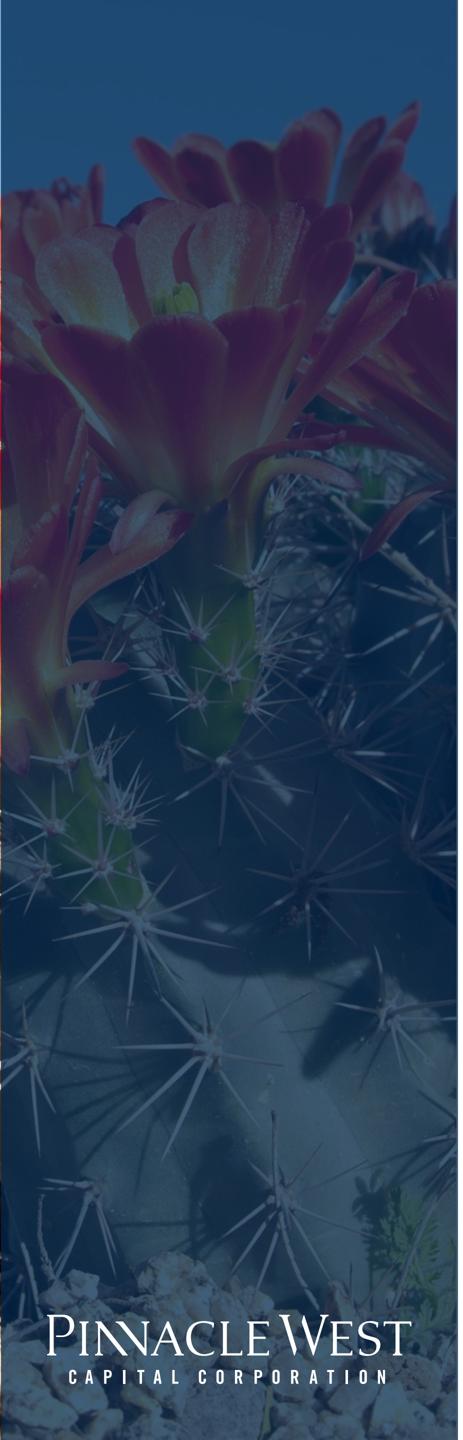
PINNACLE WEST
CAPITAL CORPORATION

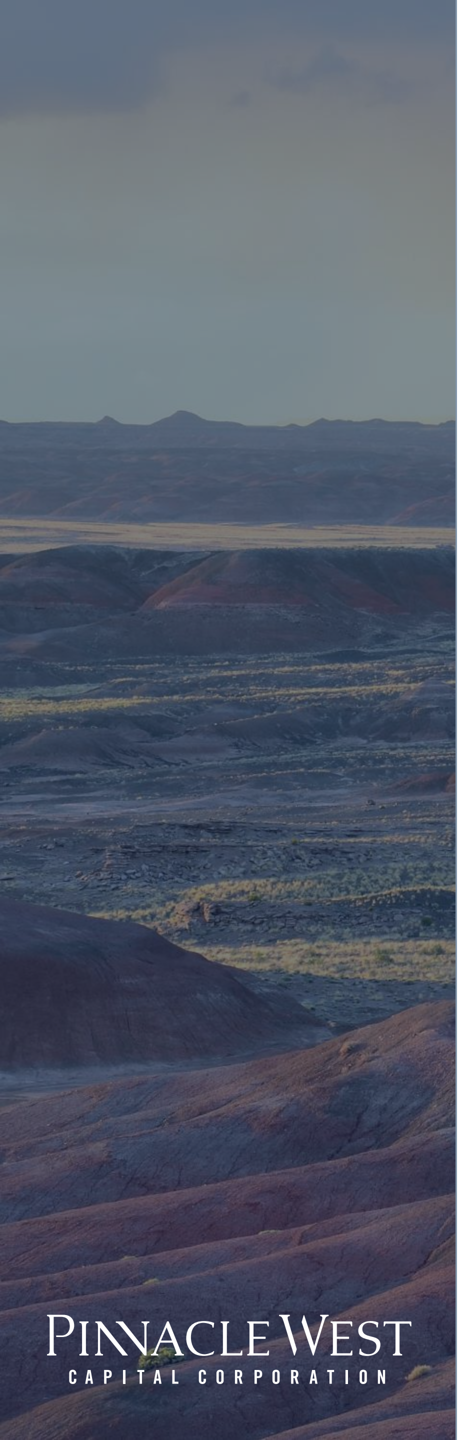
POWERING GROWTH
DELIVERING VALUE

Investor Meetings
November 2020



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,” "anticipate," "goal," "seek," "strategy," "likely," "should," "will," "could" 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: the potential effects of the continued COVID-19 pandemic, including on demand for energy, economic growth, our employees and contractors, supply chain, expenses, capital markets, capital projects, operations and maintenance activities, uncollectable accounts, liquidity, cash flows, or other unpredictable events; 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 or social conditions, 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, and in Part II, Item 1A in of the Pinnacle West/APS Quarterly Reports on Form 10-Q for the quarters ended March 31, 2020, June 30, 2020 and September 30, 2020, 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 principle subsidiary

$20B **Consolidated Assets**

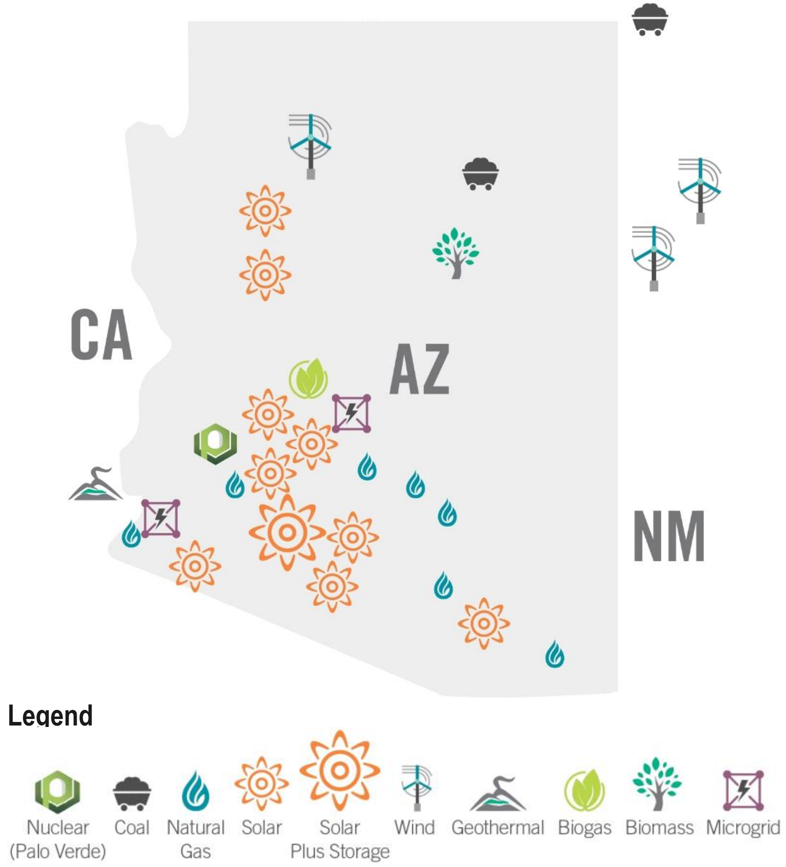
aps®

Arizona's largest and longest-serving electric company, providing affordable and reliable electricity for approximately 1.3M customers

PaloVerde™ GENERATING STATION

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

Our Energy Resources



SENIOR MANAGEMENT TEAM

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
Chairman of the Board, President and Chief Executive Officer, Pinnacle West and Chairman and Chief Executive Officer, APS

- Joined APS in 2004 from Snell & Wilmer
- Promoted to President in 2018
- Elected to Pinnacle West Board and named Chairman, CEO in 2019
- Significant experience in public utility and energy law and regulation

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

- Joined as SVP and CFO in 2008 from OGE Energy Corp.
- Promoted to EVP and CAO in January 2020
- Responsible for corporate functions including tax, audit and strategy
- 40+ years of financial experience in the utility and energy business

"We have strategically selected successors for our management team who we believe will lead our company successfully into the future with continued strong and sustainable performance." Kathy Munro, Lead Director

Ted Geisler
Senior Vice President and Chief Financial Officer, Pinnacle West & APS

- Joined APS in 2001
- Promoted to SVP and CFO, January 2020
- Responsible for financial and technology functions, including finance and treasury, investor relations, enterprise-wide technology applications and infrastructure

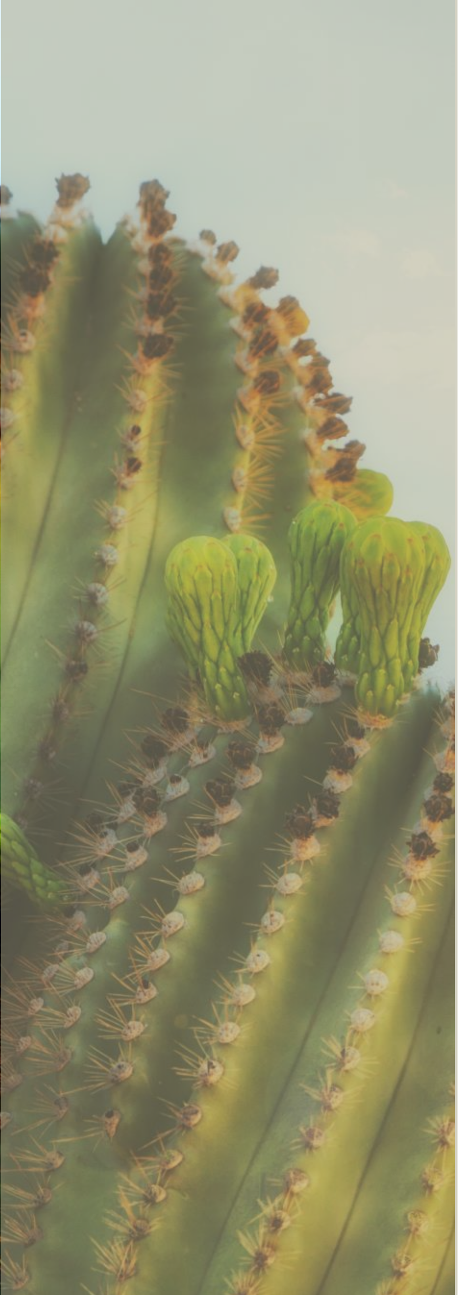
Daniel Froetscher
President and Chief Operating Officer, APS

