100M through December 31, 2019.
- Minimal cash tax payments in 2020 as the Company utilizes existing tax credit carryforwards.
- Future investment tax credits from renewable efforts will likely reduce cash tax payments in the year the assets are placed in service.

EFFECTIVE TAX RATE

- Amortization of TEAM Phase II excess deferred taxes will benefit the Company’s 2019 and 2020 ETR.
- Amortization of TEAM Phase III excess deferred taxes are anticipated to benefit the ETR over a 28.5 year period.

Net Regulatory Liability for Excess Deferred Taxes ($ in millions)	At Dec 31, 2019
Total Net Regulatory Liability for Regulated Excess Deferred Taxes	$1,358
Net Regulatory Liability for Depreciation Related Excess Deferred Taxes (to be returned over the life of property)	$1,308
Net Regulatory Liability for Non-Depreciation Related Excess Deferred Taxes	$50

PENSION & OTHER POST RETIREMENT BENEFITS ("OPEB")



The pension plan employs a liability driven investment strategy in order to help reduce volatility in the plan's funded status.

($ in millions)

Expense[2]	2019A	2020E
Pension[1]	$20	$(4)
OPEB	$(20)	$(21)

Contributions	2019A	2020E	2021E	2022E
Pension	$150	Up to $100 Each Year		
OPEB	$0	$0	$0	$0

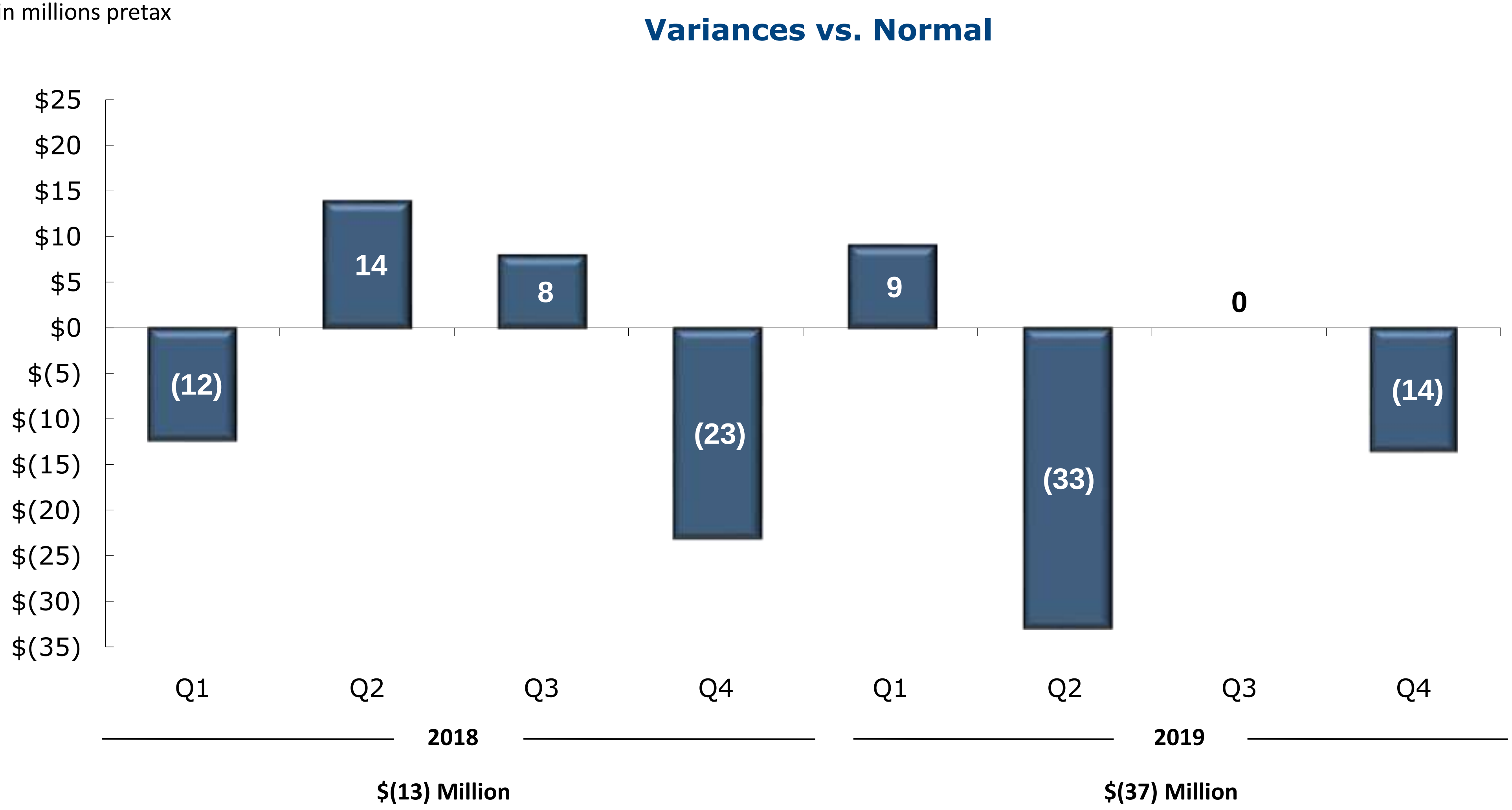
Expense Assumptions	2019	2020
Discount Rate: Pension	4.34%	3.30%
Expected Long-Term Return on Plan Assets: Pension	6.25%	5.75%

Data as of February 3, 2020

[1] Excludes supplemental excess benefit retirement plan calculated on a PBO basis.
[2] Excludes amounts capitalized or billed to electric generating plant joint owners.

