PINNACLE WEST
CAPITAL CORPORATION

POWERING GROWTH
DELIVERING VALUE

Investor Meetings
November 10-12, 2019

FORWARD LOOKING STATEMENTS

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 extend the rights for continued power plant operations; 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, 2018, 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.

PINNACLE WEST: WHO WE ARE

We are a vertically integrated, regulated electric utility in the growing Southwest United States

Our Business

Pinnacle West operates Arizona Public Service Company ("APS"), our principal subsidiary

$18B

Consolidated Assets

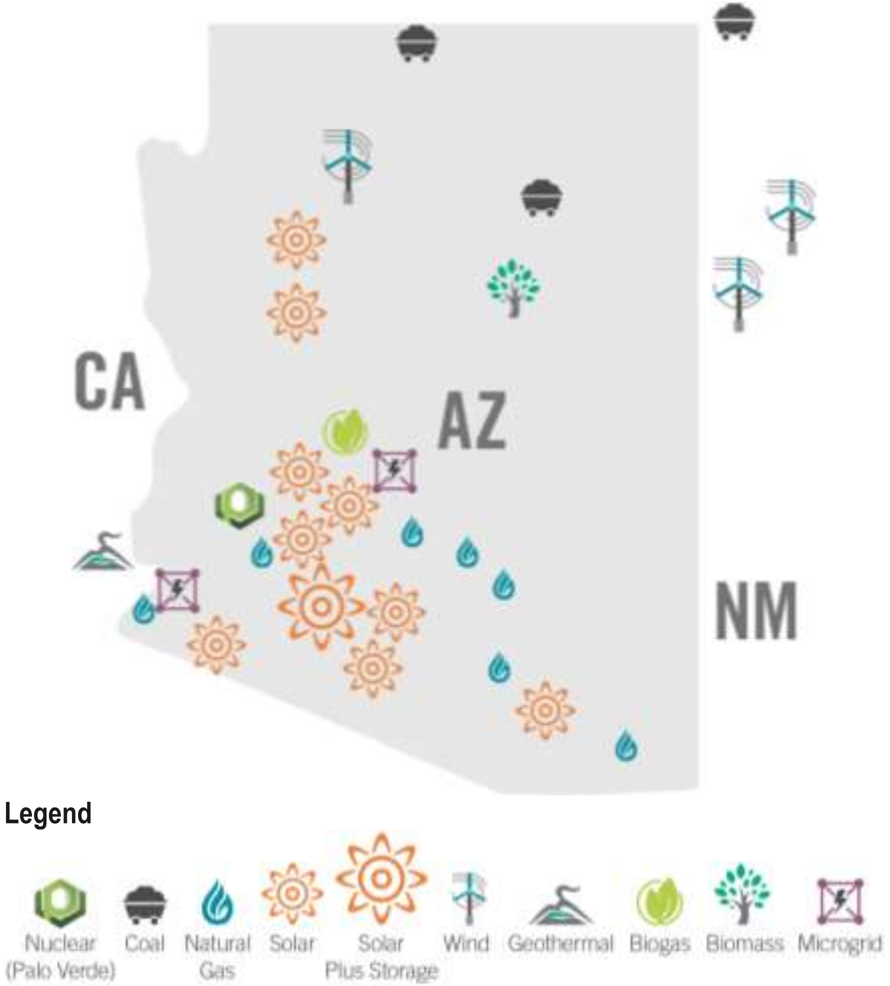
aps

Arizona's largest and longest-serving electric company, providing affordable and reliable electricity for approximately 1.2M customers

Palo Verde

We operate the Palo Verde Generating Station, the nation's largest producer of carbon-free energy

Our Energy Resources



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BUILDING A SUSTAINABLE FUTURE

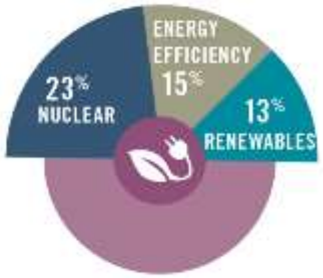
We are working to meet business needs with practices that balance a healthy environment, a vibrant economy and strong communities for future generations

Clean

Providing an energy mix that is already 50% clean today

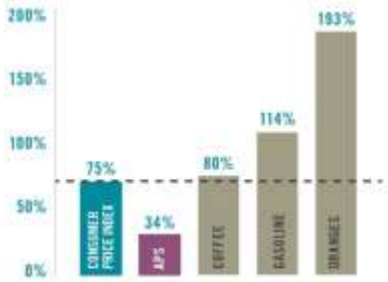
1,717MW

of renewables capacity



Affordable

Delivering affordable energy for the benefit of 1.2 million customers



Over the past 25 years, our residential rates have increased **BELOW THE RATE OF INFLATION**

Reliable

Safely and efficiently delivering reliable energy to meet our customers' needs now and in the future

Our customers experience **LESS THAN ONE OUTAGE** per year on average—ranking us in top 20% for reliability in the past 10 years*

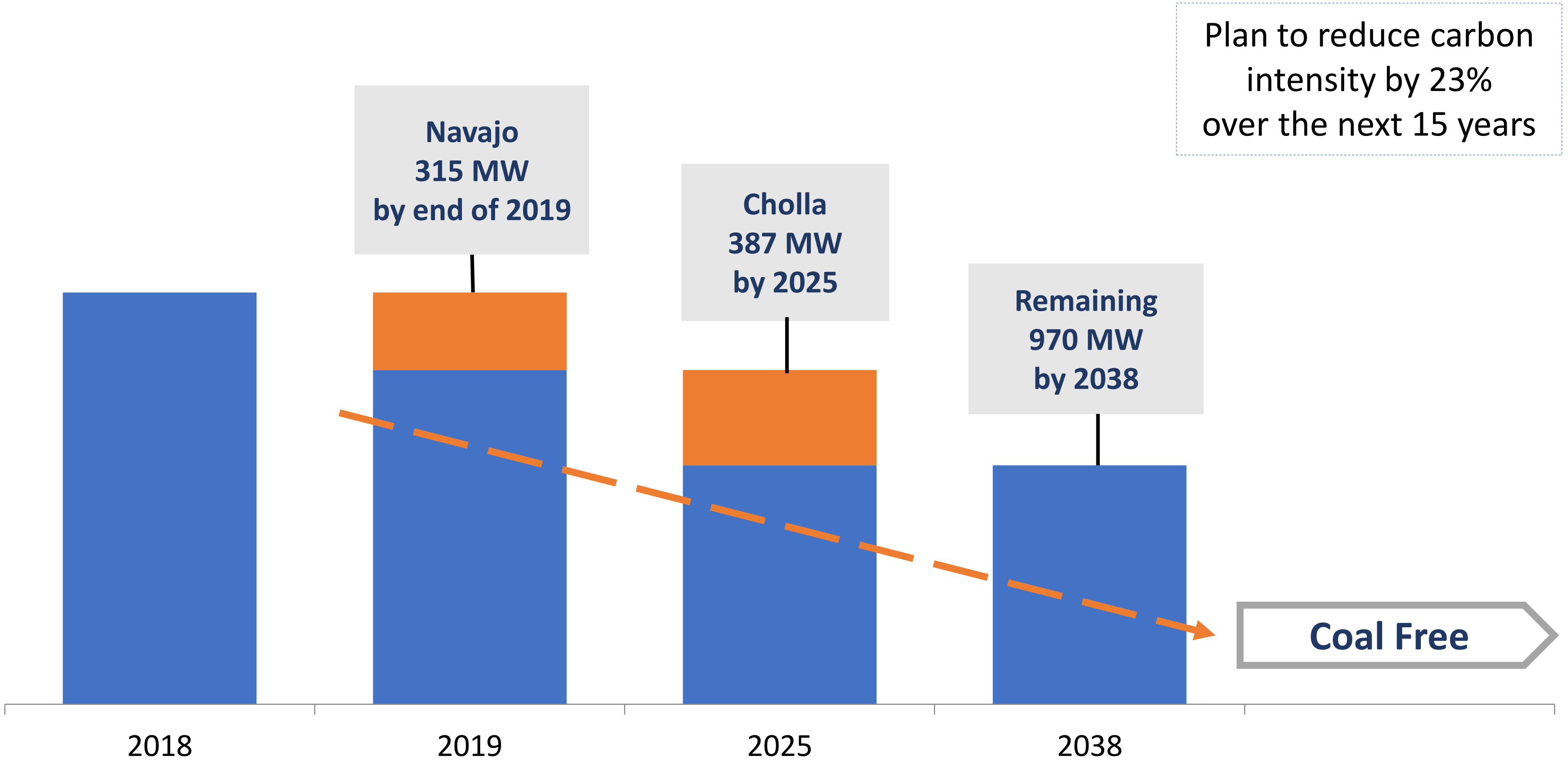
Customer Focused

Developing new and innovative solutions to meet the changing needs of our customers

APS TAKE CHARGE AZ program is increasing access to charging equipment for electric vehicles

* 2008-2017

COAL EXIT STRATEGY



- We have a long history of transitioning to clean energy resources that reduce carbon emissions
- Since 2005, baseline carbon emissions have been reduced by more than six million tons per year, which represents a 28% reduction