- Joined APS in 1980
- Promoted to President and COO, January 2020
- Responsible for customer service, T&D, non-nuclear generation, resource management, environmental, supply chain, external communications and corporate development

Maria Lacal
Executive Vice President and Chief Nuclear Officer, APS

- Joined APS as VP Operations Support in 2007 from Florida Power and Light Company
- Responsible for all-nuclear related activities associated with Palo Verde Generating Station including nuclear assurance division, employee concerns and safety culture programs

PINNACLE WEST
CAPITAL CORPORATION



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

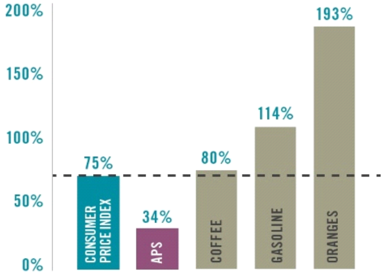
Building a clean energy future with our goal to deliver 100% clean, carbon-free energy to customers by 2050

1,920MW

of renewables capacity

Affordable

Delivering affordable energy for the benefit of the customers and communities we serve



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,

2019 - Best ever SAIFI (System Average Interruption Frequency Index) reliability performance (excluding voluntary and proactive fire mitigation impacts)

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

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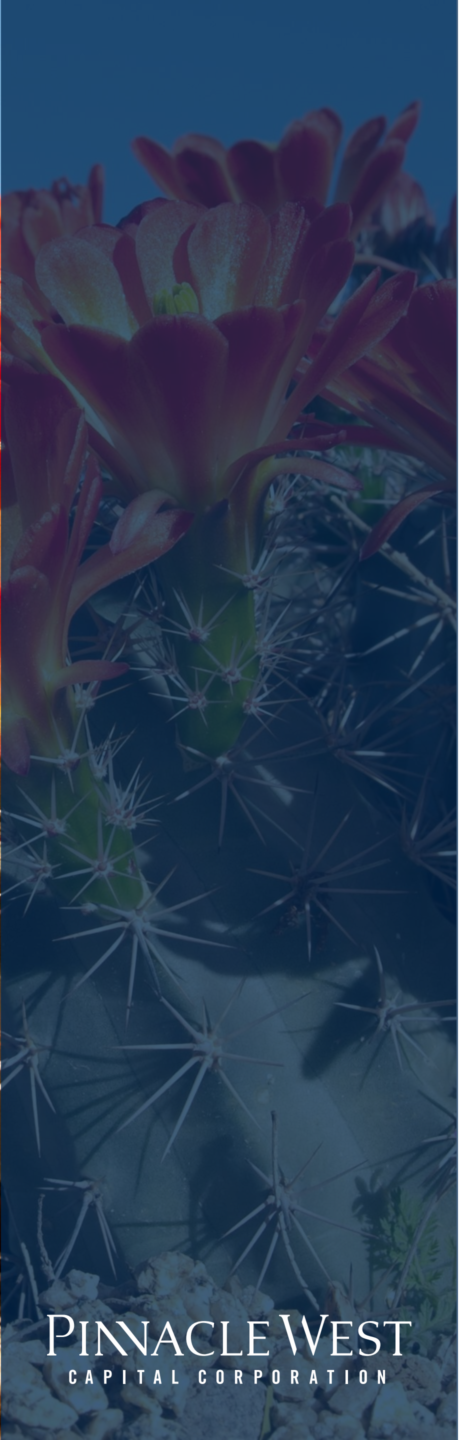
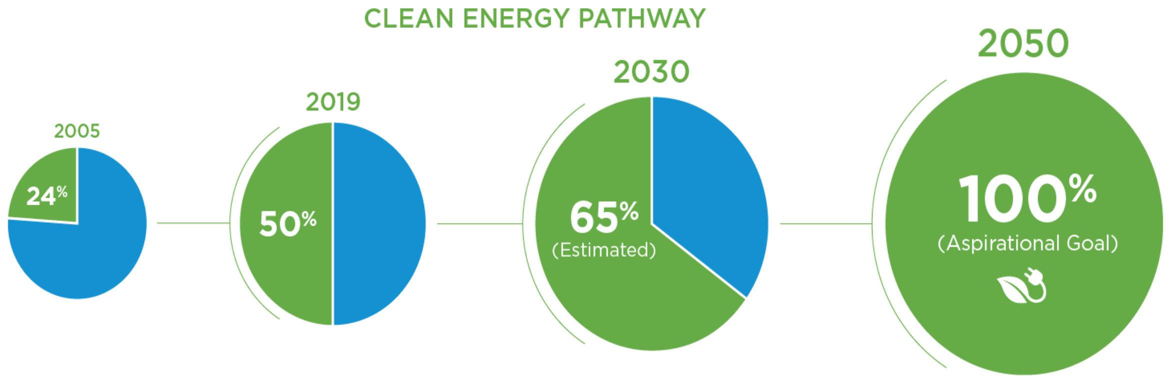


FUTURE FOCUS: CLEAN ENERGY PLAN

APS Clean Energy Commitment



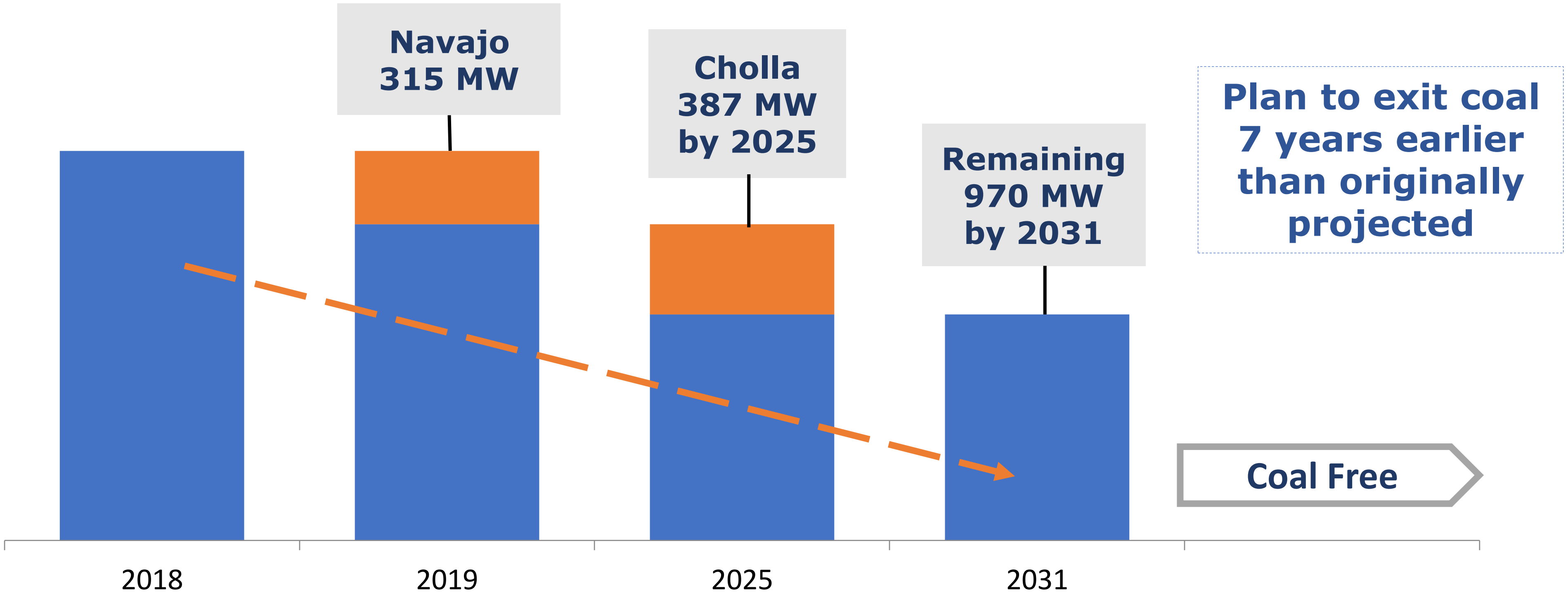
Clean energy commitments

- 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

COAL EXIT STRATEGY



Four Corners Power Plant represented less than 8% of our total rate base as of December 31, 2019

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SOLAR LEADER

1.6 gigawatts of total solar capacity

114,700 interconnected DG systems

520 megawatts utility-scale capacity

Solar accounted for up to 57% of our energy mix in 2019*

Innovative distributed energy projects

Solar, storage, EV, microgrids

Nationally recognized advanced research

Solar R&D, Grid modernization, Storage integration

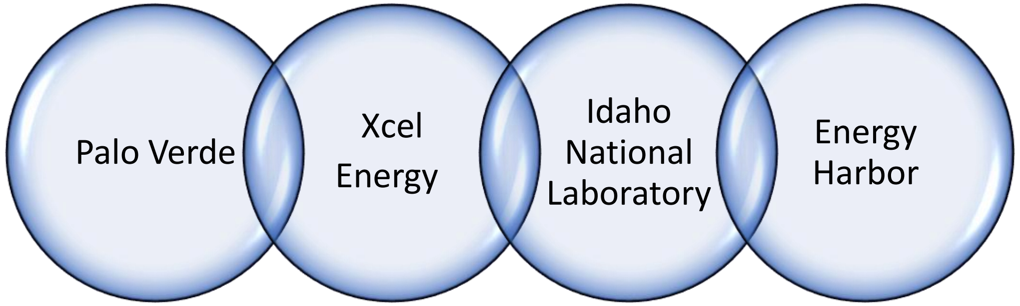
* Maximum contribution during non-summer month in the off-peak window (March 10, 2019).

PINNACLE WEST CAPITAL CORPORATION

HYDROGEN

Palo Verde collaborates on a pilot project to explore the production of hydrogen at Palo Verde Generating Station

Collaborators Include



- The pilot program will examine the long-term cost-effectiveness of hydrogen production at utility scale and is expected to run from 2020 to 2023.

- Idaho National Laboratory will prepare technical & economic feasibility assessment. The assessment will consider regional power prices in order to determine the cost-effectiveness of producing hydrogen using Palo Verde Generating Station electricity.

- APS will look at the technical feasibility of electrolysis, a method that splits water into oxygen and hydrogen, and the cost of equipment, principally the electrolyzer.