GROSS MARGIN EFFECTS OF WEATHER

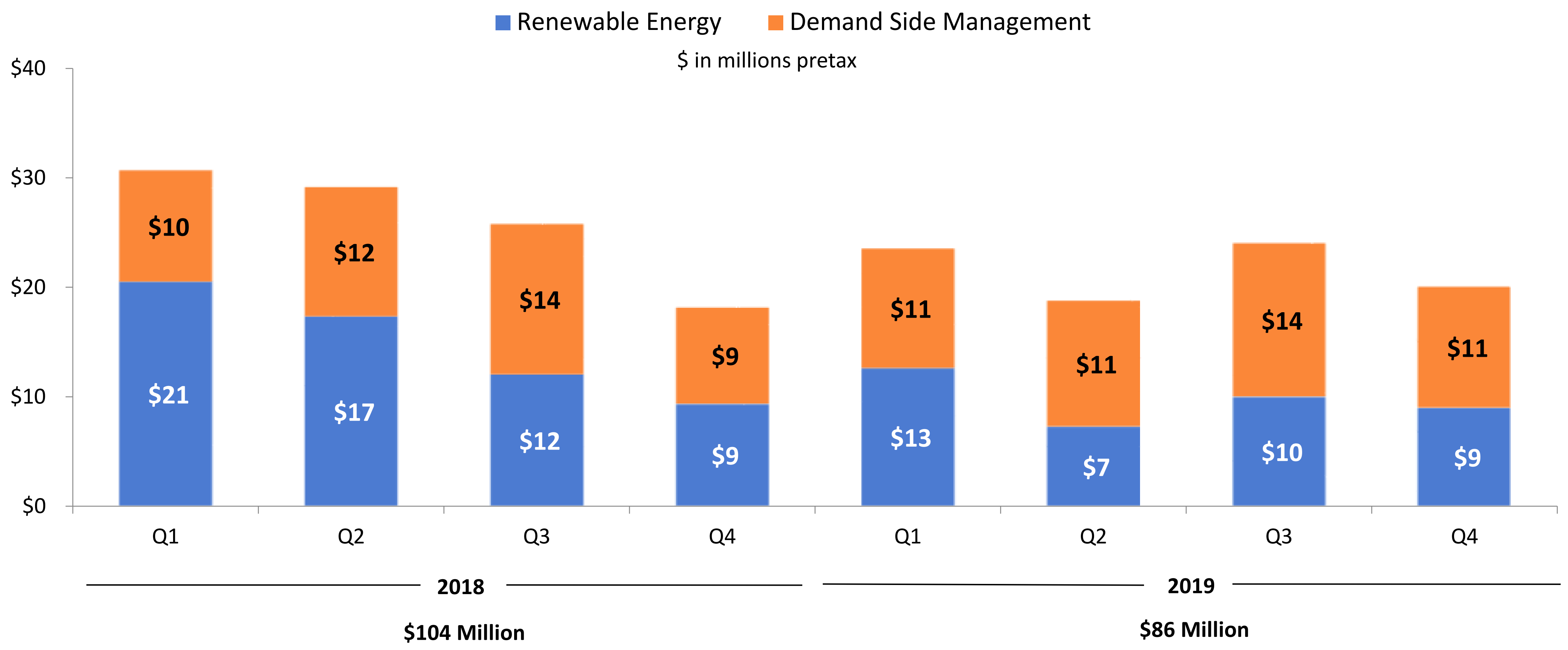
$ in millions pretax



All periods recalculated to current 10-year rolling average (2007 – 2016)

Numbers may not foot due to rounding.

RENEWABLE ENERGY AND DEMAND SIDE MANAGEMENT EXPENSES[1]



[1] Renewable energy and demand side management expenses are offset by adjustment mechanisms