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CARBON AVOIDANCE AND EMISSION REDUCTIONS

APS surpassed the Paris Agreement greenhouse gas reduction goal 9 years early

Carbon Avoidance Metric

- Measures Companywide carbon reduction, not just generation

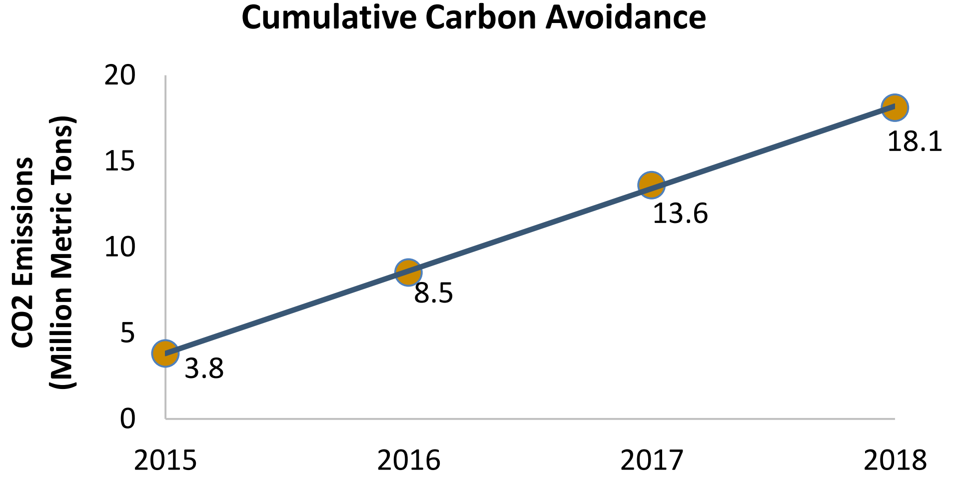
Carbon Avoidance Opportunities

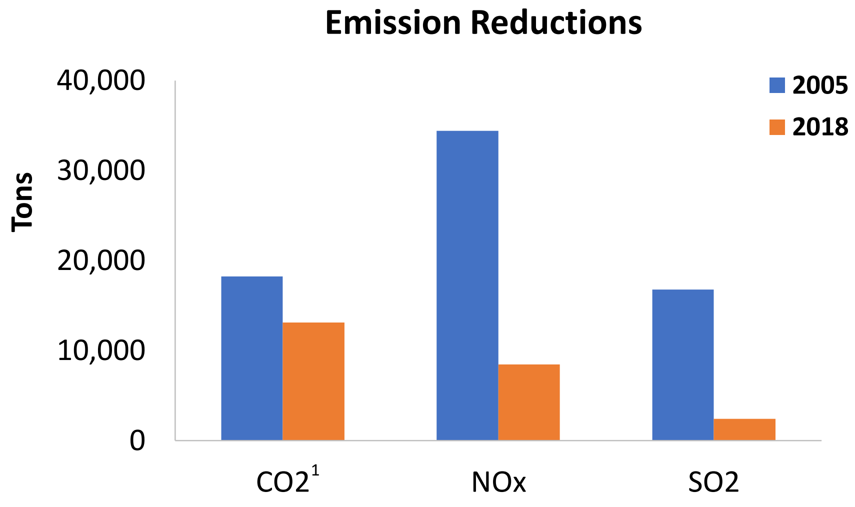
- Retiring coal plants
- Renewable energy generation
- Power purchase agreements
- Energy efficiency programs for customers
- Energy efficient buildings
- Fleet electrification

Since 2015 APS has avoided 18.1 million metric tons of carbon dioxide emissions that would have been emitted – equivalent of removing almost 4 million automobiles from the road

Clean Energy

- Since 2005 we have reduced
  - CO_2 emissions by 28%
  - NOx emissions by 75%
  - SO_2 emissions by 86%
- NOx emission reduced by 88% compared to 2005 at the Four Corners Plant as a result of recent emission controls





[1]CO2 = '000 tons

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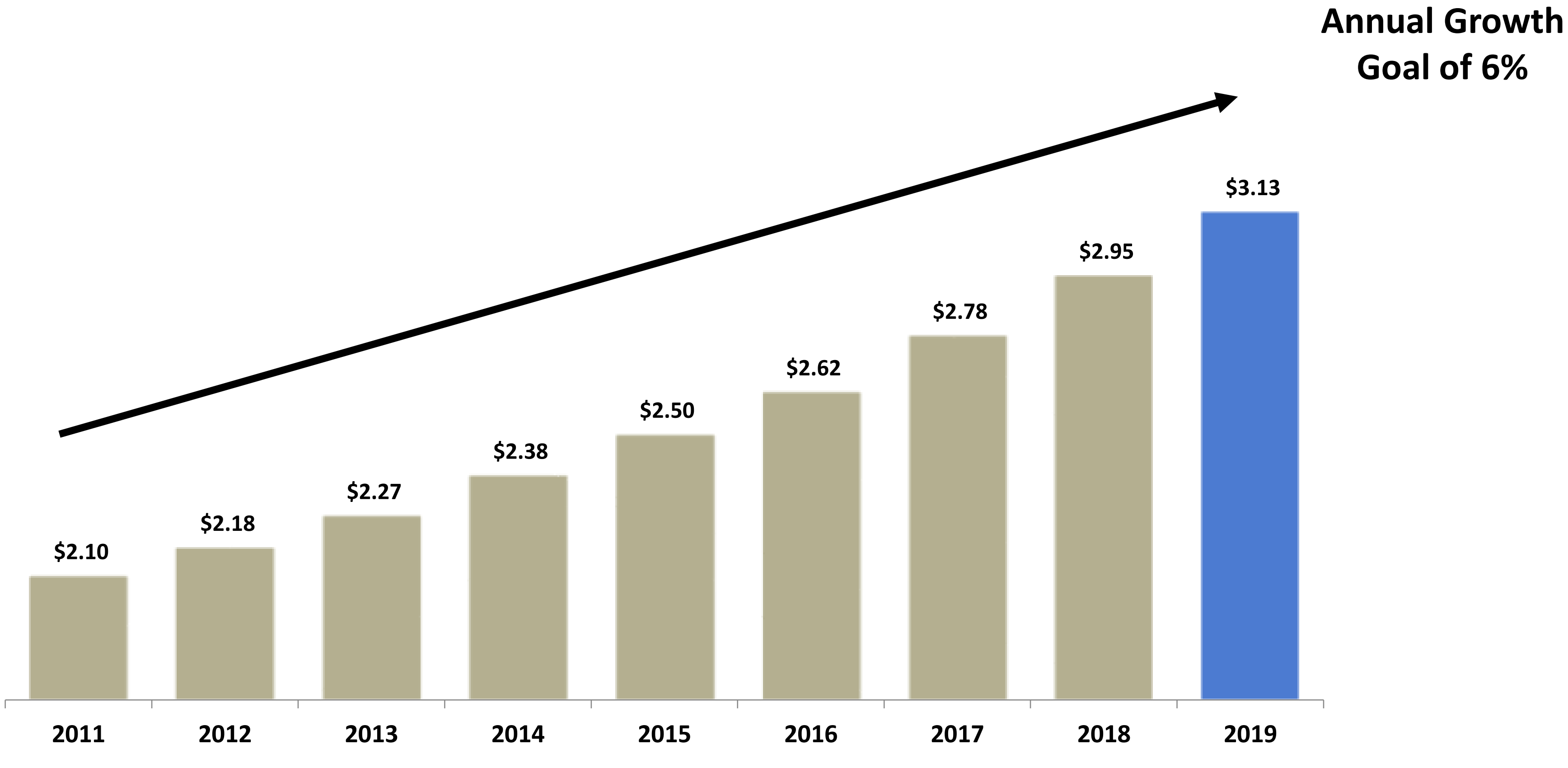
DELIVERING SHAREHOLDER VALUE

In 2019, Pinnacle West increased its dividend by ~6%, representing the 8th straight year of increases[1]



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

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DELIVERING ON OUR COMMITMENT TO CUSTOMER AFFORDABILITY

2018 - July 2019 Adjustments to Residential Bills ↓ 6.48%

Since 2018, changes to adjustors have lowered the average customer's bill **$9.71**

$154.02
2/1/18 – PSA
Recovers fuel costs

$148.77
3/1/18 - TEAM I
Credit from federal tax reform

$148.89
4/1/18 - EIS
Recovers environmental improvements

$148.15
6/1/18 - TCA
Access to more renewable energy and improves reliability

$146.88
7/1/18 – REAC
Provides renewable energy incentives and power costs

$143.80
2/1/19 – PSA
Recovers fuel costs

$143.66
3/1/19 – LFCR
Supports grid reliability

$144.42
4/1/19 - TEAM I
Credit from federal tax reform

$141.33
4/1/19 - EIS
Recovers environmental improvements

$141.18
4/1/19 - TEAM II
Credit from federal tax reform

$141.27
6/1/19 – TCA
Access to more renewable energy and improves reliability

$140.04
7/11/19 – LFCR
Supports grid reliability

* Impacts represent the change to the average residential bill after the 2017 rate case ($149.75/1,064 kWh).

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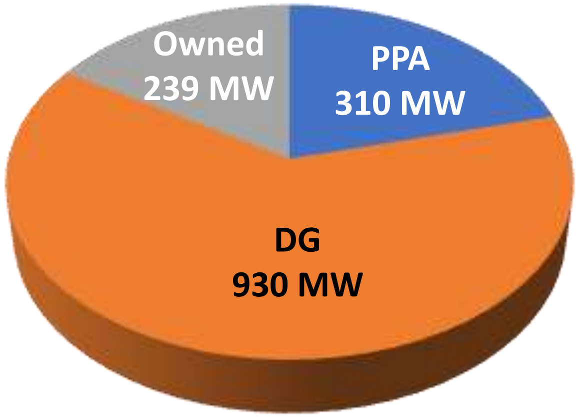
RENEWABLE RESOURCES

APS currently has 1,795 MW* of renewable resources:

• Solar	1,479 MW
• Wind	289 MW
• Biomass	14 MW
• Geothermal	10 MW
• Biogas	3 MW

APS Solar Portfolio*



Owned solar includes 170 MW AZ Sun Program, 24 MW of APS owned Distributed Generation (DG), 4 MW of other APS owned utility scale solar and 40 MW Red Rock Solar Plant; PPA is primarily 250 MW Solana Concentrated Solar Facility