CUSTOMER SUPPORT

Customer Outreach

Customer Advisory Board

- Gathers **direct insight** from residential customers
- Identify **customer concerns** to shape and co-create solutions

COVID-19 Support

Customer Support Fund

- **$6.15 million in funding** for residential and small business
- **$100 residential one-time bill credit** with a delinquency of 2 or more months or a limited income customer
- **$1,000** one-time small business bill credit

Disconnect Moratorium Extended

- Through **December 2020**

Expansion of Call Center Hours

- **24/7 365 days per year**

Payment Assistance

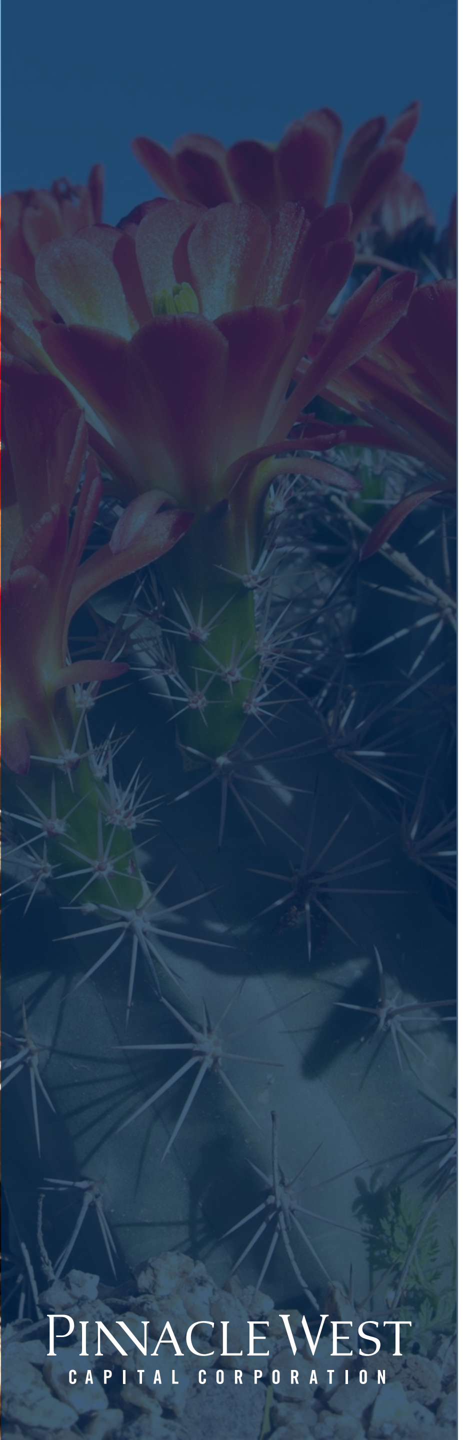
Crisis Bill Assistance

- Provided to limited-income customers
- Up to **$800** per year to assist with bills
- Requesting ACC approval for funding increase to **$2.5 million** annually with expanded enrollment criteria

Energy Support Program

- **25% discount** on monthly bill for qualifying limited income customers
- Currently funded at $48 million annually
- **24% enrollment increase** during 2019

PINNACLE WEST CAPITAL CORPORATION



CUSTOMER SUPPORT

Pro-Forma Billing

- On-bill rate plan analysis showing customers lowest cost plan, current month savings, and cumulative 12-month savings

Payment Strategy

- New payment options such as PayPal and Venmo

APS Marketplace

- Online tool informing customers about energy efficiency appliances and products to reduce energy use
- Provide customers with an easy way to compare products, read reviews, compare efficiency scores and enroll in APS programs

Digital Engagement Focus

- Improved functionality and experience on aps.com
- Expand customer affordability by engaging more customers in digital channels

Bill Redesign

- Redesign, simplify and enhance customer bill
- Rooted in customer research and insight to improve customer bill experience
- Provides right level of detail, delivered in channel of choice (print, aps.com, mobile)

CUSTOMER PROGRAMS

Demand Response (DR) Programs

Cool Rewards
- **18,182** connected smart thermostats
- Reduced peak demand **up to 42 MW**

Storage Rewards
- **33** Residential and **3** commercial battery systems

Reserve Rewards
- **226** grid interactive water heaters

Program Awards

- Smart Electric Power Alliance’s 2019 **Innovative Partner of the Year Award** (with EnergyHub)
- Alliance of Energy Service Professionals’ 2020 **Energy Award for Outstanding Achievement** in the category of Emerging Tools & Technologies
- Peak Load Management Association's Program **Pacesetter Award** (with EnergyHub)

Energy Efficiency Program Offerings

Proposed programs:

- Subscription rate pilot offering **rate-optimized smart thermostats** to influence energy use patterns
- **EV-ready pre-wiring**, connected water heating and induction cooking in the Residential New Construction program
- **Solutions for Business** energy education and training, access to qualified trade allies, and rebates for technology

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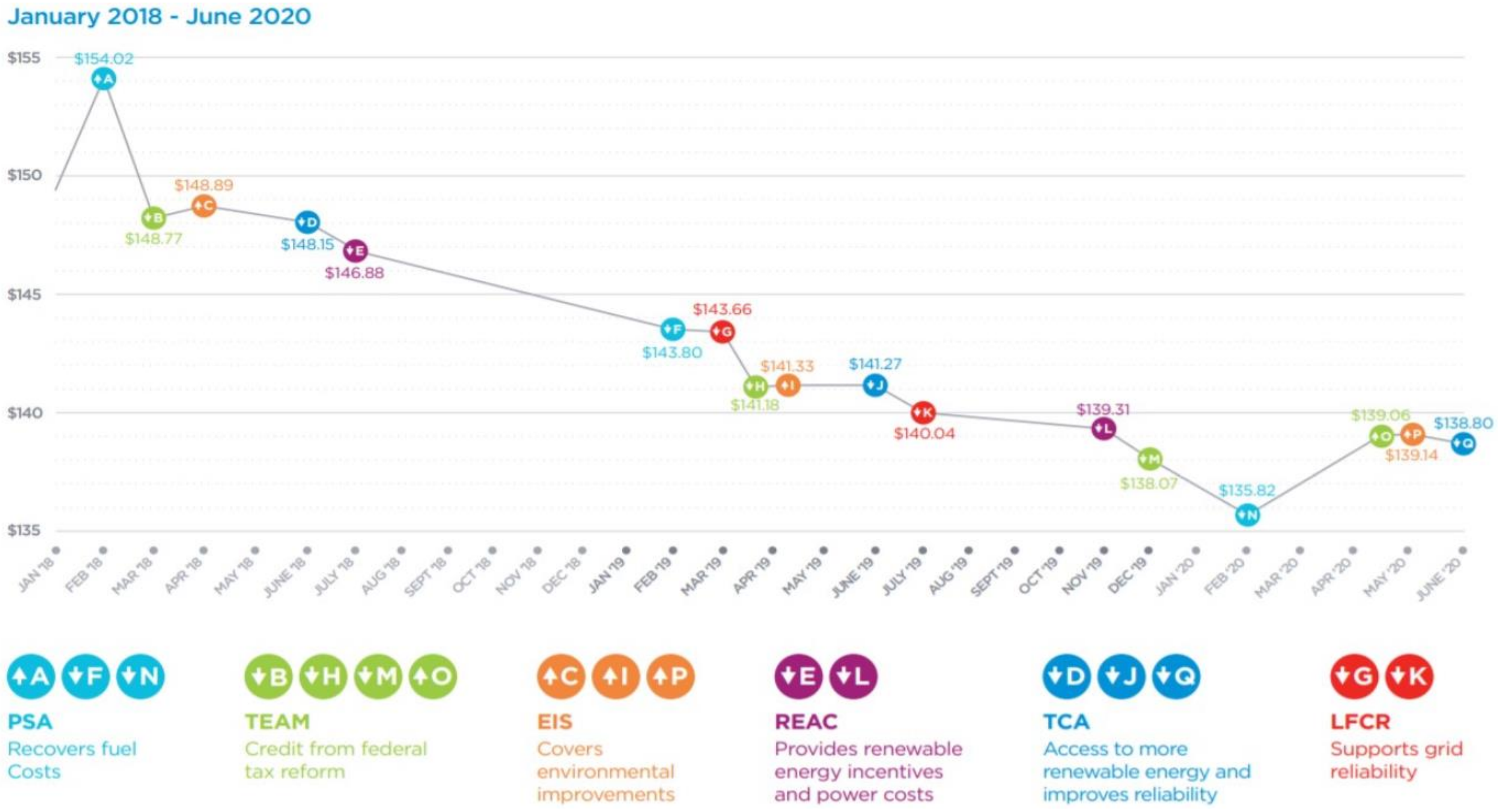
AVERAGE MONTHLY APS BILL

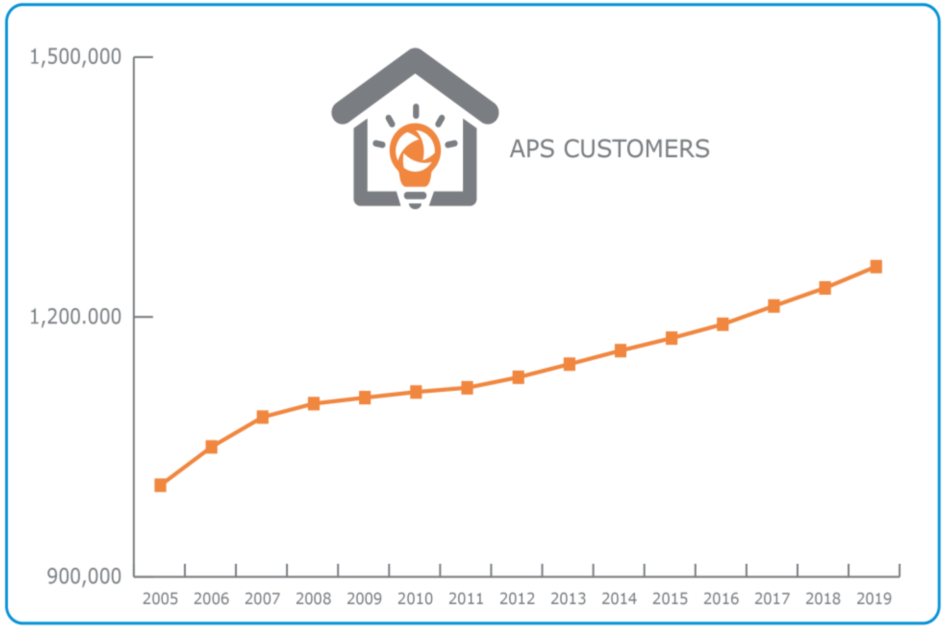
Since 2018, changes to adjustors have lowered the average residential customer's bill $10.95 (7.31% lower)