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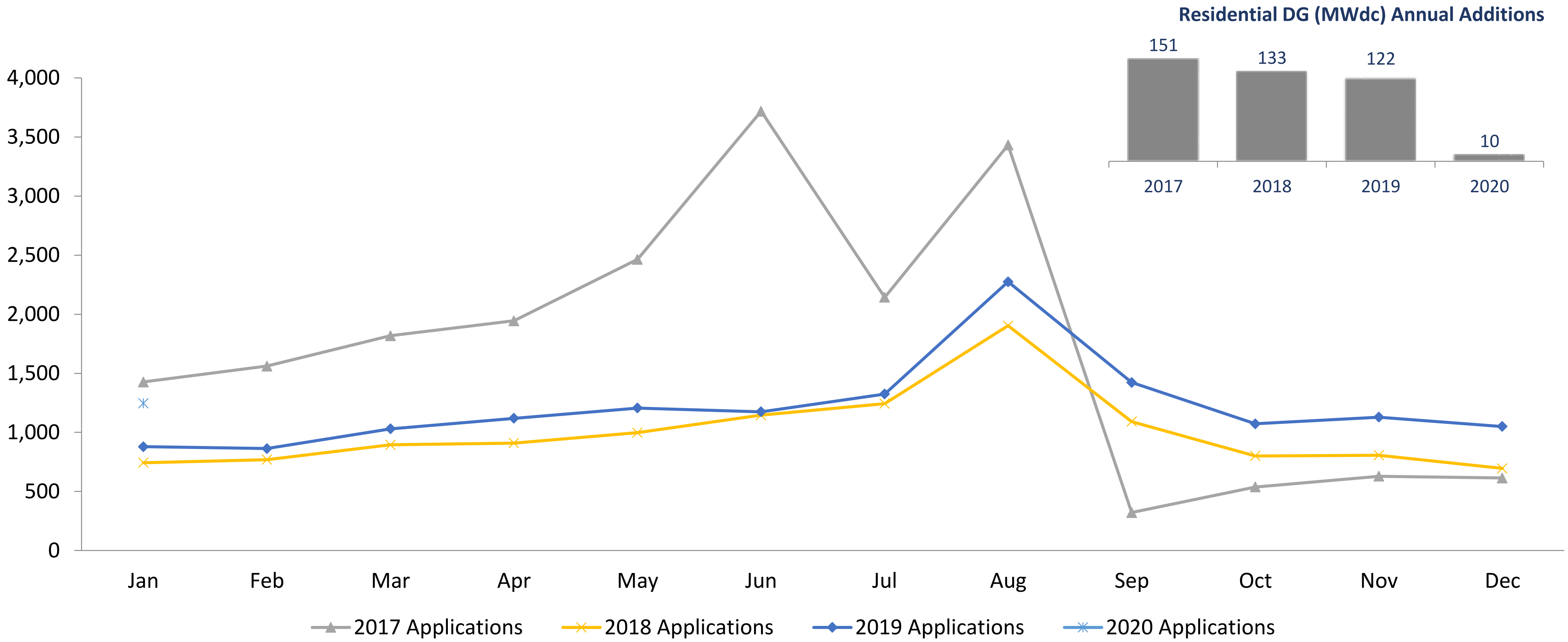
RESIDENTIAL PV APPLICATIONS[1]



[1] Monthly data equals applications received minus cancelled applications. As of January 31, 2020, approximately 105,000 residential grid-tied solar photovoltaic (PV) systems have been installed in APS's service territory, totaling approximately 844 MWdc of installed capacity. Excludes APS Solar Partner Program residential PV systems.

Note: www.arizonagoessolar.org logs total residential application volume, including cancellations. Solar water heaters can also be found on the site, but are not included in the chart above.

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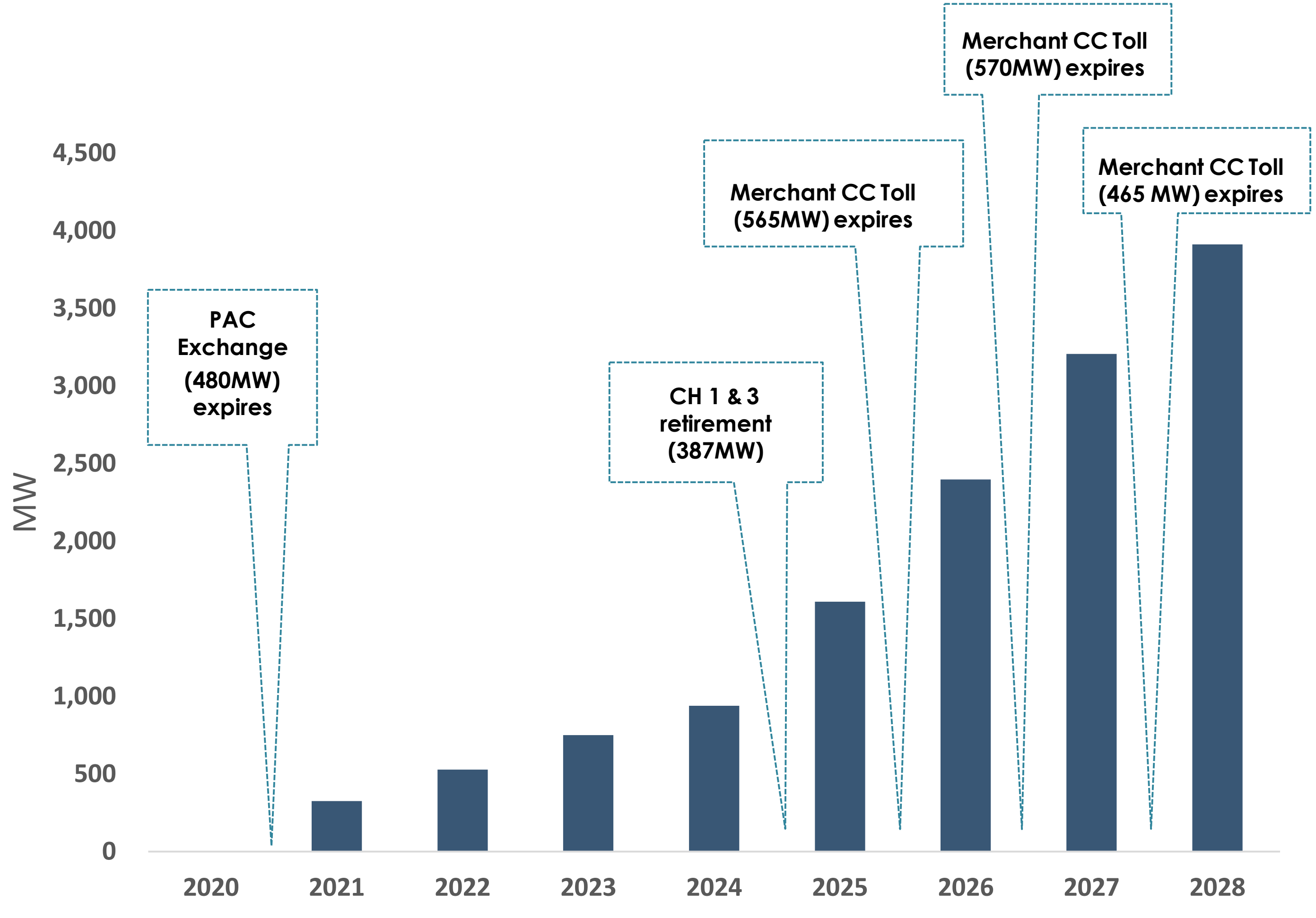
CUMULATIVE PEAK CAPACITY NEEDS THROUGH 2028