Yuma Foothills
Solar
35 MW

Aragonne Mesa
Wind
90 MW

Snowflake
Biomass
14 MW

Salton Sea
Geothermal
10 MW

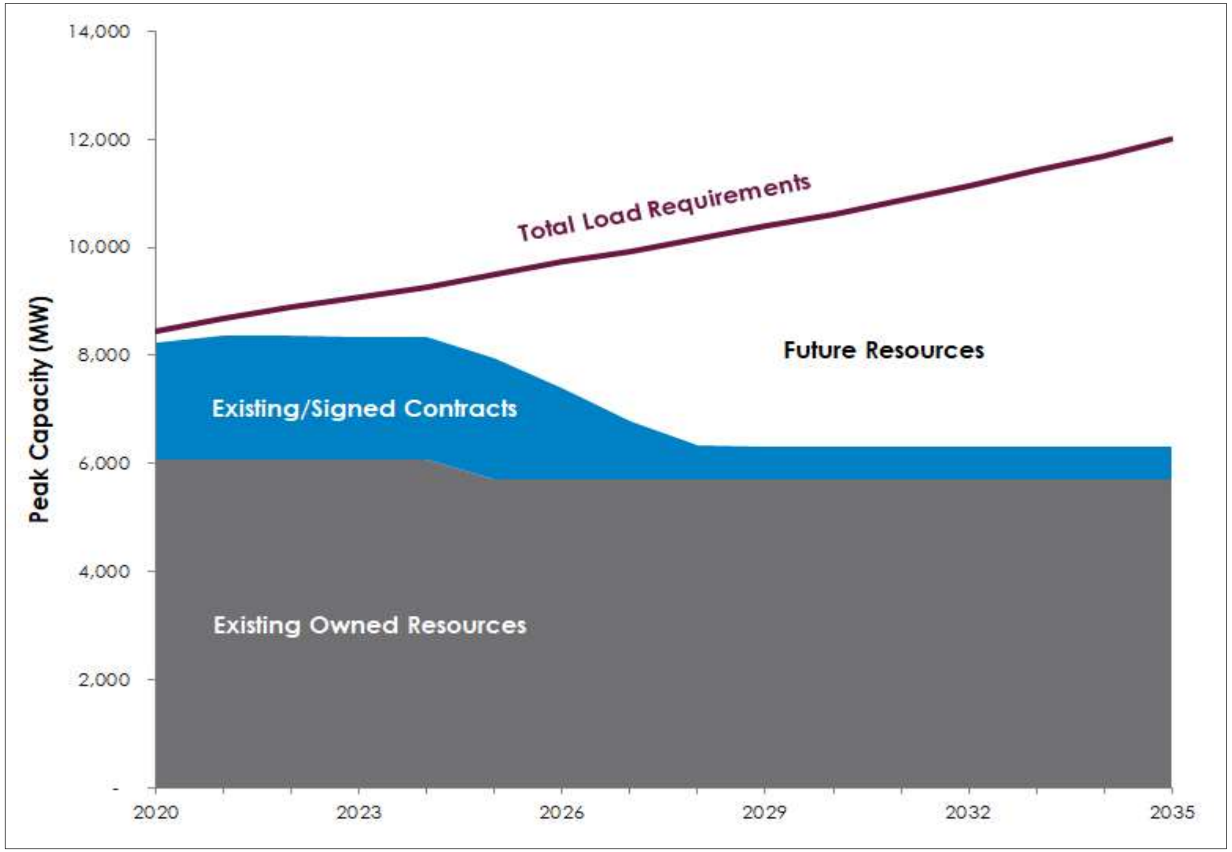
Glendale Landfill
Biogas
3 MW

* As of 9/30/19 as reported in the 2019 Third Quarter Form 10-Q – with additional 104 MW under development

Preliminary IRP

We expect a 54% clean energy mix with more than 20% of generation coming from renewable resources by 2022

APS Resource Needs



Increasing Clean Energy Resources

- Up to 150MW of APS-owned solar to be in service by 2021
- Up to 250MW of wind resources in service no later than 2022

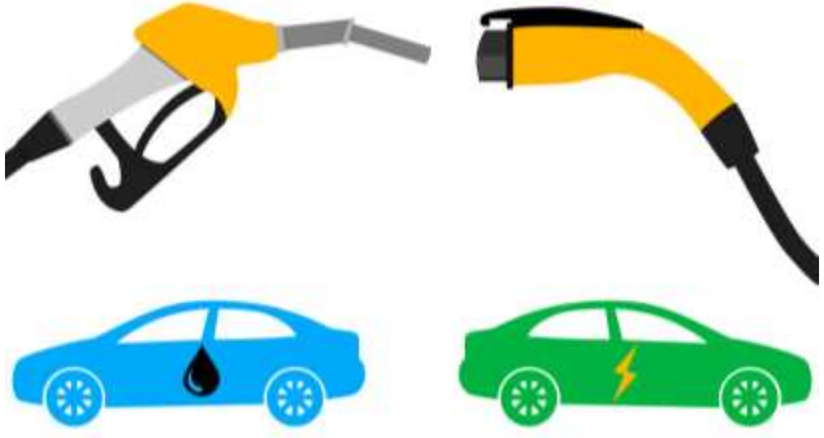
Enhancing Flexibility Through Market Opportunities and Customer Participation

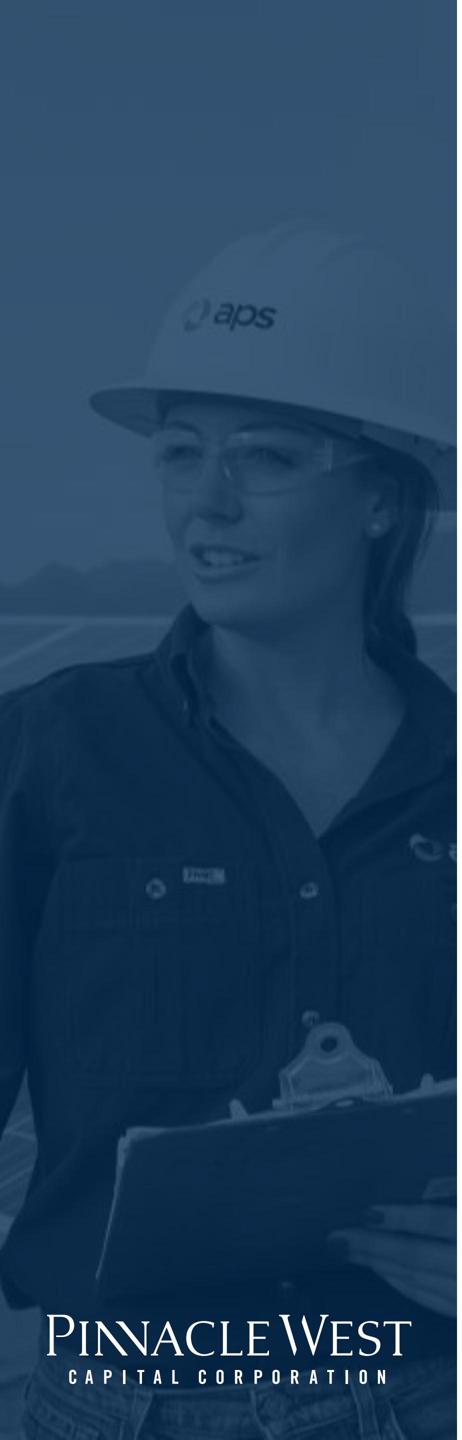
- Plan incorporates flexibility to manage population growth and economic activity
- Expands the APS Rewards residential customer program to manage peak demand
- Evaluating the feasibility of a day-ahead market to achieve cost savings and more efficient integration of renewables

WHAT'S NEXT

Take Charge AZ Pilot Program

- EV charging equipment, installation and maintenance for business customers, government agencies and multifamily housing communities
- Participants pay for energy costs to charge
- We encourage charging during daytime off-peak hours when solar energy is abundant and overnight
- Level 3 fast-charging infrastructure
- Approximately $20 million capital investment through 2021





ECONOMIC DEVELOPMENT

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

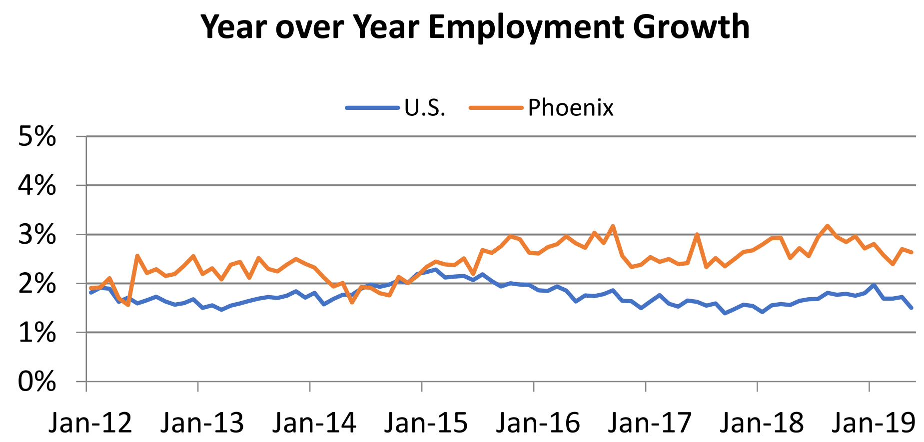
2019 – New companies moving into APS's service territory include:

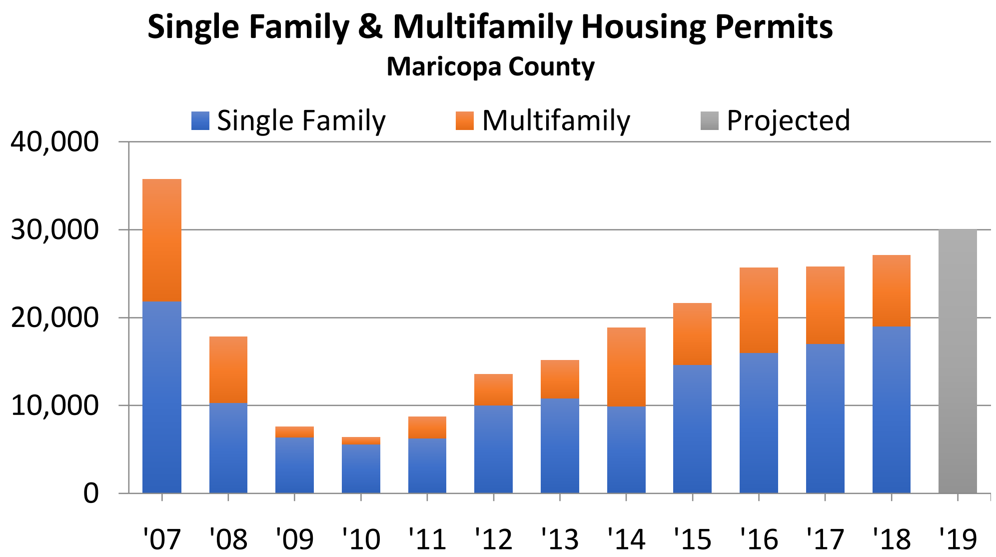
- Microsoft – constructing three world-class data centers
- Nike – multimillion-dollar manufacturing facility employing at least 500 people
- Red Bull – 700,000 square-foot facility
- Fairlife – 300,000 square-foot facility; scheduled to begin operation in 2020
- Stream Data Centers – 2 million square-feet of data center facilities
- Vantage Data Centers – 50 acre data center campus
- Compass Datacenters – eight buildings on 225 acre campus

What Others are Saying:

- 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
- Arizona's 2018 GDP growth among best in nation; Phoenix Business Journal, May 6, 2019
- Maricopa County is fastest-growing county in the U.S. for third year; Arizona Republic, April 18, 2019
- Phoenix region a top market for 2019 industrial development, report says; Phoenix Business Journal, April 7, 2019

ECONOMIC INDICATORS





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

Arizona is ranked No. 1 in construction growth and No. 2 in manufacturing.[2]

Phoenix ranked 2nd most active market in data center leasing in 2018.[3]

Arizona is the 4th fastest-growing state in the U.S. according to Census data.[4]