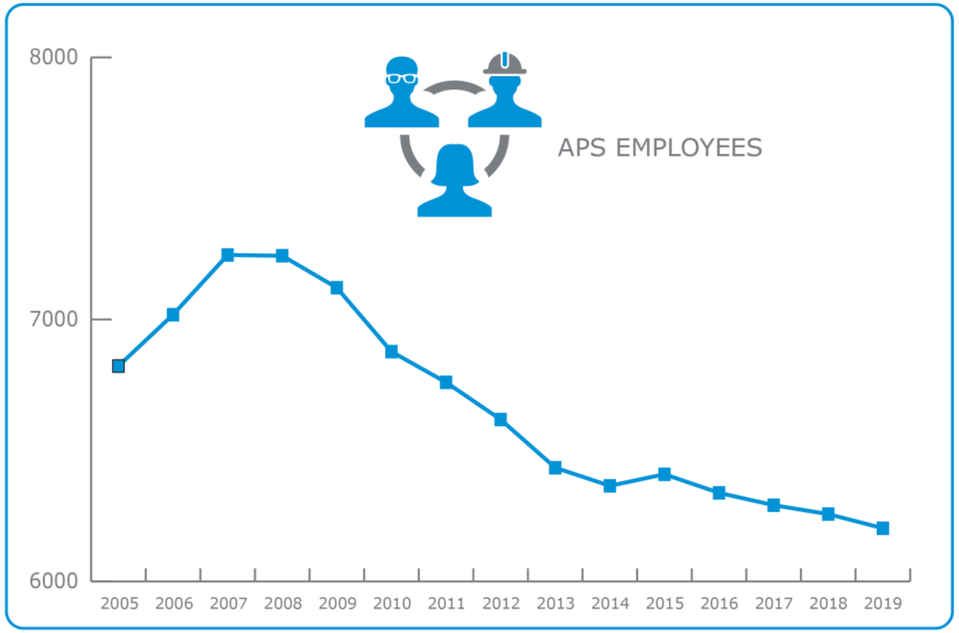


PINNACLE WEST CAPITAL CORPORATION

COST MANAGEMENT

Over 15-year period, APS has experienced a steady level of customer growth while increasing operating efficiently.

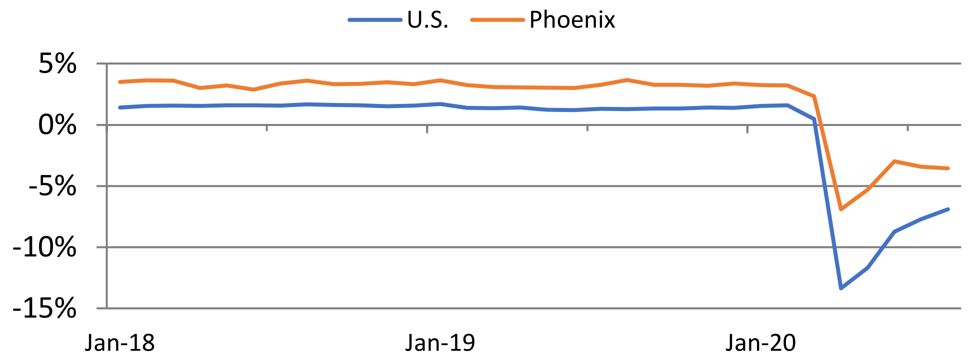




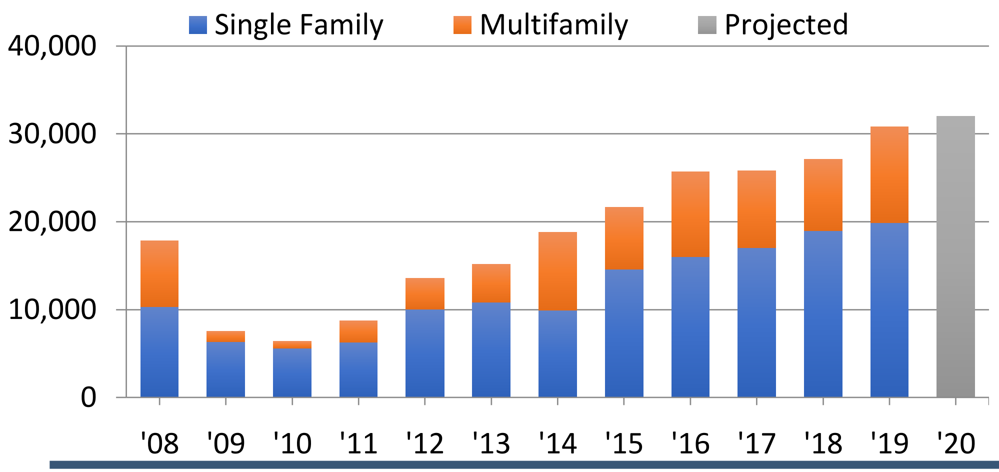
PINNACLE WEST CAPITAL CORPORATION

ECONOMIC INDICATORS

Monthly Year-over-Year Employment Growth
Ending August 2020



Single Family & Multifamily Housing Permits
Maricopa County



Amazon announced 13 new sites and 3,000 new jobs coming to the Valley [1]

Maricopa housing permits increased over 30% year-over-year for July-August [2]

Phoenix continues to be a popular migration destination – "Valley homebuilders can't build fast enough" [3]

[1] Phoenix Business Journal. August 21, 2020
[2] Data pulled from census.gov
[3] Phoenix Business Journal. Sept 29, 2020

PINNACLE WEST CAPITAL CORPORATION

ECONOMIC DEVELOPMENT

FUTURE EXPANSIONS

- **Microsoft** is constructing all three of its new mega data centers in the West Valley. These datacenters are projected to create 100 permanent jobs and 1,000 construction jobs.
- **Stream Data Centers** has launched a 418,000 sq ft facility in the West Valley. At full build, the entire campus will support up to 200MW of load.
- **Stack Infrastructure** plans to build a 1 million-square-foot data center on 79 acres in the West Valley less than half a mile from one of Microsoft's data centers.
- **White Claw/Mark Anthony Brewing Inc.** announced plans to build a 916,000-square-foot facility co-located next to Red Bull in Glendale creating an estimated 200 jobs.
- **Red Bull** announced a 700,000-square-foot distribution center, in addition to the 700,000 square foot facility announced in 2019, adding an estimated 115 new jobs and an additional $84 million in capital investment.

OUR APPROACH FOCUSES ON FOUR MAIN AREAS

Business Attraction & Expansion - constructive engagement with economic development community partners and timely, strategic engagement with economic development prospects, site selectors, and local developers

Community Development - provide financial and strategic economic development support in both rural and metro communities

Entrepreneurial Support - advance the entrepreneurial ecosystem by supporting the strategies of organizations that are making an impact, whether through job creation, capital raised, quality programming or helping to change the perception of the region

Infrastructure Support - drive commercial real estate development by working closely with developers and the Arizona State Land Department to make large commercial land parcels "shovel ready"

What others are saying:

- Census report ranks Arizona 3rd in percentage growth rate; AZ Business Magazine, Jan. 2, 2020
- Arizona gaining as top state for newcomers, study says; Arizona Republic, Jan. 2, 2020

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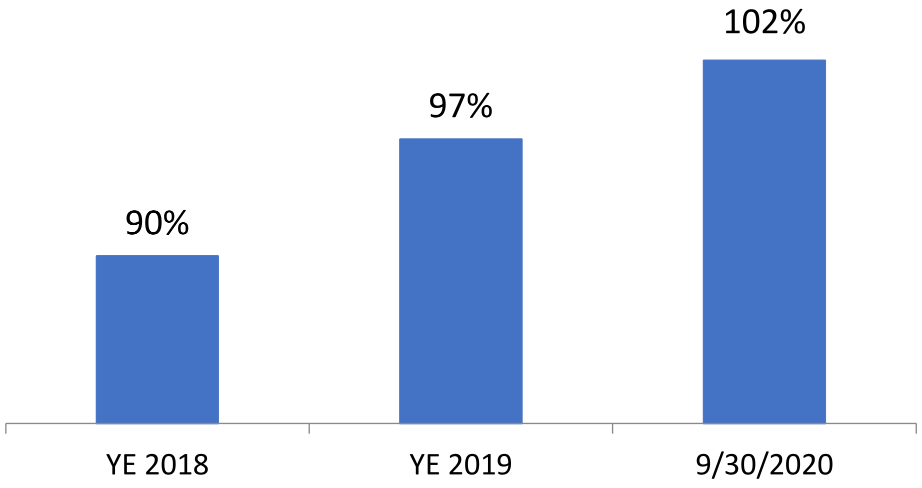
APPENDIX

