PINNACLE WEST
CAPITAL CORPORATION

POWERING GROWTH
DELIVERING VALUE

Investor Meetings
March 2-3, 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” 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.

PINNACLE WEST
CAPITAL CORPORATION



PINNACLE WEST
CAPITAL CORPORATION

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

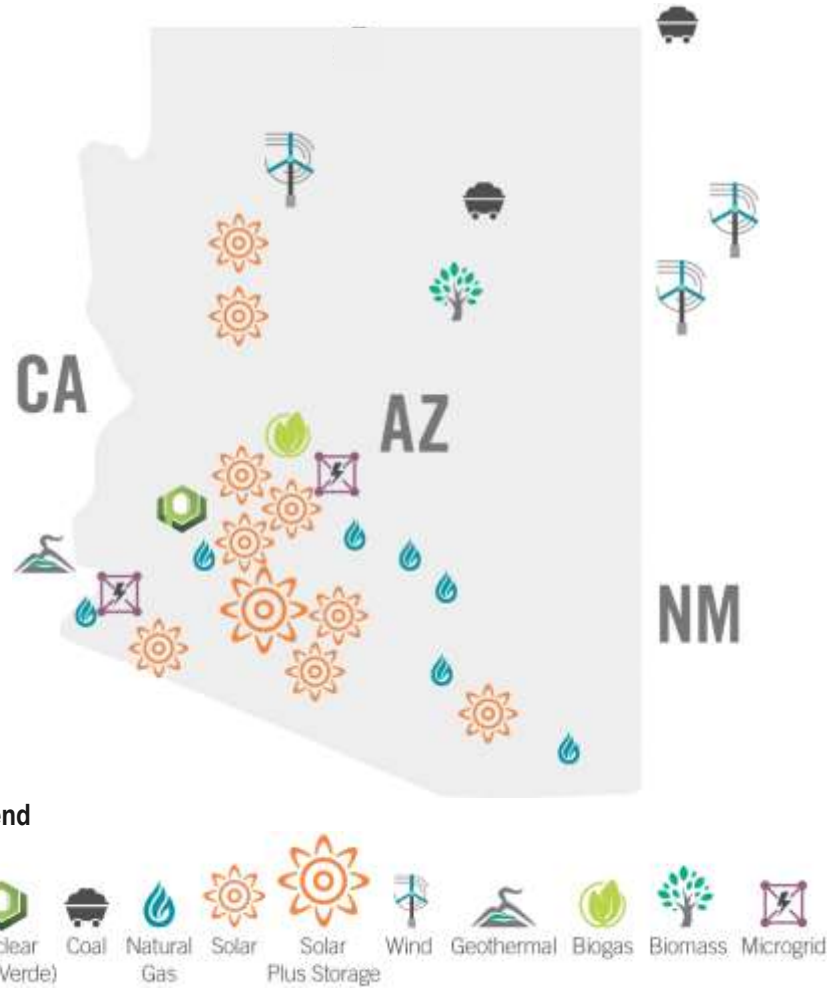
Arizona's largest and longest -serving electric company, providing affordable and reliable electricity for approximately 1.3M customers

Palo Verde

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
- 38+ 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

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A STRATEGY TO DRIVE VALUE

The Core is the foundation for our strategic and business initiatives



The **APS Strategic Business Plan** is anchored by four themes that align with industry trends shaping our future and the way we do business

Clean

- ✓ 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

Affordable

- ✓ Deliver affordable energy for the benefit of the customers and communities we serve

Reliable

- ✓ Safely and efficiently deliver reliable energy to meet the needs of our customers now and in the future

Customer Focused

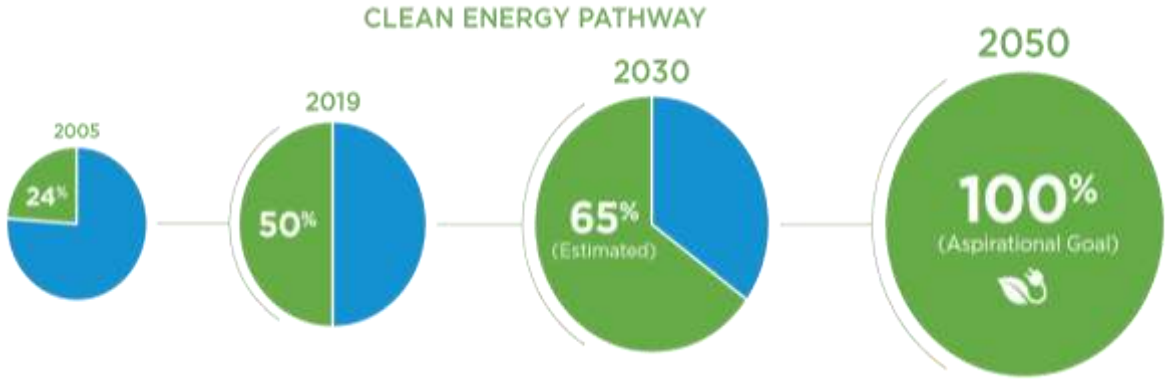
- ✓ Develop innovative and new solutions to meet the changing needs of our customers