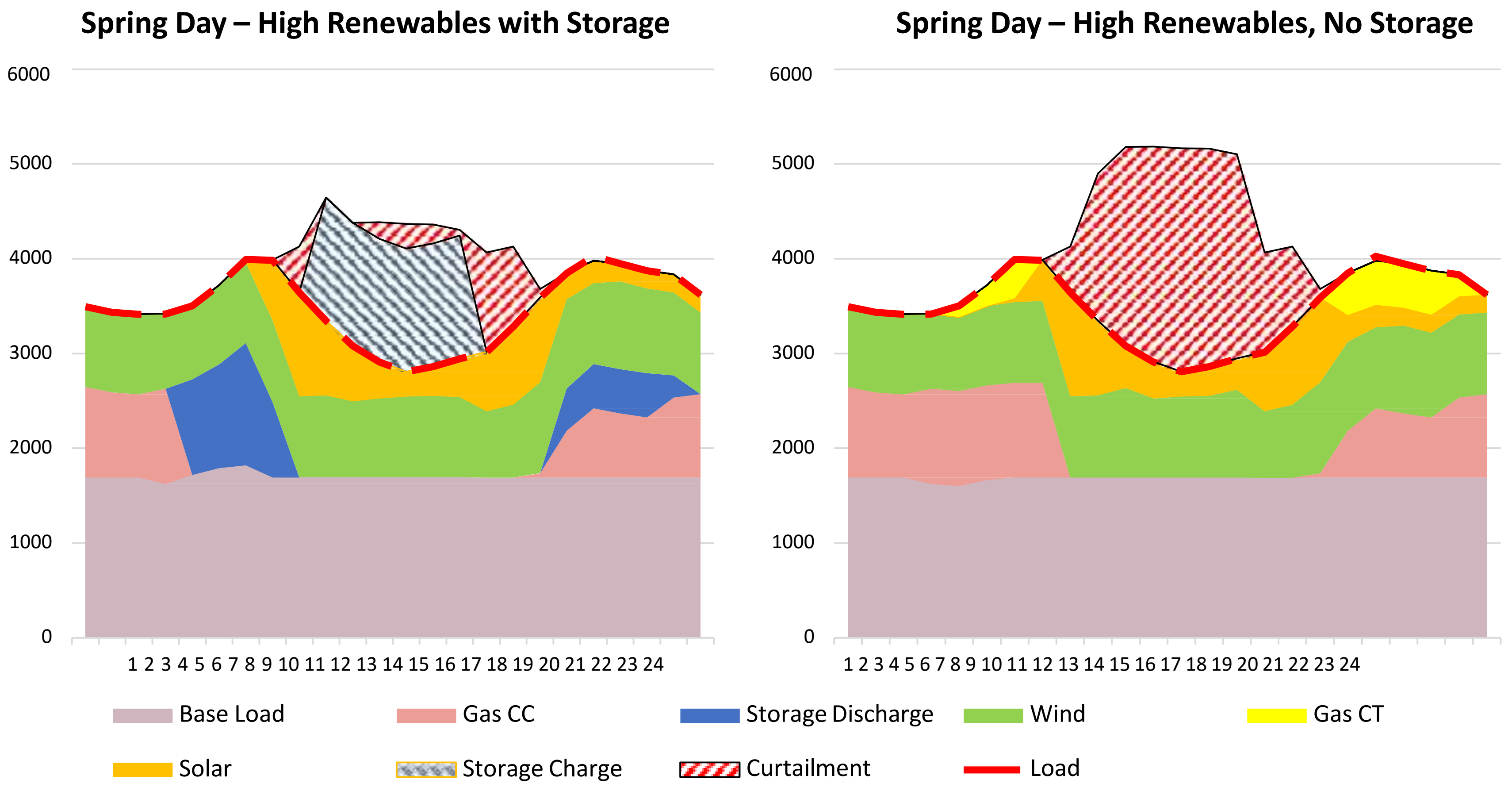


Large resource needs resulting from load growth, data centers and contract roll-offs