WELL-FUNDED PENSION AND HEALTHY LIQUIDITY

Pension Funded Status

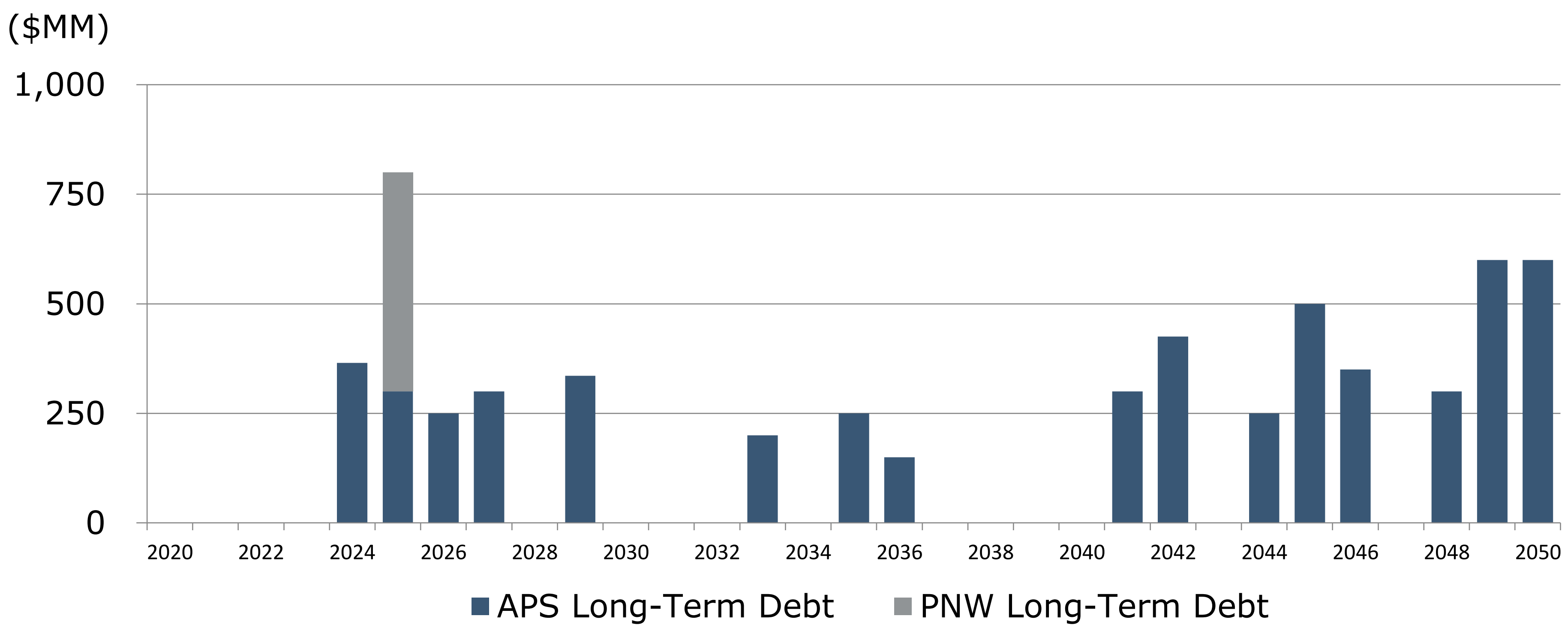


- Liability driven investment strategy helps reduce funded status volatility
- Approximately 65% of the pension portfolio is in fixed income assets
- Hedge 100% of interest rate volatility using Treasury futures contracts

Liquidity and Financing Activity

- $1.2 billion revolver capacity
- $600 million 30-year 3.35% APS senior unsecured notes issued May 2020
- $500 million 5-year 1.30% PNW senior unsecured notes issued June 2020
- $400 million 30-year 2.65% APS **green bonds** issued September 2020
- All PNW debt maturing in 2020 was repaid in June 2020
- $150 million of APS debt repaid in January 2020
- $200 million APS Term Loan repaid in May 2020
- No APS or PNW long-term debt maturities until 2024

LONG-TERM DEBT MATURITY PROFILE



PINNACLE WEST
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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.

	2017	2018	2019
APS			
FFO / Debt	29.4%	24.5%	22.5%
FFO / Interest	7.5x	6.5x	6.4x
Debt / Capitalization	46.8%	47.0%	47.7%
Pinnacle West			
FFO / Debt	26.4%	22.1%	19.5%
FFO / Interest	7.1x	6.2x	5.9x
Debt / Capitalization	50.0%	51.4%	52.1%

Source: Standard & Poor's

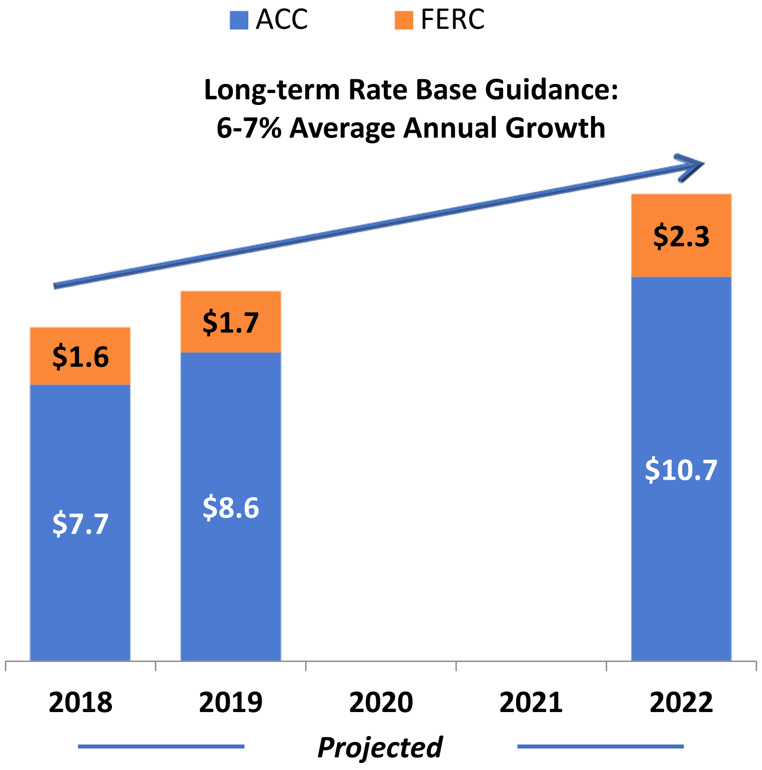
[1] We are disclosing credit ratings to enhance understanding of our sources of liquidity and the effects of our ratings on our costs of funds.

RATE BASE

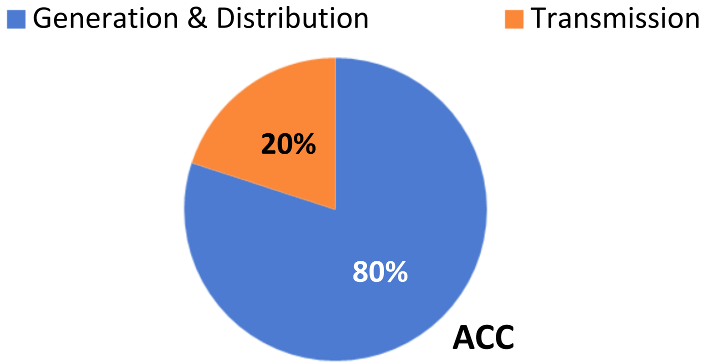
APS's revenues come from a regulated retail rate base and meaningful transmission business

APS Rate Base Growth

Year-End



Total Approved Rate Base



	ACC	FERC
Rate Effective Date	8/19/2017	6/1/2020
Test Year Ended	12/31/2015[1, 2]	12/31/2019
Rate Base	$6.8B	$1.7B
Equity Layer	55.8%	53%
Allowed ROE	10.0%	10.75%

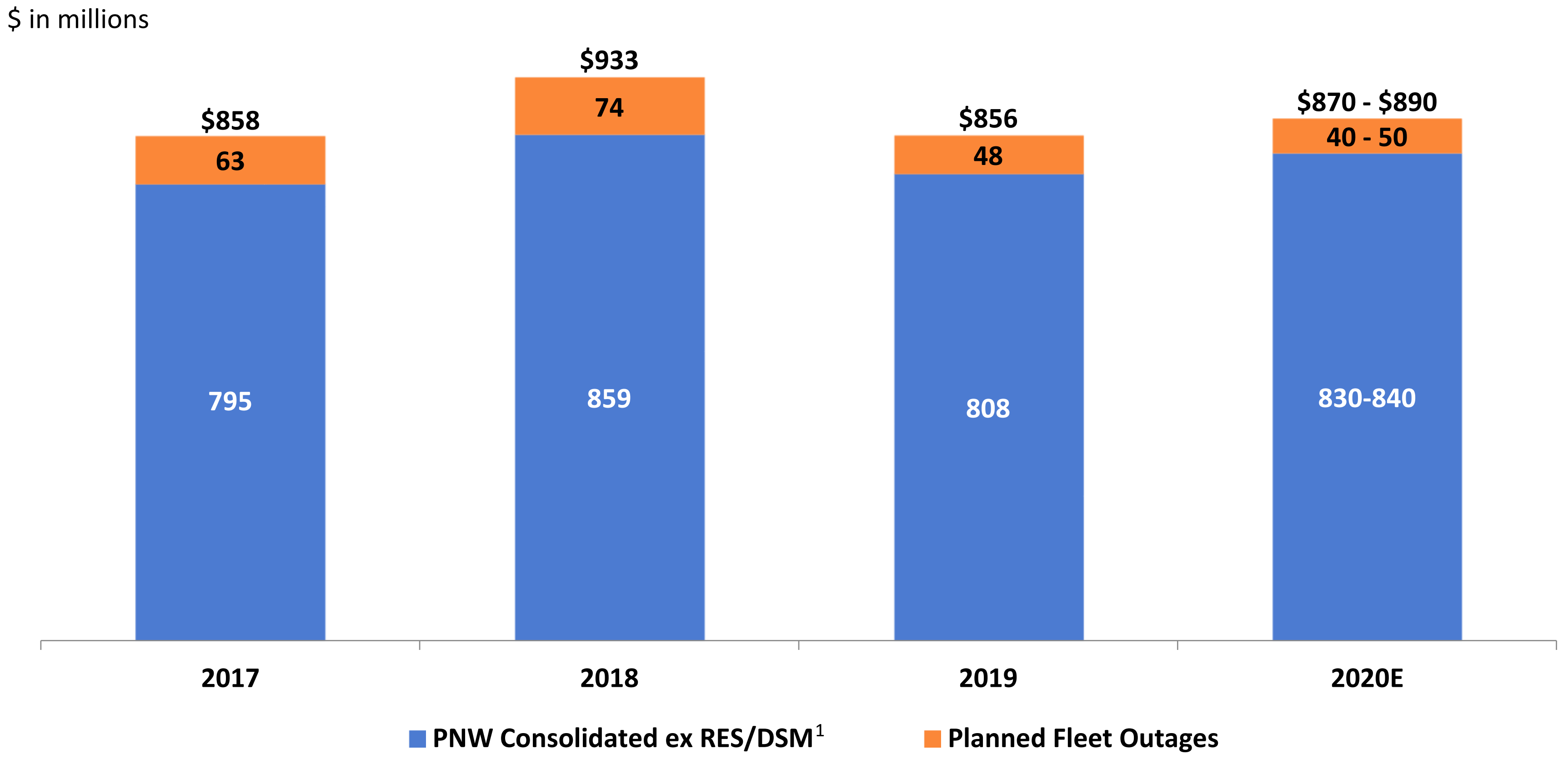
[1] Adjusted to include post test-year plant in service through 12/31/2016