[1] U.S. Census Bureau April 2019
[2] Bureau of Labor Statistics, Employment
[3] CBRE's U.S. Data Center Trends Report
[4] U.S. Census Bureau, Population Division, Release date December 2018

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APPENDIX

SENIOR MANAGEMENT TEAM

Our management team has more than 100 combined years of creating shareholder value in the energy industry

Don Brandt (Retiring on November 15th)
Chairman of the Board, President and
Chief Executive Officer, Pinnacle West and
Chairman and Chief Executive Officer, APS

- Joined Pinnacle West in 2002 from Ameren
- Elected to Pinnacle West Board and named Chairman, CEO in 2009
- Recognized industry leader with 30+ years in the nuclear and energy industries
- Vice Chairman of the Institute of Nuclear Power Operations and Chairman of the Nuclear Energy Institute

Jim Hatfield
Executive Vice President and
Chief Financial Officer, Pinnacle West & APS

- Joined as SVP and CFO in 2008 from OGE Energy Corp.
- Responsible for corporate functions including finance, investor relations, and risk management
- 38+ years of financial experience in the utility and energy business

We maintain a robust pipeline of talent to serve our complex operations and facilitate effective succession planning in a highly competitive talent environment

Jeff Guldner (CEO successor effective November 16th)
President, APS and Executive Vice President Public Policy, Pinnacle West

- Joined APS in 2004 from Snell & Wilmer
- Promoted to President in 2018
- Responsible for all areas of APS excluding nuclear
- Significant experience in public utility and energy law and regulation

Daniel Froetscher
Executive Vice President of Operations, APS

- Joined APS in 1980
- Appointed EVP of Operations, February 2018
- Responsible for overseeing T&D, fossil generation, resource management, sustainability, supply chain, security and customer service
- Significant leadership and industry experience

Bob Bement
Executive Vice President and
Chief Nuclear Officer, APS

- Joined APS in 2007 from Arkansas Nuclear One
- Promoted from SVP of Site Operations to EVP and Chief Nuclear Officer in 2016
- Responsible for all nuclear-related activities associated with Palo Verde
- Seasoned nuclear industry expert serving on several industry committees

2019 EPS GUIDANCE

Key Factors & Assumptions as of November 7, 2019

	2019
Adjusted gross margin[1,2] (operating revenues, net of fuel and purchased power expenses)	\$2.32 – \$2.39 billion
• Retail customer growth about 1.5-2.5%	
• Weather-normalized retail electricity sales volume about 0-1.0% higher compared to prior year	
• Assumes normal weather in fourth quarter	
Adjusted operating and maintenance (O&M)[1]	\$855 – \$875 million
Other operating expenses (depreciation and amortization, deferrals, and taxes other than income taxes)	\$805 – \$825 million
Other income (pension and other post-retirement non-service credits, other income and other expense)	\$50 – \$60 million
Interest expense, net of allowance for borrowed and equity funds used during construction (Total AFUDC ~\$50 million)	\$180 – \$190 million
Net income attributable to noncontrolling interests	\$20 million
Effective tax rate[2]	-3%
Average diluted common shares outstanding	112.9 million
EPS Guidance	We do not expect to hit the low end of the previously provided \$4.75 – \$4.95 range

[1] Excludes O&M of \$85 million, and offsetting revenues, associated with renewable energy and demand side management programs.
[2] Includes the impact from the TEAM III one-time bill credit of \$64 million.

2020 EPS GUIDANCE

Key Factors & Assumptions as of November 7, 2019

	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	113.2 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] We currently estimate that the disconnection moratorium and revised policies will result in a decrease of approximately $20 million to $30 million of pre-tax income in 2020 depending on certain assumptions, including customer behavior.

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FINANCIAL OUTLOOK

Key Factors & Assumptions as of November 7, 2019

Gross Margin – Customer and Sales Growth (2019-2021)

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%

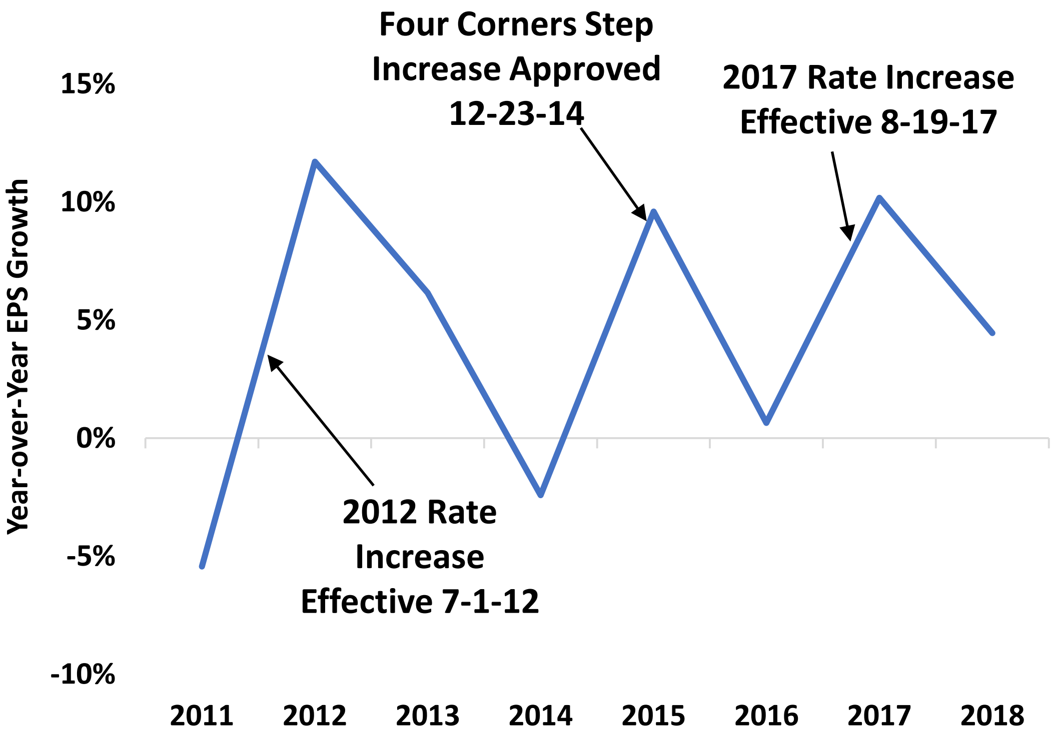
Gross Margin – Related to 2017 Rate Review Order

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)

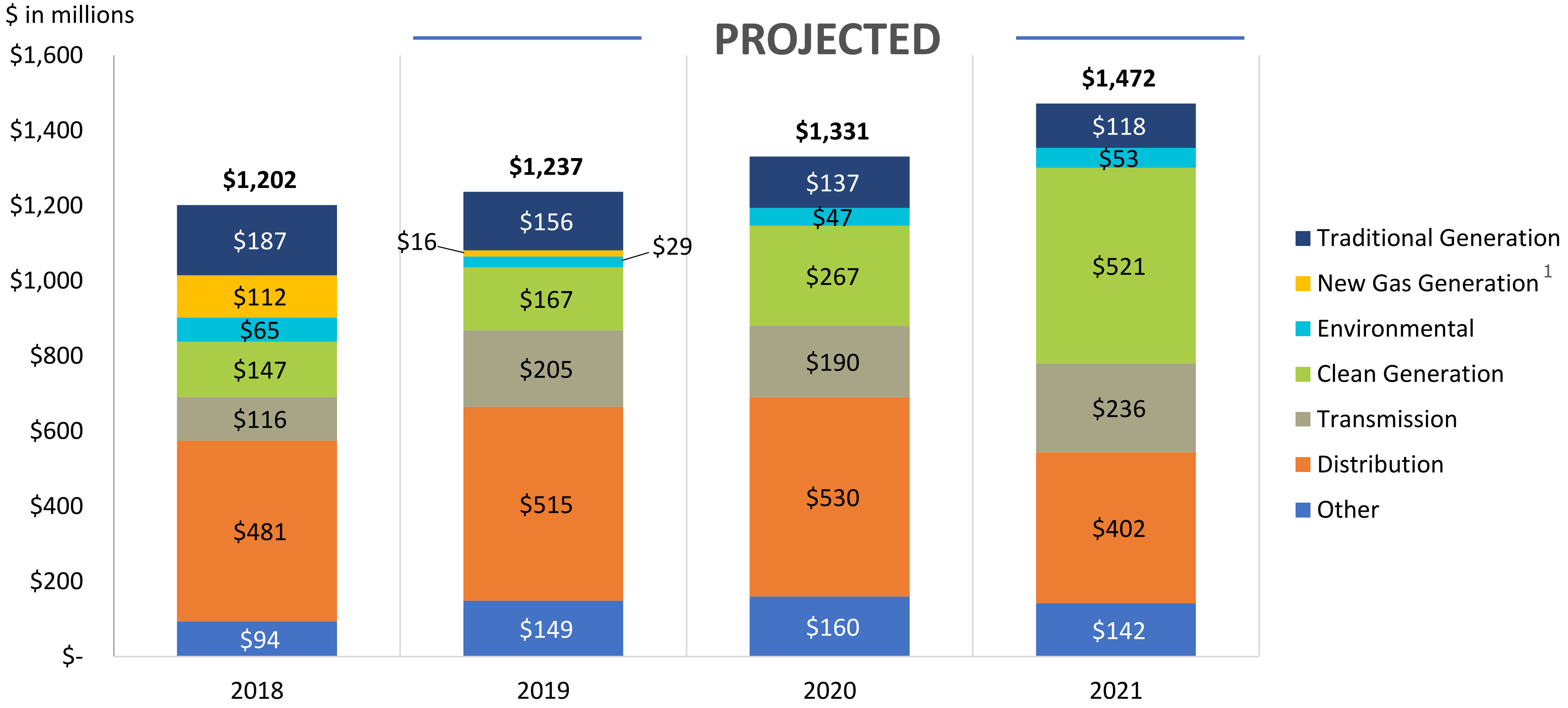
2011 – 2018 Reported EPS



- Due to our single-state jurisdiction with a historical test year, our earnings growth is non-linear
- Earnings growth has historically been stronger immediately following a rate case and weakens as we get closer to the next rate case filing
- Over time, our average earnings growth rate supports our track record for delivering shareholder value

APS CAPITAL EXPENDITURES

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



- The chart does not include capital expenditures related to 4CA's 7% interest in the Four Corners Power Plant Units 4 and 5 of $10 million in 2018.
- 2019 – 2021 as disclosed in the Third Quarter 2019 Form 10-Q.