SYSTEM OPERATING CHANGE

Spring 2025

- Energy storage helps reduce the need for winter gas peaking resources and can be charged with zero or negatively priced energy



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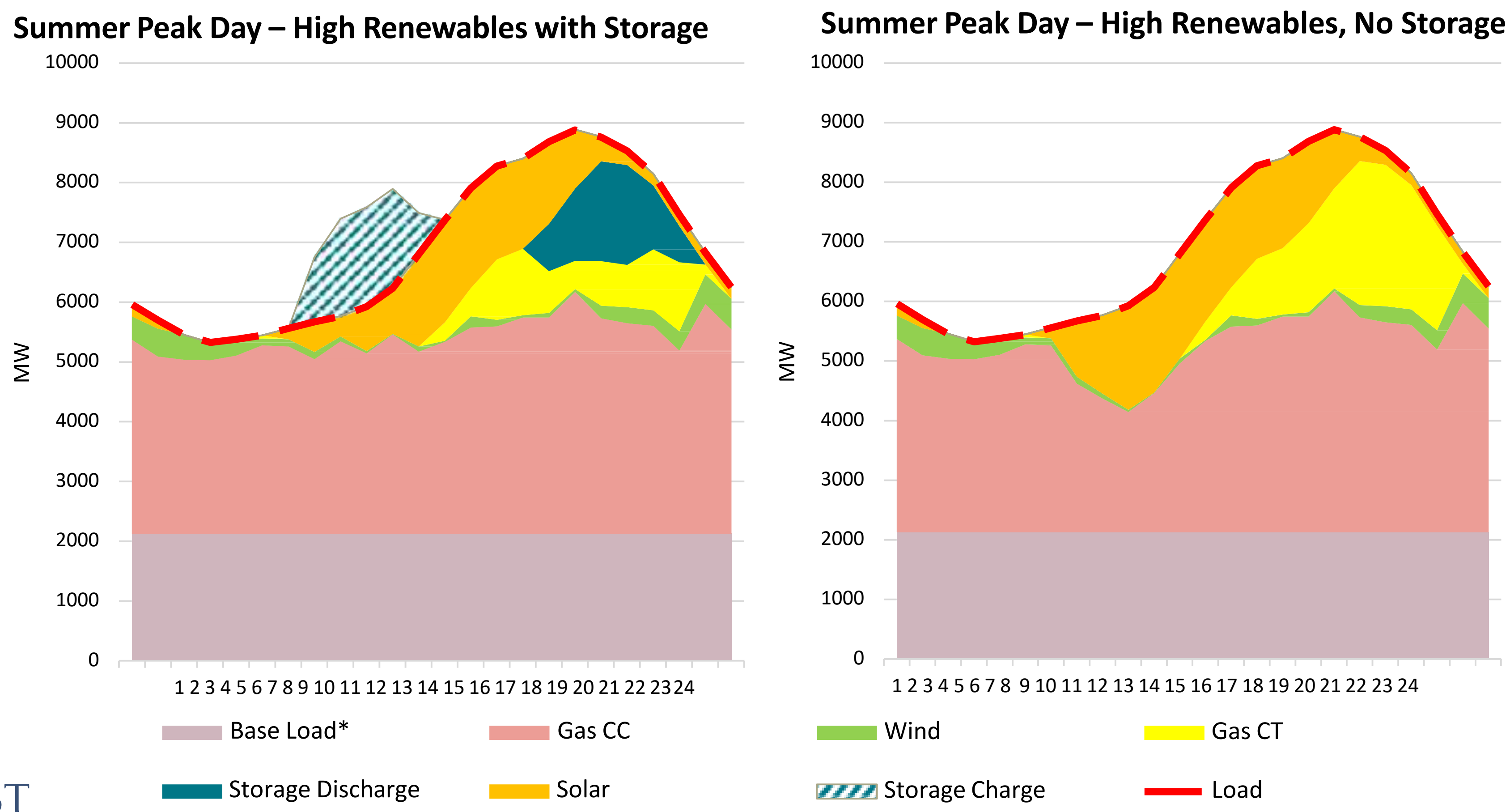
SYSTEM OPERATING CHANGE

Summer 2025

- Energy storage reduces the need for gas peaking resources and pipeline capacity