[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

Rate base $ in billions, rounded

OPERATIONS & MAINTENANCE

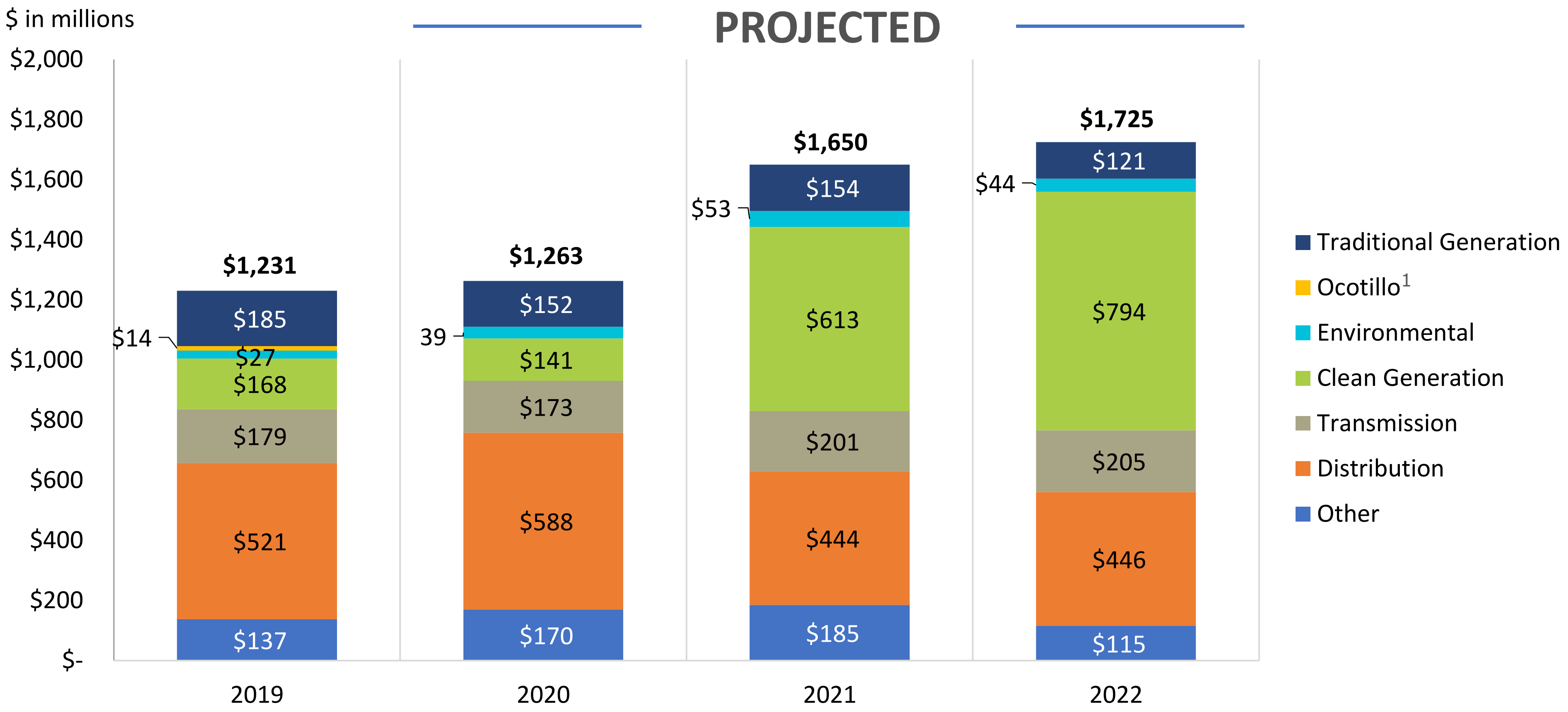
Goal is to keep O&M per kWh flat, adjusted for planned outages



[1] Excludes RES/DSM of $91 million in 2017, $104 million in 2018, $86 million in 2019, and $70 million in 2020E.

APS CAPITAL EXPENDITURES

Capital expenditures will support our growing customer base and our transition to a cleaner generation mix



- 2020 – 2022 as disclosed in the 2020 Third Quarter Form 10-Q.

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

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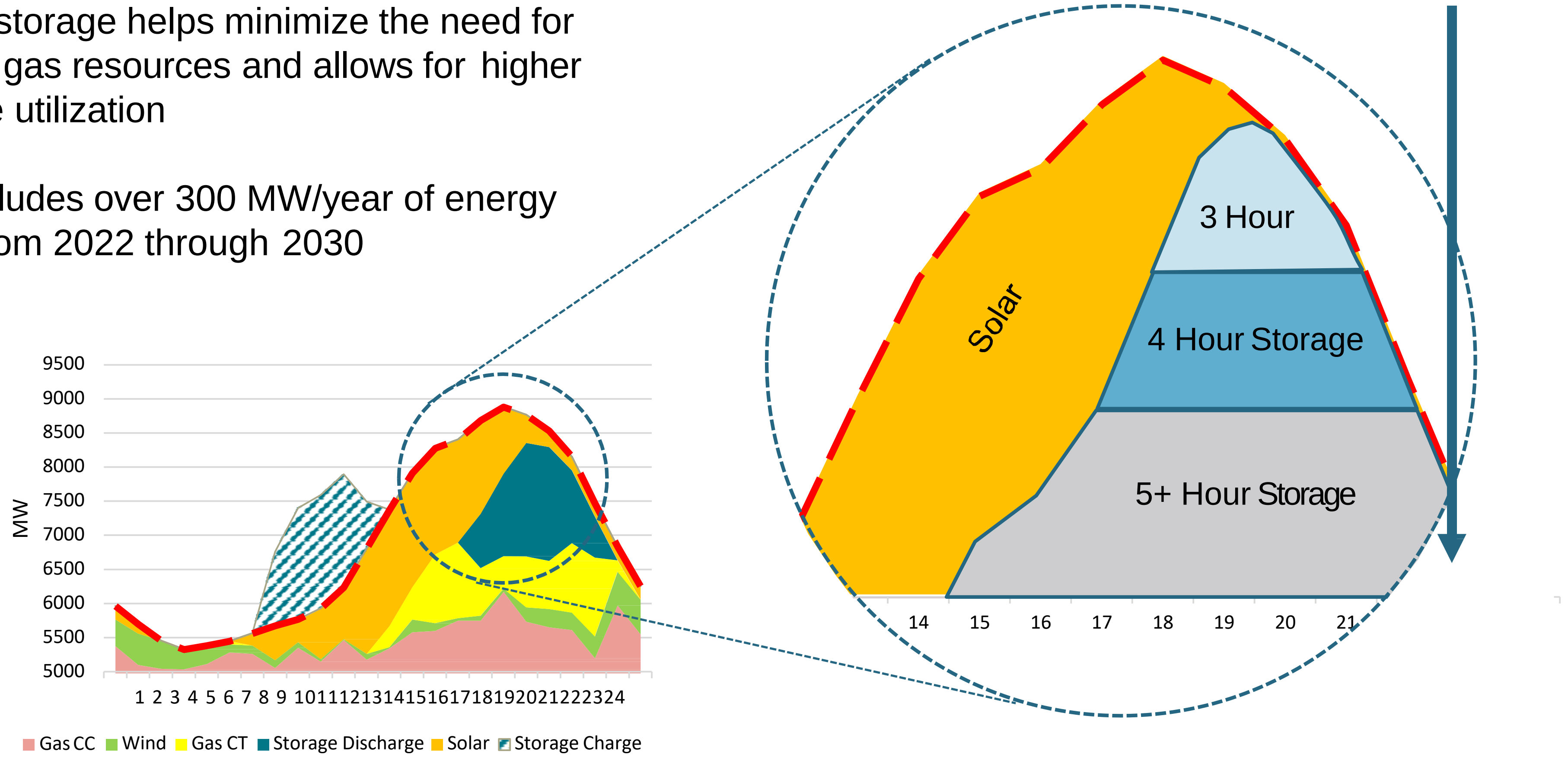
ENERGY STORAGE CONTRIBUTION TO RELIABILITY