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

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DISTRIBUTION GRID INVESTMENTS

Grid Operations and Investment Projected to be approximately $1.5 billion from 2019-2021

Customer Growth
Approximately 50% of distribution capex

Line Extensions for new residential and commercial customers
Average annual spend ~ $68M

- Extend, relocate, and upgrade APS facilities in response to customer request

New Distribution Substations & Upgrades
Average annual spend ~ $38M

Construction over the next 3 years:
- 21 New Substations
- 3 Upgrades

Grid Modernization
Approximately 9% of distribution capex

Cap Bank Controllers, Substation Regulators, Voltage Management Algorithms
Average annual spend ~ $11M

- Controls regulators and capacitor banks to manage power quality such as power factor and voltage

Reclosers – Supervisory Controlled Switches, Trip Savers
Average annual spend ~ $14M

- Leveraging AMI for distribution automation
- Strategically deploying Fiber for communications backhaul

Run and Maintain
Approximately 41% of distribution capex

Overhead Lines & Wood Pole Replacements
Average annual spend ~ $8M

- Replace equipment or components due to damage, degradation or failure
- Ensure the integrity of the structure and enhance system reliability

Underground Cable Replacements
Average annual spend ~ $22.5M

- Replace all remaining direct buried primary distribution cable
- Direct buried cable has become a major cause of power outages

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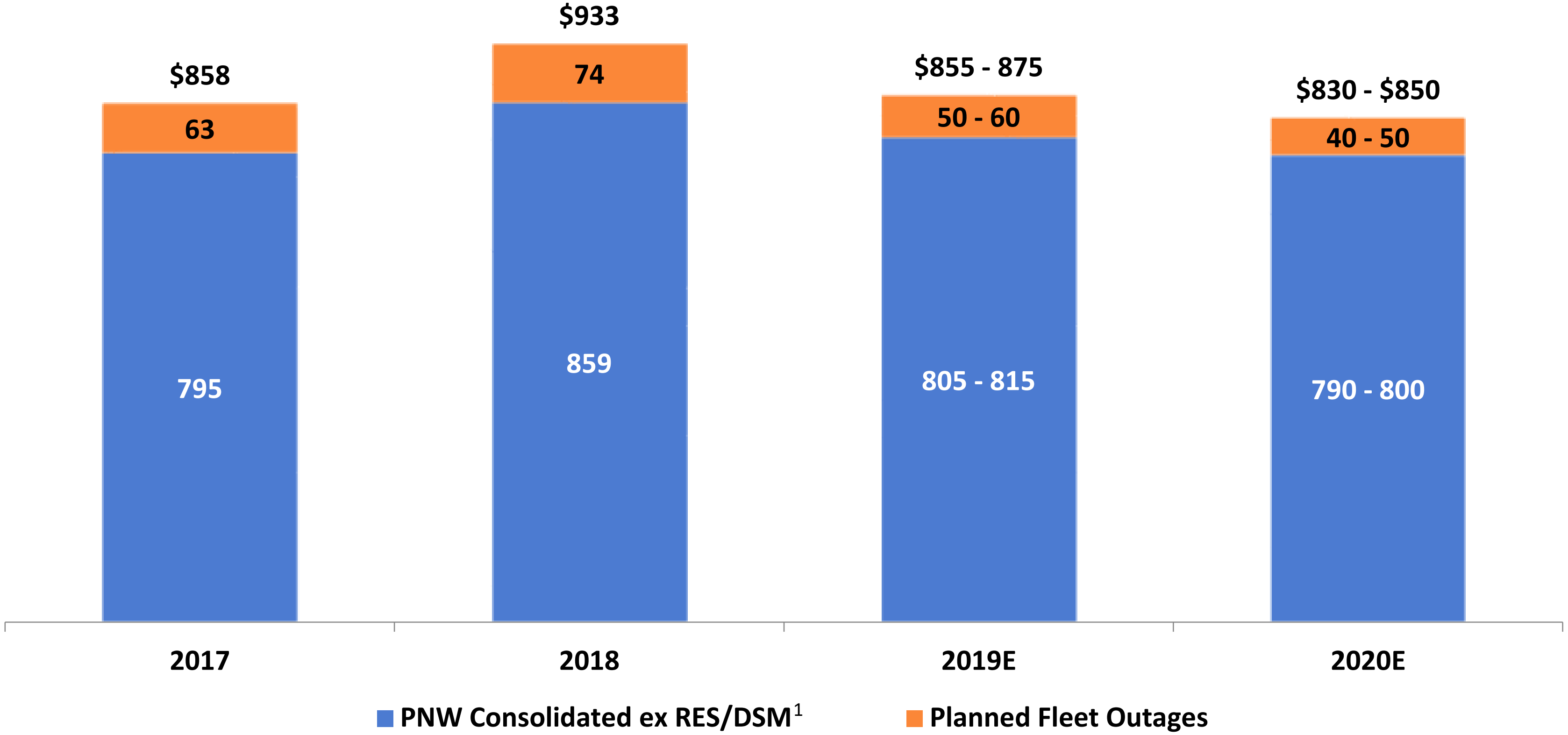
OPERATIONS & MAINTENANCE

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

$ in millions



[1] Excludes RES/DSM of $91 million in 2017, $104 million in 2018, and $85 million in 2019E, and $65 million in 2020E.

2019 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	4	21		Palo Verde	1	33		Palo Verde	3	44
Four Corners	5	21		Cholla*	1	50				
Cholla*	1	37		Redhawk*	2	35				
Redhawk*	2	29								

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

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				

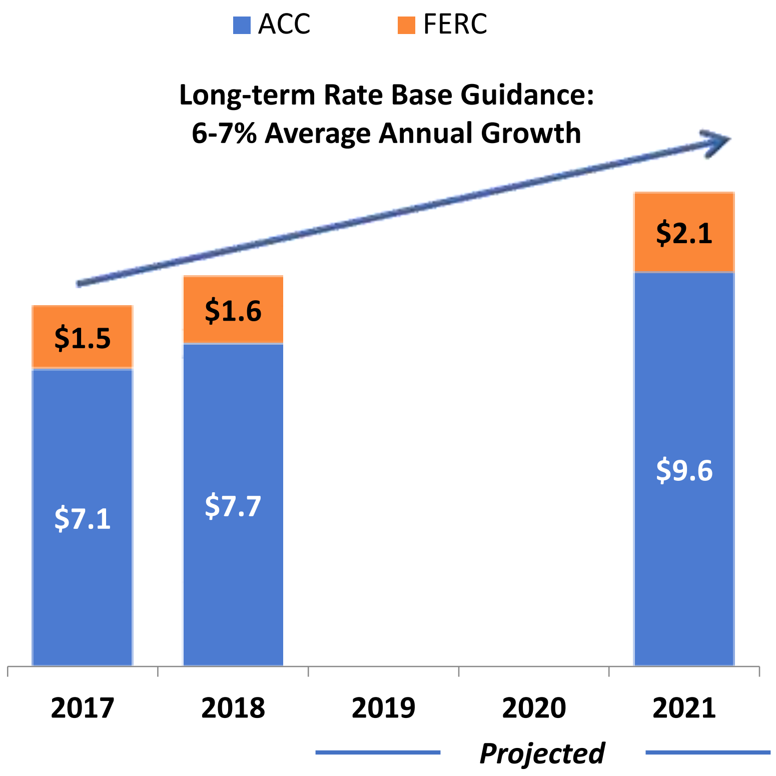
*Outage duration spans Q1-Q2. Number of days noted per quarter.

RATE BASE

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

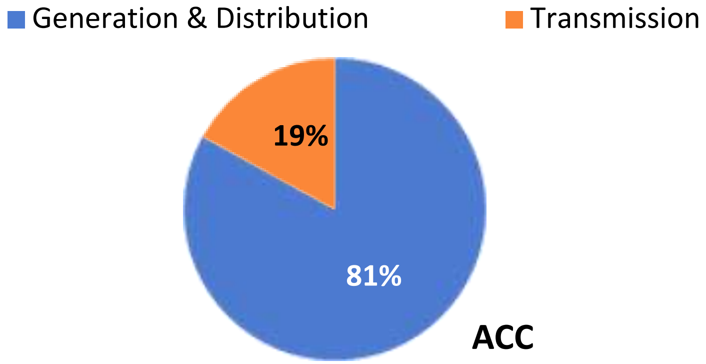
APS Rate Base Growth

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.

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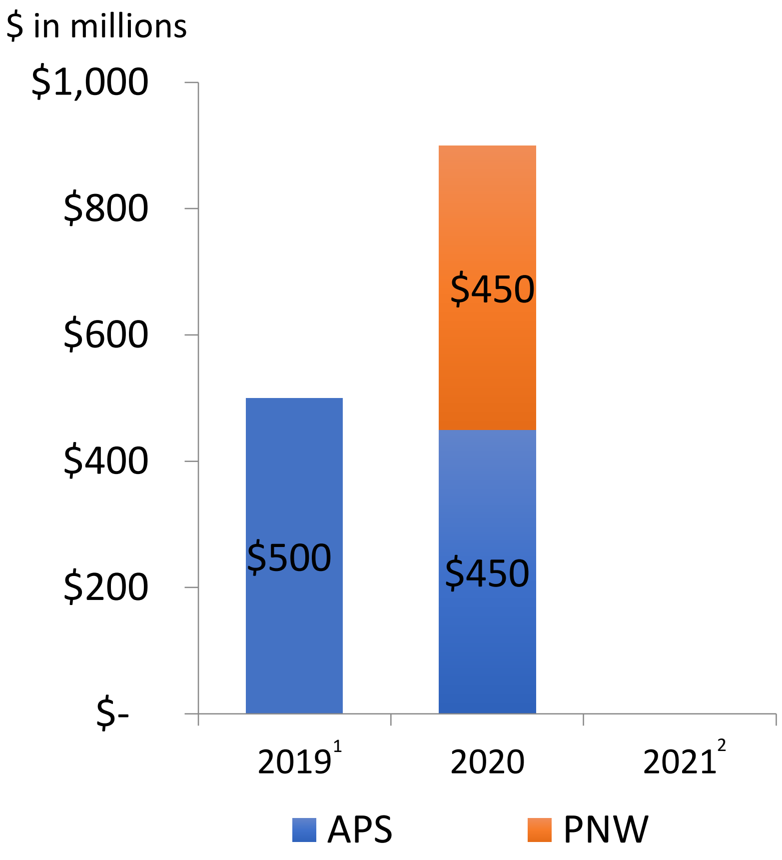
BALANCE SHEET STRENGTH

Near-Term Long-Term Debt Maturities



[1] Represents the APS $500 million 8.75% senior notes which matured on March 1, 2019