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2020 KEY DATES

ACC Key Dates / Docket #	Q1	Q2	Q3	Q4
Power Supply Adjustor (PSA): **E-01345A-16-0036**	Effective: Feb 1			
Lost Fixed Cost Recovery: **E-01345A-16-0036**	Filed: Feb 14			
Transmission Cost Adjustor: **E-01345A-16-0036**		To be Filed: May 15 Effective: Jun 1		
2020 DSM/EE Implementation Plan: **E-01345A-19-0148**				
2020 RES Implementation Plan: **E-01345A-19-0088**				
2019 Rate Case: **E-01345A-19-0236**			Hearing Begins: Jul 17	
Resource Planning and Procurement: **E-00000V-19-0034**		IRP Due: Jun 26		
Resource Comparison Proxy (RCP): **New Docket**		To be Filed: May 1		
Possible Modification to Commission's Energy Rules: **RU-00000A-18-0284**	Workshops Mar 10, 11			
Modification to Retail Competition Rules: **RE-00000A-18-0405**	Workshops Feb 25, 26			
Proposed Termination of Service Rule Modifications: **RU-00000A-19-0132**	Workshop Jan 30			

2019 APS RATE CASE APPLICATION

Filed October 31, 2019
Docket Number: E-01345A-19-0236
Additional details, including filing, can be found at http://www.pinnaclewest.com/investors

Adjustor Changes and New Mechanisms Overview	
Formula Rate	- Proposed as an alternative to existing adjustor mechanisms
Deferral of Costs for Limited Income Program	- Allows for growth of program without requiring estimation of future enrollment
Property Tax Deferral	- Deferral of any increase or decrease in Arizona property taxes attributable to tax rate changes
Rate Design Overview	
Residential Rate Design	- Extend super off peak to residential demand rates - Subscription rate pilot
Commercial and Industrial Rate Design	- Propose AG-Y (access to market index pricing) program for medium and large general service customers
Customer Support Programs	- More ways to enroll in the program - Propose increasing funding of Crisis Bill from $1.25M to $2.5M

2019 RATE CASE KEY FINANCIALS

APS has requested a rate increase to become effective December 1, 2020

Test year ended June 30, 2019	
Total Rate Base - Adjusted	$11.12 Billion
ACC Rate Base - Adjusted	$8.87 Billion
Allowed Return on Equity	**10.15%**
Capital Structure	
Long-term debt	45.3%
Common equity	54.7%
Base Fuel Rate (¢/kWh)	**3.0168**
Post-test year plant period	**12 months**

Overview of Rate Increase ($ in Millions)		
Total stated base rate increase (inclusive of existing adjustor transfers)	$ 68.59	2.1%
Plus: Transfer to base rates of various adjustors already in effect	$ 115.04	3.5%
Net Customer Bill Impact	**$ 183.63**	**5.6%**

2019 RATE CASE KEY FINANCIALS

APS has requested a rate increase to become effective December 1, 2020

Overview of Rate Increase ($ in Millions) - Key Components	
Four Corners SCRs	$ 73
Ocotillo Modernization Project	100
Post-Test Year Plant Additions	66
Net Change in Other Items	64
Tax Expense Adjustor Termination	(119)
Total Revenue Request	$ 184

APS
Rate Case Procedural Schedule

Arizona Public Service Company
Docket # E-01345A-19-0236

Application Filed October 31, 2019

Staff/Intervenor Direct Testimony (May 20, 2020)

Staff/Intervenor Direct Testimony (Rate Design) (May 27, 2020)

APS Rebuttal Testimony (Jun 18, 2020)

Staff/Intervenor Surrebuttal Testimony (Jul 2, 2020)

APS Rejoinder Testimony (Jul 10, 2020)

Pre-Hearing Conference (Jul 13, 2020)

Hearing Commences (Jul 17, 2020)

ARIZONA UTILITIES
GENERAL RATE CASES

Tucson Electric Power Company **Docket # E-01933A-19-0028** Application Filed April 1, 2019 Hearing Commences (Jan 16, 2020) Staff's late-filed testimony (March 31, 2020) Responsive testimony (April 14, 2020) Additional hearing dates (April 22-23, 2020) Initial post-hearing briefs (May 7, 2020) Final post-hearing briefs (May 22, 2020)	**Southwest Gas** **Docket # G-01551A-19-0055** Application Filed May 1, 2019 Staff /Intervenor Direct Testimony (Revenue) (Feb 5, 2020) Staff/Intervenor Direct (Rate Design) (Feb 19, 2020) SWG Rebuttal Testimony (March 11, 2020) Staff/Intervenor Surrebuttal Testimony (April 3, 2020) SWG Rejoinder Testimony (April 14, 2020) Prehearing Conference (April 16, 2020) Hearing Commences (April 20, 2020)