- 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



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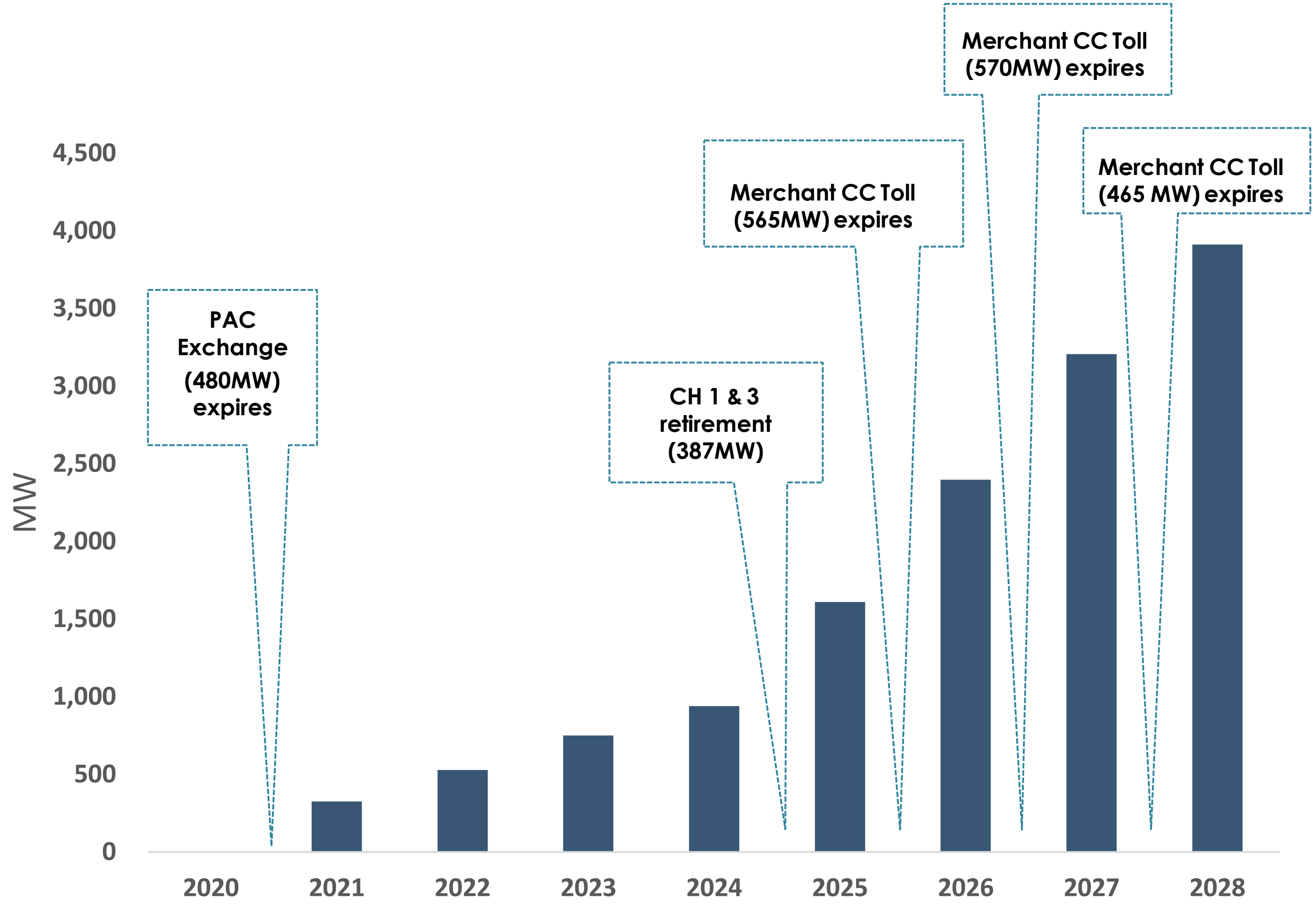
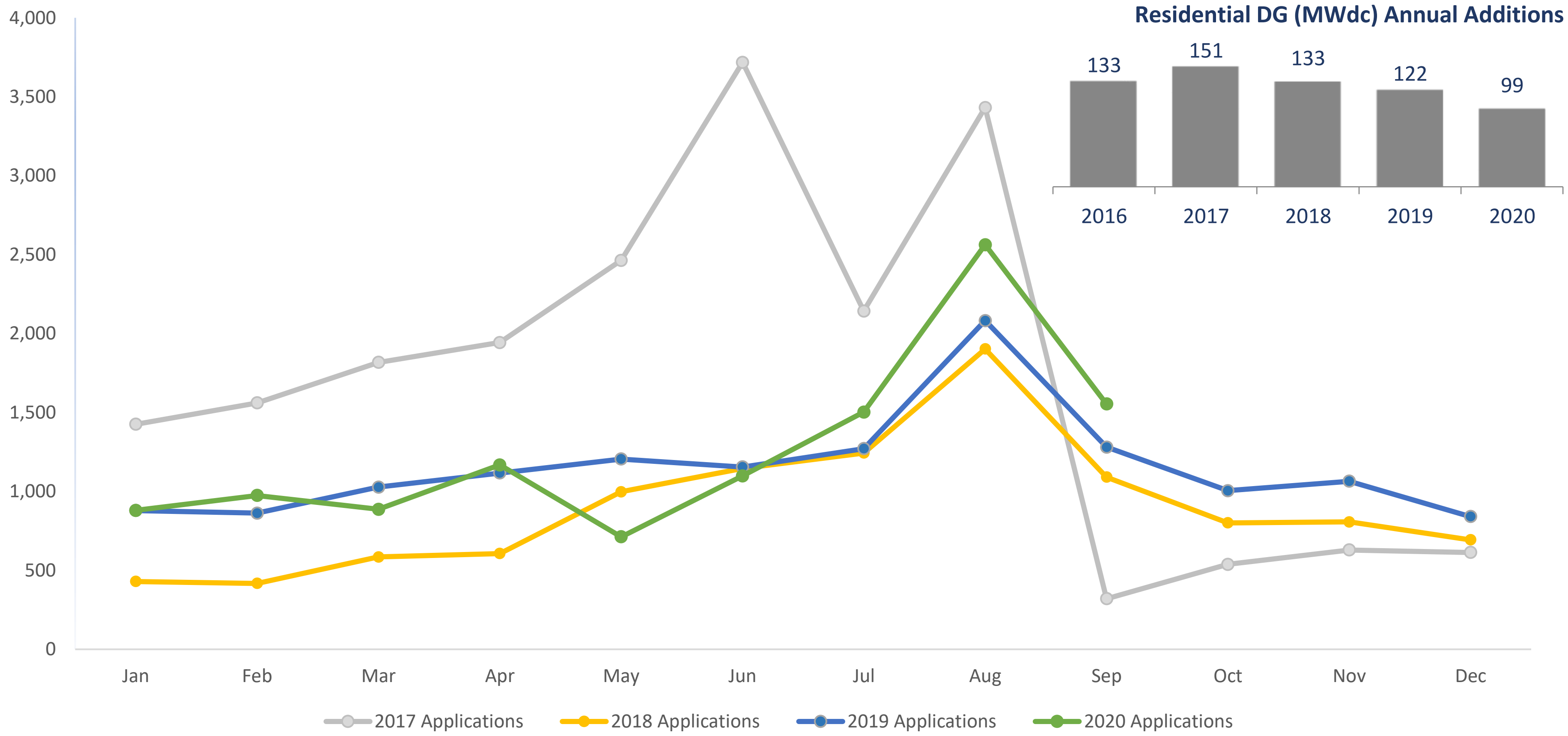
CUMULATIVE PEAK CAPACITY NEEDS THROUGH 2028



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

RESIDENTIAL PV APPLICATIONS[1]



[1] Monthly data equals applications received minus cancelled applications. As of September 30, 2020, approximately 114,400 residential grid-tied solar photovoltaic (PV) systems have been installed in APS's service territory, totaling approximately 935 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.

PINNACLE WEST
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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.

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	Effective: May 1		
Transmission Cost Adjustor: **E-01345A-16-0036**		Filed: May 15 Effective: Jun 1		
2020 DSM/EE Implementation Plan: **E-01345A-19-0148**		Amended Plan Filed: May 15	Approved: Sept 23	
2020 RES Implementation Plan: **E-01345A-19-0088**			Approved: Sept 23	
2019 Rate Case: **E-01345A-19-0236**				Hearing Begins: Dec 14
Resource Planning and Procurement: **E-00000V-19-0034**		IRP Filed: Jun 26		
Resource Comparison Proxy (RCP): **E-01345A-20-0113**		Filed: May 1	Approved: Sept 23 Effective: Oct 2021	
Possible Modification to Commission's Energy Rules: **RU-00000A-18-0284**	Workshops Mar 10, 11		Open Meeting: July 30, Sept 24	Open Meeting: Oct 14, 29, Nov 13
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			

SUMMARY OF RATE CASE INTERVENOR RECOMMENDATIONS

	APS (direct testimony)	ACC Staff	RUCO
Total Revenue Increase (Base Rate and Adjustors) ($MM)	$183.6 5.6%	$89.7 2.7%	($20.8) (0.63%)
Base Rate Increase ($MM)	$68.6	($25.3)	($135.8)
ROE	10.15%	9.40%	8.74%
Return on Fair Value Increment	1.00%	Alt 1: 0.00% Alt 2: 0.30% (Alt 2 recommended)	0.00%
Weighted Average Cost of Capital / Rate of Return on FVRB	7.41% / 5.62%	7.00% / 5.11%	6.75% / 4.69%
Base Fuel Rate (¢/kWh)	3.0168	3.1451	Not addressed
Post-Test Year Plant	12 Months	12 Months	12 months, reduces amount by over 20%
SCRs and Deferral	Include both	Include both	Disallow both, pending further review
OMP and Deferral	Include both	Include asset, investigating deferral	Include both
Equity Layer	54.7%/45.3%	54.7%/45.3%	54.7%/45.3%

2019 RATE CASE REBUTTAL TESTIMONY

Filed November 6, 2020
Docket Number: E-01345A-19-0236
Additional details, including filing, can be found at http://www.pinnaclewest.com/investors

Rebuttal Testimony Highlights	
Advanced Energy Mechanism (AEM)	- Recover clean energy investments - Could replace the Demand-Side Management Adjustment Clause, Renewable Energy Standard surcharge and Lost Fixed Cost Recovery mechanism by combining into one adjustor mechanism
Coal Community Transition (Four Corners)	- $100M over 10 years for a sustainable transition to a post-coal economy; funded by customers $1.25M over 5 years to fund an economic development organization; shareholder funded - $10M over 10 years to facilitate electrification of the Navajo Nation; funded equally by customers and shareholders - $2.5M per year in transmission revenue sharing starting after plant closure through 2038; shareholder funded • RFPs to solicit 600 MW of renewable energy to be sited on or near the Navajo Nation, projects pending ACC approval
Revenue Requirement Increase	- $169 million; reduction of $15 million from original request of $184 million
ROE / Fair Value Increment	- 10% and 0.8% (reflects current authorized amounts)
Rate Design	- Simplify with 3 rate options for non-solar customers (Flat, TOU, TOU with Demand)
Customer Outreach	- Formal, data/research driven customer experience strategy - Internal customer experience council and annual customer improvement workplans - Voice of the Customer program to capture customer research and insights

APS REBUTTAL TESTIMONY KEY FINANCIALS

Test year ended June 30, 2019	
Total Rate Base - Adjusted	$11.2 Billion
ACC Rate Base - Adjusted	$8.9 Billion
Allowed Return on Equity	**10.0%**
Capital Structure	
Long-term debt	45.3%
Common equity	54.7%
Base Fuel Rate (¢/kWh)	**3.1451**
Post-test year plant period	**12 months**

Overview of Rate Increase ($ in Millions)			
Total stated base rate increase (inclusive of existing adjustor transfers)	$	41	1.2%
Plus: Transfer to base rates of various adjustors already in effect	$	115	3.5%
Plus: Coal Community Transition funding through the AEM	$	13	0.4%
Net Customer Bill Impact	**$**	**169**	**5.1%**

APS REBUTTAL TESTIMONY - REVENUE REQUIREMENT

Customer Bill Impact = Net Base Rate Increase + Net Adjustor Changes	Dollars (millions)	Bill Impact
Total Revenue Deficiency in APS's Application	$184	5.6%
Base Rate Changes		
Net adjustments	$(28)	-0.9%
TEAM	$(119)	-3.6%
All other adjustor mechanisms	$4	0.1%
Rebuttal Net Base Rate Request	**$41**	**1.2%**
Adjustor Changes		
Removal of TEAM credit	$119	3.6%
Transfer of all other adjustor mechanisms to base rates	$(4)	-0.1%
Advanced Energy Mechanism	$13	0.4%
Net Adjustor Mechanism Changes	**$128**	**3.9%**
Total Rebuttal Revenue Requirement Increase and Bill Impact	**$169**	**5.1%**