[2] No long-term debt maturities in 2021

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 2.60% APS senior unsecured notes issued August 2019
- Expect $300 million of long-term debt issuance at APS during the remainder of 2019

2020 Major Financing Activities

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

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

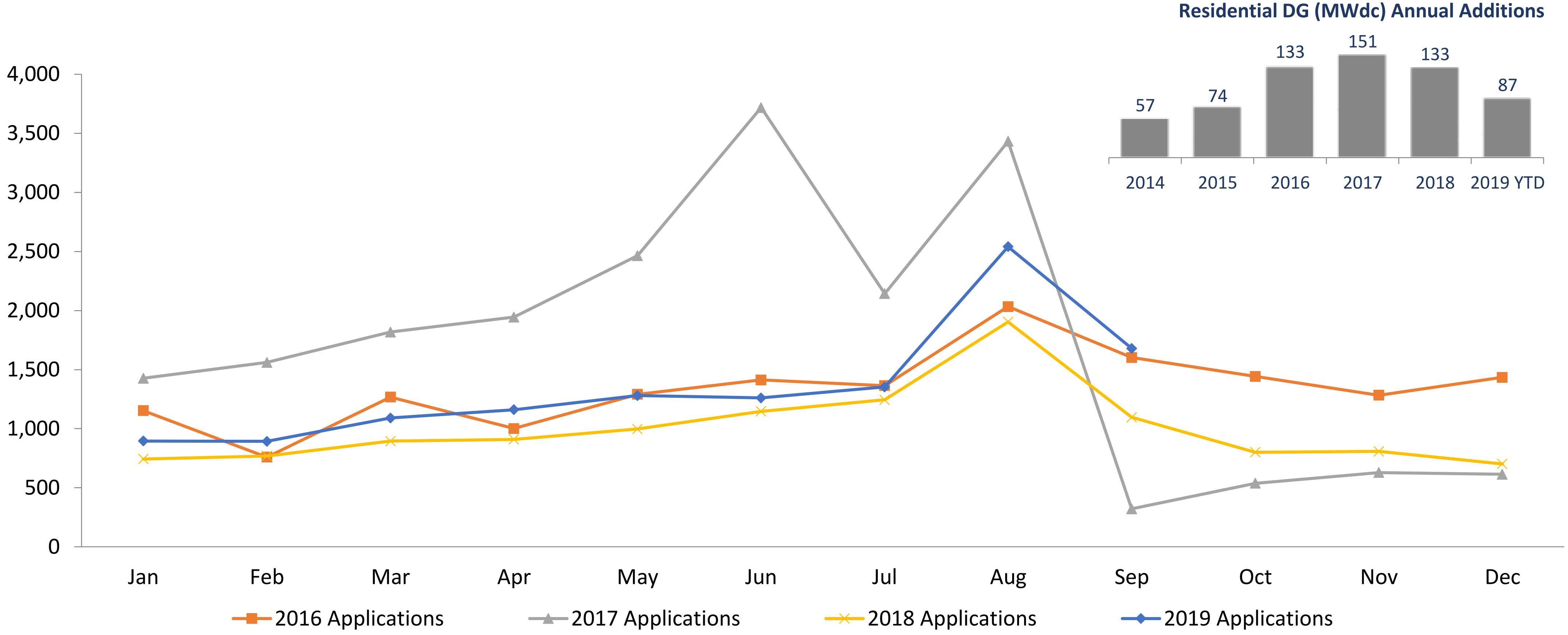
Overview of Rate Increase ($ in Millions) - Key Components		
Four Corners SCRs	$	73
Ocotillo Modernization Project		100
Post-Test Year Plant Additions		66
Net Change in Other Items		64
Tax Expense Adjustor Termination		(119)
Total Revenue Request	$	184

PINNACLE WEST CAPITAL CORPORATION

ARIZONA UTILITIES
GENERAL RATE CASES

Tucson Electric Power Company (417,000 customers) **Docket # E-01933A-19-0028**	**Southwest Gas (1.1M customers in AZ)** **Docket # G-01551A-19-0055**
Application Filed April 1, 2019	Application Filed May 1, 2019
Staff/Intervenor Direct Testimony (Revenue) (Oct 11, 2019)	Staff /Intervenor Direct Testimony (Revenue) (Dec 3, 2019)
Staff/Intervenor Direct Testimony (Rate Design) (Oct 28, 2019)	Staff/Intervenor Direct (Rate Design) (Dec 18, 2019)
TEP Rebuttal Testimony (Nov 18, 2019)	SWG Rebuttal Testimony (Jan 6, 2020)
Staff/Intervenor Surrebuttal Testimony (Dec 16, 2019)	Staff/Intervenor Surrebuttal Testimony (Jan 31, 2020)
TEP Rejoinder Testimony (Dec 16, 2019)	SWG Rejoinder Testimony (Feb 7, 2020)
Pre-Hearing Conference (Jan 10, 2020)	Prehearing Conference (Feb 14, 2020)
Hearing Commences (Jan 13, 2020)	Hearing Commences (Feb 24, 2020)

RESIDENTIAL PV APPLICATIONS[1]

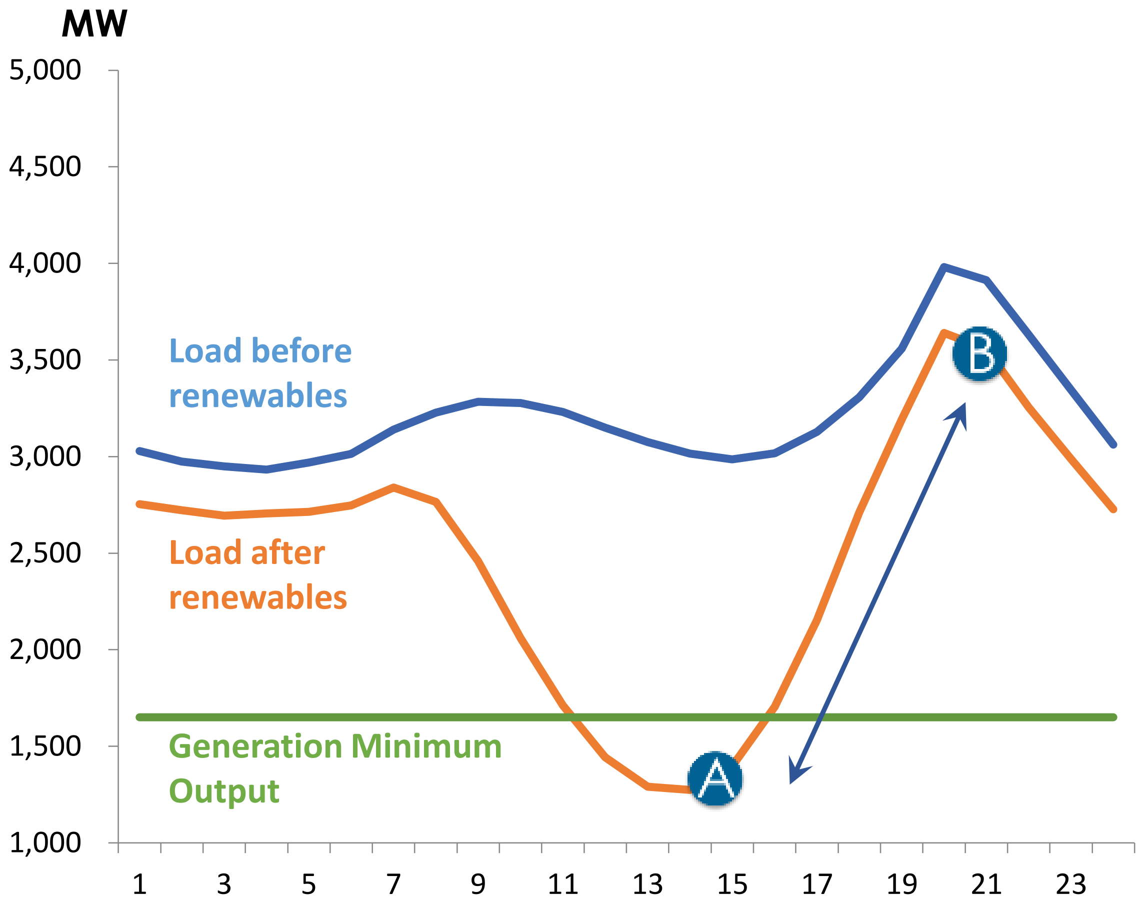


[1] Monthly data equals applications received minus cancelled applications. As of September 30, 2019, approximately 100,000 residential grid-tied solar photovoltaic (PV) systems have been installed in APS's service territory, totaling approximately 800 MWdc of installed capacity. Excludes APS Solar Partner 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.

THE "DUCK CURVE"

Non-curtailable rooftop solar is changing the load shape of the grid



A The mid-day dip in load due to growth of non-curtailable rooftop solar resources on the system

B Evening peak

Meeting Evening Peak

A → B

- The mid-day dip in load disappears once the sun sets
- This causes a steep ramp in demand heading into the evening peak
  - Requires fast-starting, flexible resources to respond

PINNACLE WEST
CAPITAL CORPORATION

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. Future additional rate reductions for protected "excess" deferred taxes are expected to be addressed through the October 31, 2019 general rate case.