PINNACLE WEST
CAPITAL CORPORATION

NON-GAAP MEASURE RECONCILIATION

$ in millions pretax, except per share amounts	2019[1]	RES/ DSM	Four Corners and Ocotillo Deferrals[2]	Income tax expense at statutory rate	Other	2019 Adjusted	2018[1]	RES/ DSM	Four Corners Deferral[2]	Income tax expense at statutory rate	2018 Adjusted	EPS Impact
	Three Months Ended December 31,											
Operating revenues	$ 670	$ (27)	$ -	$ -	$ -	$ 643	$ 756	$ (25)	$ -	$ -	$ 731	
Fuel and purchased power expenses	(225)	7	-	-	-	(218)	(232)	7	-	-	(225)	
Gross margin	**445**	**(20)**	**-**	**-**	**-**	**425**	**524**	**(18)**	**-**	**-**	**506**	**$(0.54)**
Operations and maintenance	**230**	**(20)**	**-**	**-**	**-**	**210**	**256**	**(18)**	**-**	**-**	**238**	**$ 0.19**
Depreciation and amortization	**145**	**-**	**(2)**	**-**	**-**	**143**	**146**	**-**	**-**	**-**	**146**	**$ 0.02**
Other taxes	**55**	**-**	**(2)**	**-**	**-**	**53**	**54**	**-**	**-**	**-**	**54**	**$ 0.01**
Allowance for equity funds used during construction	(7)	-	-	-	-	(7)	(13)	-	-	-	(13)	
Interest charges	60	-	(12)	-	(1)	47	62	-	(5)	-	57	
Allowance for borrowed funds used during construction	(4)	-	-	-	-	(4)	(6)	-	-	-	(6)	
Interest expense, net of AFUDC	**49**	**-**	**(12)**	**-**	**(1)**	**36**	**43**	**-**	**(5)**	**-**	**38**	**$ -**
Other expenses (operating)	4	-	-	-	-	4	1	-	-	-	1	
Other income	(15)	-	12	-	-	(3)	(7)	-	5	-	(2)	
Other expense	3	-	-	-	4	7	6	-	-	-	6	
Other	**(8)**	**-**	**12**	**-**	**4**	**8**	**-**	**-**	**5**	**-**	**5**	**$(0.02)**
Income taxes	**(89)**	**-**	**-**	**5**	**1**	**(83)**	**7**	**-**	**-**	**(9)**	**(2)**	**$ 0.72**

[1] Line items from Consolidated Statements of Income.

[2] See Note 4, Regulatory Matters, in Form 10-K for the period ended December 31, 2019, for total Four Corners and Ocotillo deferral impacts.

Numbers may not foot due to rounding.

NON-GAAP MEASURE RECONCILIATION

$ in millions pretax, except per share amounts	2019[1]	RES/ DSM	Four Corners and Ocotillo Deferrals[2]	Income tax expense at statutory rate	Other	2019 Adjusted	2018[1]	RES/ DSM	Four Corners Deferral[2]	Income tax expense at statutory rate	2018 Adjusted	EPS Impact
	Twelve Months Ended December 31,											
Operating revenues	$3,471	$ (125)	$ -	$ -	$ -	$ 3,346	$3,691	$ (140)	$ -	$ -	$ 3,551	
Fuel and purchased power expenses	(1,042)	40	-	-	-	(1,002)	(1,076)	38	-	-	(1,038)	
Gross margin	**2,429**	**(85)**	**-**	**-**	**-**	**2,344**	**2,615**	**(102)**	**-**	**-**	**2,513**	**$(1.13)**
Operations and maintenance	**942**	**(86)**	**-**	**-**	**(1)**	**855**	**1,037**	**(104)**	**-**	**-**	**933**	**$ 0.52**
Depreciation and amoritization	**591**	**-**	**(7)**	**-**	**(1)**	**583**	**582**	**-**	**(2)**	**-**	**580**	**$(0.02)**
Other taxes	**219**	**-**	**(7)**	**-**	**(1)**	**211**	**213**	**-**	**(2)**	**-**	**211**	**$ -**
Allowance for equity funds used during construction	(31)	-	-	-	-	(31)	(52)	-	-	-	(52)	
Interest charges	235	-	(40)	-	1	196	243	-	(16)	-	227	
Allowance for borrowed funds used during construction	(19)	-	-	-	-	(19)	(25)	-	-	-	(25)	
Interest expense, net of AFUDC	**185**	**-**	**(40)**	**-**	**1**	**146**	**166**	**-**	**(16)**	**-**	**150**	**$(0.02)**
Other expenses (operating)	6	-	-	-	-	6	9	-	-	-	9	
Other income	(50)	-	40	-	-	(10)	(25)	-	16	-	(9)	
Other expense	18	-	-	-	4	22	18	-	-	-	18	
Other	**(26)**	**-**	**40**	**-**	**4**	**18**	**2**	**-**	**16**	**-**	**18**	**$ -**
Income taxes	**(16)**	**-**	**-**	**(134)**	**-**	**(150)**	**134**	**-**	**-**	**(164)**	**(30)**	**$ 1.06**

[1] Line items from Consolidated Statements of Income.
[2] See Note 4, Regulatory Matters, in Form 10-K for the period ended December 31, 2019, for total Four Corners and Ocotillo deferral impacts.

PINNACLE WEST
CAPITAL CORPORATION

Numbers may not foot due to rounding.