APS
RATE CASE PROCEDURAL SCHEDULE

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

Application Filed October 31, 2019

Staff/Intervenor Direct Testimony (October 2, 2020)

Staff/Intervenor Direct Testimony (Rate Design) (October 9, 2020)

APS Rebuttal Testimony (November 6, 2020)

Staff/Intervenor Surrebuttal Testimony (November 20, 2020)

APS Rejoinder Testimony (December 2, 2020)

Pre-Hearing Conference (December 10, 2020)

Hearing Commences (December 14, 2020)

ARIZONA UTILITIES
GENERAL RATE CASES

Tucson Electric Power Company	**Southwest Gas**
Docket # E-01933A-19-0028	**Docket # G-01551A-19-0055**
Application Filed April 1, 2019	Application Filed May 1, 2019
Hearing Commenced (Jan 16, 2020)	Staff /Intervenor Direct Testimony (Revenue) (Feb 5, 2020)
Staff's late-filed testimony (April 10, 2020)	Staff/Intervenor Direct (Rate Design) (Feb 19, 2020)
Responsive testimony (May 8, 2020)	SWG Rebuttal Testimony (March 11, 2020)
Additional hearing dates (June 24-25, 2020)	Staff/Intervenor Surrebuttal Testimony (April 3, 2020)
Initial post-hearing briefs (July 14, 2020)	SWG Rejoinder Testimony (April 14, 2020)
Final post-hearing briefs (Aug 4, 2020)	Prehearing Conference (June 23, 2020)
	Hearing Commenced (June 30, 2020)
	Initial post-hearing briefs (August 31, 2020)
	Final post-hearing briefs (September 14, 2020)

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 2020	• 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 / Sept 2020	• Recovers costs related to renewable initiatives • Collects projected dollars to meet RES targets
Demand-Side Management Adjustment Clause ("DSMAC")	April 2005 / Sept 2020	• 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 / May 2020	• 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 2020	• 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 2020	• Recovers transmission costs based on historical costs per FERC Form 1 and certain projected data
Lost Fixed Cost Recovery ("LFCR")	July 2012 / May 2020	• 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

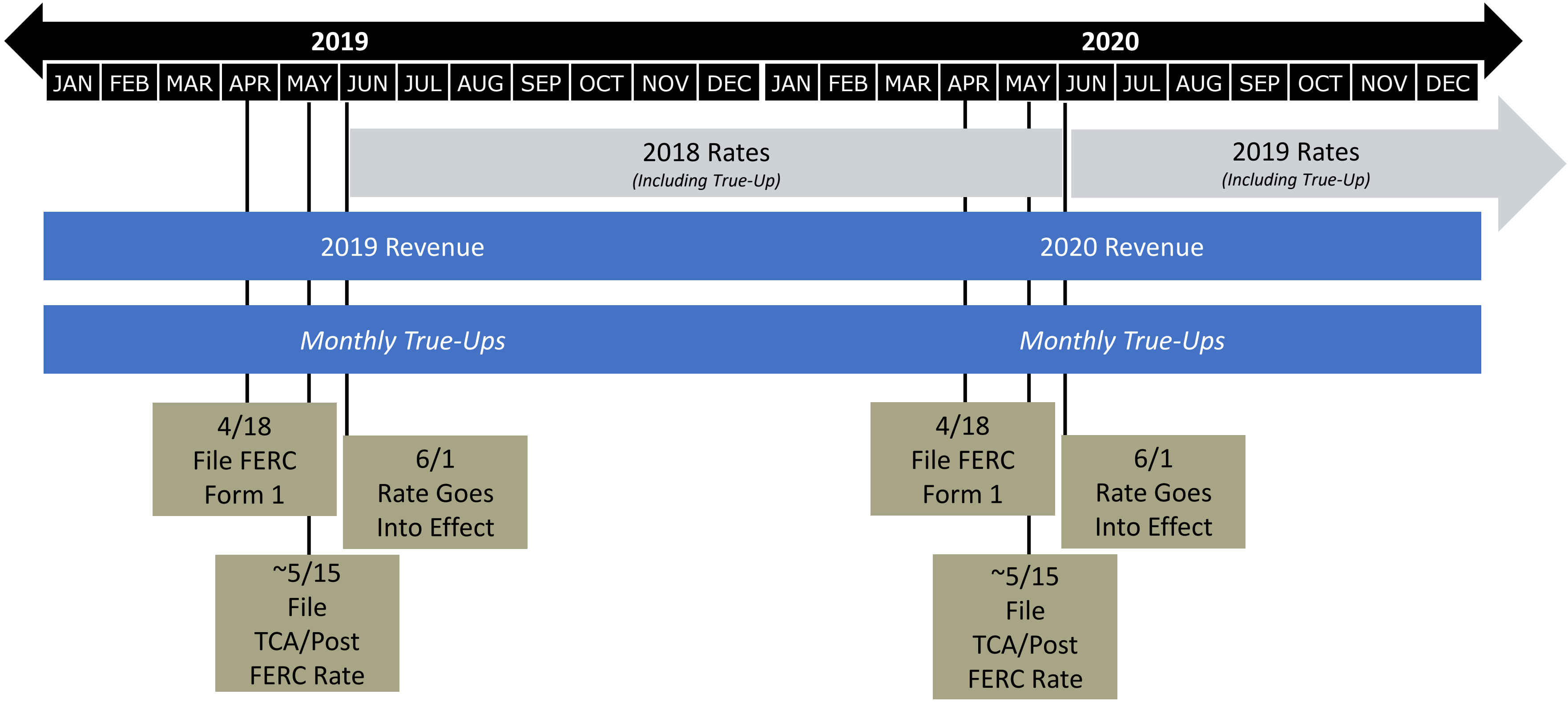
- FERC Formula Rates adopted in 2008
- Adjusted annually with 10.75% allowed ROE
- Based on FERC Form 1 and projected closings
  - Update filed each May
  - Annual rate true-up compares projected revenue requirement to actual, with variance incorporated into next annual update
  - Balancing account added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

As Filed	2020		2019		2018	
	Annual Rate Increase	**Rate Effective Date**	**Annual Rate Increase**	**Rate Effective Date**	**Annual Rate Increase**	**Rate Effective Date**
Retail Portion (TCA)	($11M)	6/1/2020	$5M	6/1/2019	($27M)	6/1/2018
Wholesale Portion	$5M	6/1/2020	$21M	6/1/2019	$4M	6/1/2018
Total Increase (Decrease)	($6M)		$26M		($23M)	
Equity Ratio	53%		55%		53%	
Rate Base (As filed)	$1.7B		$1.7B		$1.6B	
Test Year	2019		2018		2017	

PINNACLE WEST CAPITAL CORPORATION

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

PINNACLE WEST CAPITAL CORPORATION

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

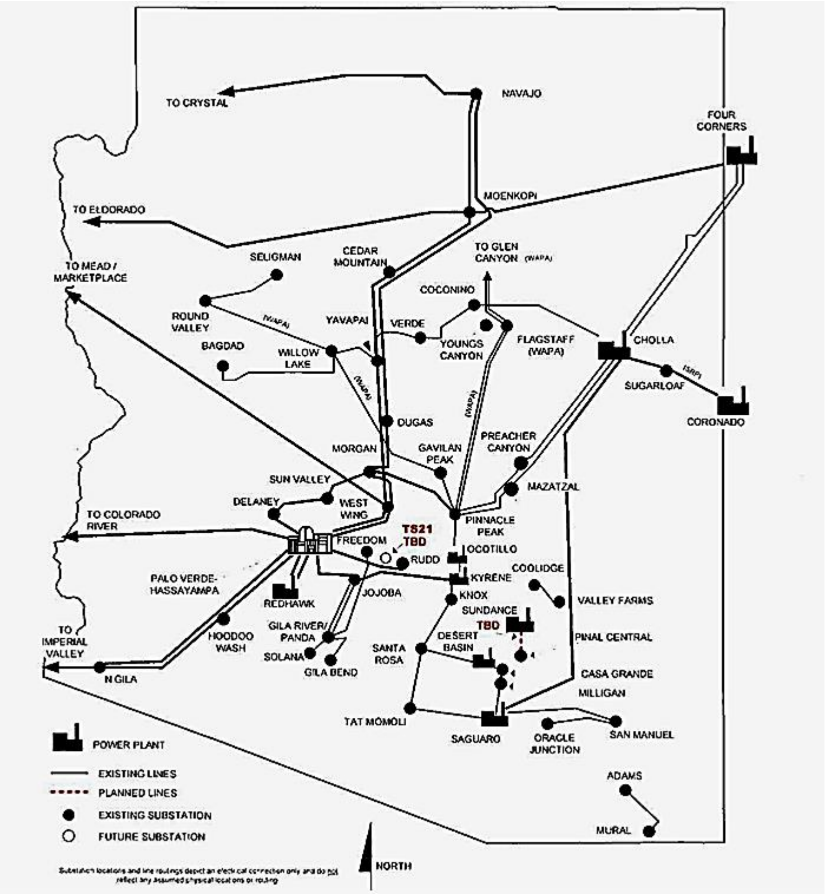
Accrual Period	2016	2017	2018	2019
Rates Effective	April 2017	March 2019	July 2019	May 2020
LFCR Rate	2.30%	\$0.00288/kWh \$0.838/kW	\$0.00172/kWh \$0.511/kW	\$0.00125/kWh \$0.372/kW
Residential rate per lost kWh	\$0.031	\$0.025	\$0.025	\$0.025
Non-residential rate per lost kWh	\$0.023	\$0.025	\$0.025	\$0.025
LFCR Adjustment	\$63.7 Million	\$60.8 Million	\$36.2 Million	\$26.6 Million

APS TRANSMISSION

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

- 10-Year Transmission Plan filed January 2020 (115 kV and above)
  - 26 miles of new 230kV transmission lines
  - 3 mile of new 115kV transmission lines
  - 38 transformer additions/replacements
- 9 new substations supporting load growth, including data centers, expected to be in service between 2020-2025
- Total investment estimated to be approximately $590 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.

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 2019 Form 10-K.

[1] UD = Under Development; UC = Under Construction; IO = In Operation

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