CASH TAXES

- New bonus deprecation regulations issued in September 2019 resulted in additional accelerated cash tax benefits of $56M.
- Cash tax payments are expected to normalize in 2020 as the Company utilizes its remaining 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 Sept 30, 2019
Total Net Regulatory Liability for Regulated Excess Deferred Taxes	$1,461
Net Regulatory Liability for Depreciation Related Excess Deferred Taxes (to be returned over the life of property)	$1,391
Net Regulatory Liability for Non-Depreciation Related Excess Deferred Taxes	$70

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-

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

OCOTILLO MODERNIZATION PROJECT & FOUR CORNERS SCRs

- Included in the 2017 Rate Review Order[1], APS has been granted Accounting Deferral Orders for two large generation-related capital investments
  - Ocotillo Modernization Project: Retiring two aging, steam-based, natural gas units, and replacing with 5 new, fast-ramping, combustion turbine units
  - Four Corners Power Plant: Installed Selective Catalytic Reduction (SCR) equipment to comply with Federal environmental standards

	Ocotillo Modernization Project	**Four Corners SCRs**
In-Service Dates	Units 3 – 7 – Spring 2019	Unit 5 – Late 2017 Unit 4 – Spring 2018
Total Cost (APS)	$500 million	$400 million
Estimated Cost Deferral	$36 million (through 2019)	$45 million (through 2019)
Accounting Deferral	• Cost deferral from date of commercial operation to the effective date of rates in next rate case • Includes depreciation, O&M, property taxes, and capital carrying charge[2]	• Cost deferral from time of installation to incorporation of the SCR costs in rates using a step increase • Includes depreciation, O&M, property taxes, and capital carrying charge[2]

[1] The ACC's decision is subject to appeals

[2] APS will calculate the capital carrying charge using the 5.13% embedded cost of debt established in the 2017 Rate Review Order

FOUR CORNERS SCR STEP INCREASE

The Administrative Law Judge issued a Recommended Opinion and Order on November 27, 2018[1]

Key Components of APS's Filed Request

Financial	Cost of Capital	Bill Impact
• Consistent with prior disclosed estimates	• 7.85% Return on Rate Base[2] – Weighted Average Cost of Capital (WACC)	• Rate rider applied as a percentage of base rates for all applicable customers
• $390 million direct costs vs. $400 million[1] contemplated in APS's recent rate case	• 5.13% Return on Deferral[2] – Embedded Cost of Debt	• $67.5 million revenue requirement[2]
• $40 million in indirect costs (overhead, AFUDC)	• 5% Depreciation Rate – 20-year useful life (2038-depreciation study)	• ~2% bill impact
	• 5-year Deferral Amortization	

2019 Full-Year EPS Impact[3]

$ in millions	
Revenue[1]	$(58.5)
Deferrals:	
Depreciation	19.5
O&M	0.4
Property tax	3.6
Debt return	20.0
Avoided expense[4]	4.6
Earnings impact[5]	$(8.2)
EPS[5]	$(0.07)

[3] Assumes no step increase in 2019

[4] Amortization of deferral

[5] Calculated using 21% marginal tax rate and 113.1 million shares

[1] Arizona Corporation Commission Staff recommended a $58.5 million revenue increase and the Administrative Law Judge issued a Recommended Opinion and Order consistent with Commission Staff's recommendation

[2] Based on 2017 Rate Review Order

PINNACLE WEST CAPITAL CORPORATION

ARIZONA CORPORATION COMMISSION

Terms to January 2023

Sandra Kennedy (D)

Justin Olson (R)

Terms to January 2021

Robert "Bob" Burns (R)* Chairman

Boyd Dunn (R)

Lea Márquez Peterson (R)**

Other State Officials

ACC Executive Director – Matthew Neubert

RUCO Director – Jorge "Jordy" Fuentes

*Term limited - elected to four-year terms (limited to two consecutive)
**Governor Doug Ducey appointed Lea Márquez Peterson.

2019 KEY DATES

ACC Key Dates / Docket #	Q1	Q2	Q3	Q4
Power Supply Adjustor (PSA): **E-01345A-16-0036**	Implemented: Feb 1			
Lost Fixed Cost Recovery: **E-01345A-16-0036**	2018 LFCR approved 2019 LFCR Filed: Feb 15	2019 LFCR approved		
Transmission Cost Adjustor: **E-01345A-16-0036**		Filed: May 15 Implementation: Jun 1		
2020 DSM/EE Implementation Plan: **E-01345A-19-0148**				To be filed by: Dec 31
2020 RES Implementation Plan: **E-01345A-19-0088**			Filed: Jul 1	
2019 Rate Case: **E-01345A-19-0236**				Filed: Oct 31
Resource Planning and Procurement: **E-00000V-19-0034**			Filed preliminary IRP: Aug 1 Workshop Sept 19	
Tax Expense Adjustor (TEAM): **E-01345A-18-0003**	TEAM II approved: Mar 13	TEAM III filed: Apr 10		TEAM III approved: Oct 29
Resource Comparison Proxy (RCP): **E-01345A-19-0081**		Year 3 Filed: May 1	Year 3 Implementation October 1	
QF/PURPA Contracts (EPR-2): **E-01345A-16-0272**	Workshop Mar 29		Hearing ended Aug 29	
Possible Modification to Commission's Energy Rules: **RU-00000A-18-0284**	Workshops Feb 25, Mar 14, Mar 26	Workshops Apr 17, 29, 30	Workshops Jul 31, Aug 7	
Modification to Retail Competition Rules: **RE-00000A-18-0405**			Workshops Jul 30, 31	
Customer Complaint: **E-01345A-18-0002**		Commission vote not to dismiss: May 22	Complaint resolved: Jul 10	
Proposed Termination of Service Rule Modifications: **RU-00000A-19-0132**		Emergency Rules Approved: June	Workshop Sept 30	

REGULATORY MECHANISMS

We have achieved a supportive regulatory structure and improvements in cost recovery timing

Mechanism	Adopted / Last Adjusted	Description
Power Supply Adjustor ("PSA")	April 2005 / February 2019	• Recovers variance between actual fuel and purchased power costs and base fuel rate • Includes forward-looking, historical and transition components
Renewable Energy Surcharge ("RES")	May 2008 / July 2018	• Recovers costs related to renewable initiatives • Collects projected dollars to meet RES targets
Demand-Side Management Adjustment Clause ("DSMAC")	April 2005 / August 2017	• Recovers costs related to energy efficiency and DSM programs above $20 million in base rates • Provides performance incentive to APS for net benefits achieved • Provides conservation education, rebates and other incentives to participating customers
Environmental Improvement Surcharge ("EIS")	July 2007 / April 2019	• Allows recovery of certain carrying costs for government-mandated environmental capital projects • Capped at $0.00050/kWh (up to $14 million annually)
Transmission Cost Adjustor ("TCA")	April 2005 / June 2019	• Recovers FERC-approved transmission costs related to retail customers • Resets annually as result of FERC Formula Rate process (see below)
FERC Formula Rates	2008 / June 2019	• Recovers transmission costs based on historical costs per FERC Form 1 and certain projected data
Lost Fixed Cost Recovery ("LFCR")	July 2012 / July 2019	• Mitigates loss of portion of fixed costs related to ACC-approved energy efficiency and distributed renewable generation programs

REGULATORY MECHANISMS (TCA)

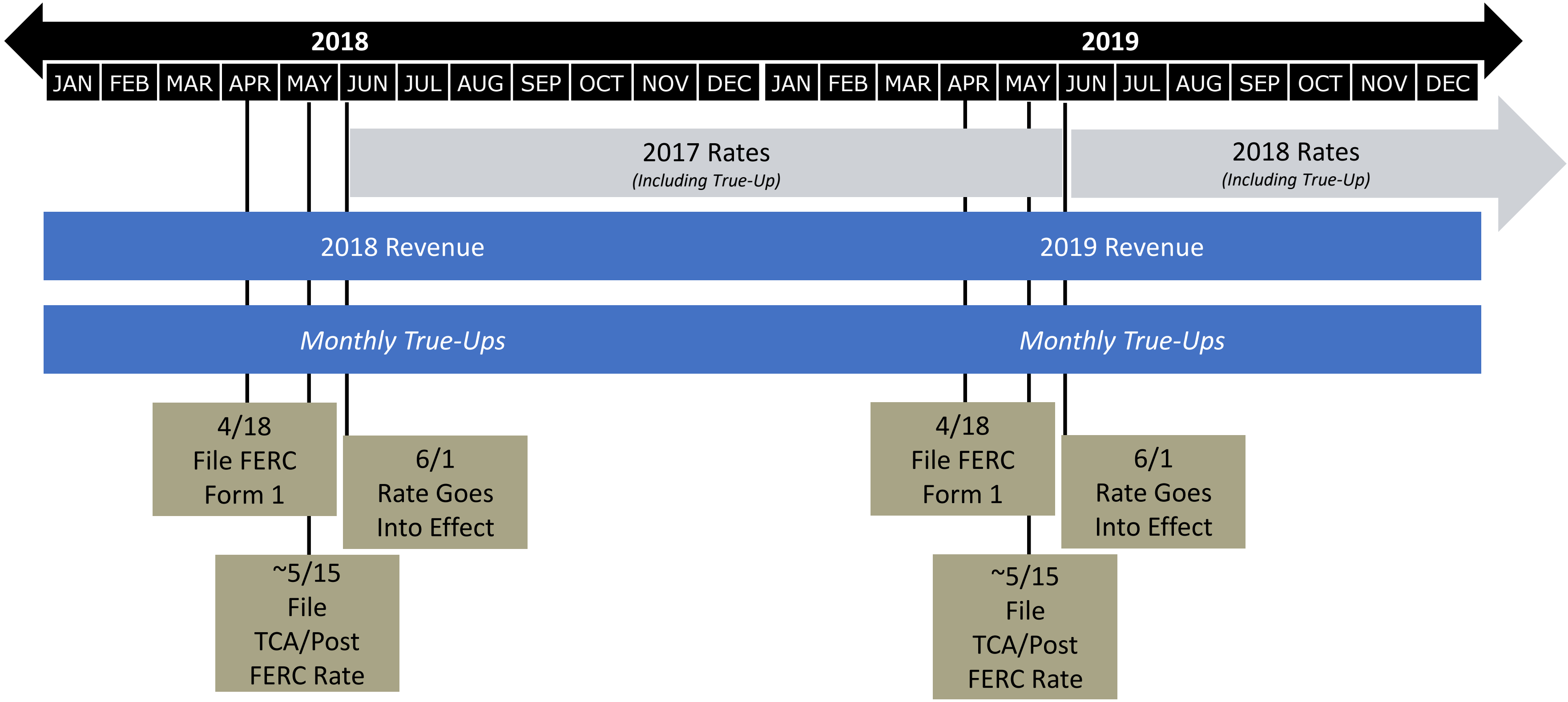
We have achieved constructive transmission rate treatment with annual adjustments

- FERC Formula Rates adopted in 2008
- Adjusted annually with 10.75% allowed ROE
- Based on FERC Form 1 and projected closings
  - Update filed each May
  - Annual rate true-up compares projected revenue requirement to actual, with variance incorporated into next annual update
  - Balancing account added as part of the 2017 Rate Case Order
- Non-base rate retail portion flows through ACC Transmission Cost Adjustor (TCA)

As Filed	2019		2018		2017	
	Annual Rate Increase	**Rate Effective Date**	**Annual Rate Increase**	**Rate Effective Date**	**Annual Rate Increase**	**Rate Effective Date**
Retail Portion (TCA)	$5M	6/1/2019	($27M)	6/1/2018	$37M	6/1/2017
Wholesale Portion	$21M	6/1/2019	$4M	6/1/2018	($2M)	6/1/2017
Total Increase (Decrease)	$26M		($23M)		$35M	
Equity Ratio	55%		53%		55%	
Rate Base (Year-End)	$1.75B		$1.65B		$1.5B	
Test Year	2018		2017		2016	

REGULATORY MECHANISMS (TCA)

We have achieved constructive transmission rate treatment with annual adjustments