NON-GAAP MEASURE RECONCILIATION

$ in millions pretax	2020 Guidance		
Operating revenues[1]	**$ 3,570**	**-**	**$ 3,640**
Fuel and purchased power expenses[1]	**(1,030)**	**-**	**(1,040)**
Gross margin	**2,540**	**-**	**2,600**
Adjustments:			
Renewable energy and demand side management programs	**(65)**	**-**	**(65)**
Adjusted gross margin	**$ 2,475**	**-**	**$ 2,535**
Operations and maintenance[1]	**$ 895**	**-**	**$ 915**
Adjustments:			
Renewable energy and demand side management programs	**(65)**	**-**	**(65)**
Adjusted operations and maintenance	**$ 830**	**-**	**$ 850**

[1] Line items from Consolidated Statements of Income.

CONSOLIDATED STATISTICS

	3 Months Ended December 31,			12 Months Ended December 31,		
	2019	2018	Incr (Decr)	2019	2018	Incr (Decr)
ELECTRIC OPERATING REVENUES (Dollars in Millions)						
Retail						
Residential	$ 309	$ 355	$ (46)	$ 1,761	$ 1,867	$ (106)
Business	315	353	(38)	1,510	1,629	(119)
Total Retail	624	708	(85)	3,271	3,496	(226)
Sales for Resale (Wholesale)	27	28	(2)	122	109	13
Transmission for Others	16	14	2	63	60	2
Other Miscellaneous Services	3	5	(2)	12	19	(7)
Total Electric Operating Revenues	$ 669	$ 755	$ (86)	$ 3,467	$ 3,684	$ (217)
ELECTRIC SALES (GWH)						
Retail						
Residential	2,581	2,504	76	13,189	13,190	(1)
Business	3,427	3,363	64	14,655	14,752	(97)
Total Retail Sales	6,007	5,867	140	27,845	27,942	(98)
Sales for Resale (Wholesale)	996	722	274	4,039	2,503	1,536
Total Electric Sales	7,003	6,589	414	31,884	30,445	1,438
RETAIL SALES (GWH) - WEATHER NORMALIZED						
Residential	2,709	2,686	23	13,426	13,320	106
Business	3,439	3,410	29	14,836	14,777	59
Total Retail Sales	6,148	6,096	52	28,262	28,097	165
Retail sales (GWH) (% over prior year)	0.9%	0.4%		0.6%	(0.0)%	
AVERAGE ELECTRIC CUSTOMERS						
Retail Customers						
Residential	1,135,132	1,110,442	24,690	1,123,829	1,100,816	23,014
Business	137,834	135,368	2,466	136,286	134,634	1,652
Total Retail	1,272,965	1,245,810	27,155	1,260,115	1,235,450	24,665
Wholesale Customers	48	44	4	48	38	11
Total Customers	1,273,013	1,245,854	27,159	1,260,164	1,235,488	24,676
Total Customer Growth (% over prior year)	2.2%	2.0%		2.0%	1.7%	
RETAIL USAGE - WEATHER NORMALIZED (KWh/Average Customer)						
Residential	2,386	2,419	(32)	11,947	12,100	(153)
Business	24,953	25,191	(237)	108,860	109,757	(897)

PINNACLE WEST CAPITAL CORPORATION

Numbers may not foot due to rounding.

CONSOLIDATED STATISTICS

	3 Months Ended December 31,			12 Months Ended December 31,		
	2019	2018	Incr (Decr)	2019	2018	Incr (Decr)
ENERGY SOURCES (GWH)						
Generation Production						
Nuclear	2,087	1,974	113	9,289	9,052	237
Coal	1,760	2,373	(613)	8,120	7,817	303
Gas, Oil and Other	2,372	1,812	559	8,817	7,856	961
Renewables	115	99	15	595	595	(0)
Total Generation Production	6,333	6,259	74	26,821	25,320	1,500
Purchased Power					-	
Conventional	423	708	(285)	3,907	5,210	(1,303)
Resales	76	22	53	596	192	404
Renewables	470	380	89	2,078	1,923	154
Total Purchased Power	968	1,111	(143)	6,581	7,325	(744)
Total Energy Sources	7,301	7,370	(68)	33,402	32,645	756
POWER PLANT PERFORMANCE						
Capacity Factors - Owned						
Nuclear	83%	78%	4%	93%	90%	2%
Coal	52%	64%	-12%	57%	53%	3%
Gas, Oil and Other	36%	26%	10%	33%	28%	5%
Renewable	23%	20%	3%	30%	30%	0%
System Average	49%	45%	3%	51%	46%	4%

	3 Months Ended December 31,			12 Months Ended December 31,		
	2019	2018	Incr (Decr)	2019	2018	Incr (Decr)
WEATHER INDICATORS - RESIDENTIAL						
Actual						
Cooling Degree-Days	23	3	20	1,697	1,820	(123)
Heating Degree-Days	358	366	(8)	963	689	274
Average Humidity	21%	45%	(24)%	25%	30%	(5)%
10-Year Averages (2007 - 2016)						
Cooling Degree-Days	44	44	-	1,777	1,777	-
Heating Degree-Days	351	351	-	800	800	-
Average Humidity	28%	28%	-	0%	0%	-

PINNACLE WEST CAPITAL CORPORATION

Numbers may not foot due to rounding.