- 2012 Rate Case Order resulted in the TCA becoming an automatic adjustor
- 2017 Rate Case Order included the addition of a balancing account
- True-ups calculations occur throughout the year and are recorded monthly

REGULATORY MECHANISMS (LFCR)

- Lost Fixed Cost Recovery (LFCR) was implemented as part of the July 2012 settlement
  - Estimated to offset 30-40% of revenues lost due to ACC-mandated energy efficiency (EE) and distributed renewable generation (DG) initiatives
  - Subject to an annual 1% year-over-year cap based on applicable company revenues
  - Revenue accrued each month as it is earned, creating a regulatory asset since the rates lag

- 2017 Rate Review Order
  - Rate changed from % of total bill to kWh and kW based charge
  - Annual filing date changed to February 15th with new rates expected to be in effect 1st billing cycle in May based on the EE and DG savings from the preceding calendar year
  - 2017 and 2018 reflects 2012-2015 prorated revenues being transferred to base rates

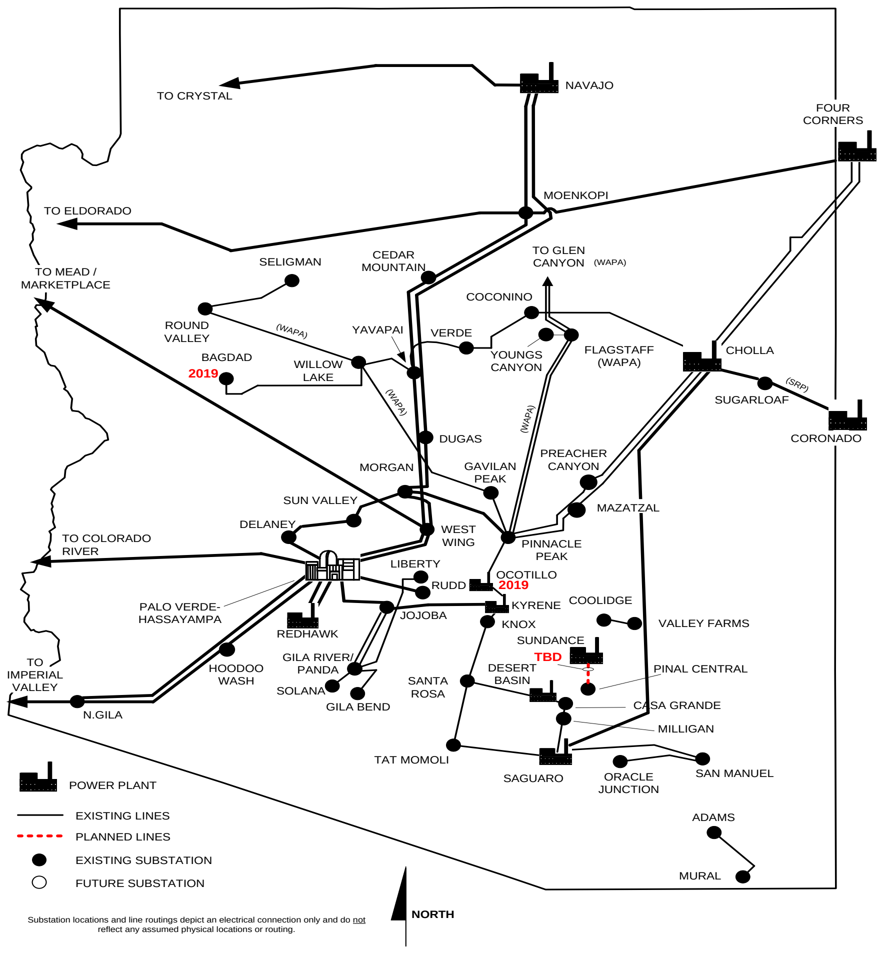
Accrual Period	2015	2016	2017	2018
Rates Effective	May 2016	April 2017	March 2019	July 2019
LFCR Rate	1.71%	2.30%	$0.00288/kWh; $0.838/kW	$0.00172/kWh; $0.511/kW
Residential rate per lost kWh	$0.031	$0.031	$0.025	$0.025
Non-residential rate per lost kWh	$0.023	$0.023	$0.025	$0.025
LFCR Adjustment	$46.4 Million	$63.7 Million	$60.8 Million	$36.2 Million

APS TRANSMISSION

Strategic transmission investment is essential to maintain reliability and deliver diversified resources to customers

- 10-Year Transmission Supplemental Plan filed June 2019 (115 kV and above)
  - 25 miles of new 230kV transmission lines
  - 1 mile of new 115kV transmission lines
  - 30 transformer additions/replacements
  - 5 banks of 500kV bus reactors
- 7 new substations supporting load growth, including data centers, expected to be in service between 2020-2022
- Total investment estimated to be approximately $390 million*

APS TRANSMISSION PLANS



* This value is not comparable to the Capital Expenditures table presented in the "Liquidity and Capital Resources" section of APS's 10-K filing, which also includes other transmission costs for new subtransmission projects (69kV) and transmission upgrades and replacements.

GENERATION PORTFOLIO

	Plant	Location	No. of Units	Dispatch	COD	Ownership Interest[1]	Net Capacity (MW)
NUCLEAR 1,146 MW	Palo Verde	Wintersburg, AZ	3	Base	1986-1989	29.1%	1,146
COAL 1,672 MW	Cholla	Joseph City, AZ	2	Base	1962-1980	100	387
	Four Corners	Farmington, NM	2	Base	1969-1970	63	970
	Navajo	Page, AZ	3	Base	1974-1976	14	315
GAS - COMBINED CYCLE 1,871 MW	Redhawk	Arlington, AZ	2	Intermediate	2002	100	984
	West Phoenix	Phoenix, AZ	5	Intermediate	1976-2003	100	887
GAS - STEAM TURBINE (Units 1 & 2 retired January 10, 2019)	Ocotillo	Tempe, AZ	-	Peaking	1960	100	-
GAS / OIL COMBUSTION TURBINE 1,088 MW	Sundance	Casa Grande, AZ	10	Peaking	2002	100	420
	Yucca	Yuma, AZ	6	Peaking	1971-2008	100	243
	Saguaro	Red Rock, AZ	3	Peaking	1972-2002	100	189
	West Phoenix	Phoenix, AZ	2	Peaking	1972-1973	100	110
	Ocotillo	Tempe, AZ	2	Peaking	1972-1973	100	110
	Fairview	Douglas, AZ	1	Peaking	1972	100	16
SOLAR 238 MW	Hyder & Hyder II	Hyder, AZ	-	As Available	2011-2013	100	30
	Paloma	Gila Bend, AZ	-	As Available	2011	100	17
	Cotton Center	Gila Bend, AZ	-	As Available	2011	100	17
	Chino Valley	Chino Valley, AZ	-	As Available	2012	100	19
	Foothills	Yuma, AZ	-	As Available	2013	100	35
	Distributed Energy	Multiple AZ Facilities	-	As Available	Various	100	24
	Gila Bend	Gila Bend, AZ	-	As Available	2015	100	32
	Luke Air Force Base	Glendale, AZ	-	As Available	2015	100	10
	Desert Star	Buckeye, AZ	-	As Available	2015	100	10
	Red Rock	Red Rock, AZ	-	As Available	2016	100	40
	Various	Multiple AZ Facilities	-	As Available	1996-2006	100	4
	Total Generation Capacity						**6,015 MW**

* As disclosed in 2018 Form 10-K.

[1] Includes leased generation plants

PURCHASED POWER CONTRACTS

	Contract	Location	Owner/Developer	Status[1]	PPA Signed	COD	Term (Years)	Net Capacity (MW)
SOLAR 310 MW	Solana	Gila Bend, AZ	Abengoa	IO	Feb-2008	2013	30	250
	RE Ajo	Ajo, AZ	Duke Energy Gen Svcs	IO	Jan-2010	2011	25	5
	Sun E AZ 1	Prescott, AZ	SunEdison	IO	Feb-2010	2011	30	10
	Saddle Mountain	Tonopah, AZ	SunEdison	IO	Jan - 2011	2012	30	15
	Badger	Tonopah, AZ	PSEG	IO	Jan-2012	2013	30	15
	Gillespie	Maricopa County, AZ	Recurrent Energy	IO	Jan-2012	2013	30	15
WIND 289 MW	Aragonne Mesa	Santa Rosa, NM	Ingifen Asset Mgmt	IO	Dec-2005	2006	20	90
	High Lonesome	Mountainair, NM	Foresight / EME	IO	Feb-2008	2009	30	100
	Perrin Ranch Wind	Williams, AZ	NextEra Energy	IO	Jul-2010	2012	25	99
GEOTHERMAL 10 MW	Salton Sea	Imperial County, CA	Cal Energy	IO	Jan-2006	2006	23	10
BIOMASS 14 MW	Snowflake	Snowflake, AZ	Novo Power	IO	Sep-2005	2008	15	14
BIOGAS 6 MW	Glendale Landfill	Glendale, AZ	Glendale Energy LLC	IO	Jul-2008	2010	20	3
	NW Regional Landfill	Surprise, AZ	Waste Management	IO	Dec-2010	2012	20	3
INTER-UTILITY 540 MW	PacifiCorp Seasonal Power Exchange	-	PacifiCorp	IO	Sep-1990	1991	30	480
	Not Disclosed	Not Disclosed	Not Disclosed	IO	May-2009	2010	10	60
CONVENTIONAL TOLLING 1,695 MW	CC Tolling	Not Disclosed	Not Disclosed	IO	Aug-2007	2010	10	560
	CC Tolling	Arlington, AZ	Arlington Valley	IO	Dec-2016	2020	6	565
	CC Tolling	Not Disclosed	Not Disclosed	IO	Dec - 2017	2020	7	570
DEMAND RESPONSE 25 MW	Demand Response	Not Disclosed	Not Disclosed	IO	Sep-2008	2010	15	25
SOLAR PLUS BATTERY STORAGE 50 MW	Solar Plus Battery Storage	Arlington, AZ	First Solar	UD	Feb – 2018	2021	15	50
	Total Contracted Capacity							**2,939 MW**

* As disclosed in 2018 Form 10-K. [1] UD = Under Development; UC = Under Construction; IO = In Operation

INVESTOR RELATIONS CONTACTS

Stefanie Layton
Director, Investor Relations
(602) 250-4541
stefanie.layton@pinnaclewest.com

Michelle Clemente
(602) 250-3752
michelle.clemente@pinnaclewest.com

Pinnacle West Capital Corporation
P.O. Box 53999, Mail Station 9998
Phoenix, Arizona 85072-3999

Visit us online at: www.pinnaclewest.com