PINNACLE WEST CAPITAL CORPORATION



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

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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

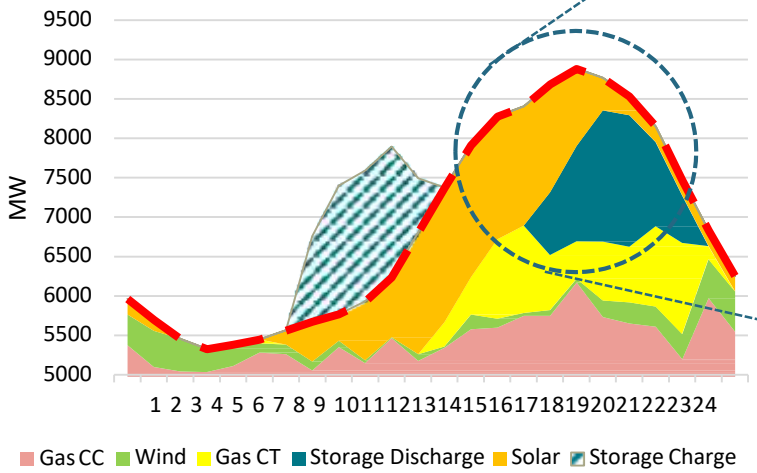
- Reliability and affordability are foundational
- Collaborate with customers, stakeholders and regulators
- Promote economy-wide electrification of industry, transportation and buildings
- Support innovation, research and development of new technology

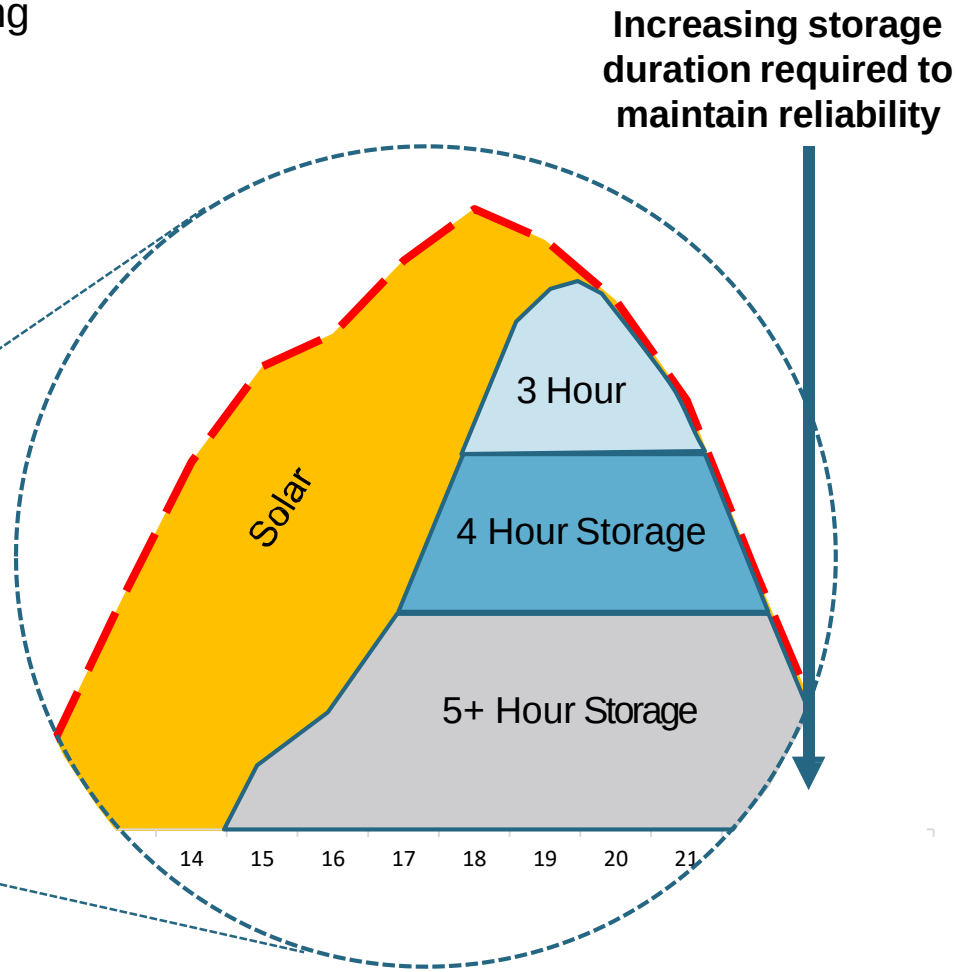
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ENERGY STORAGE CONTRIBUTION TO RELIABILITY

- 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

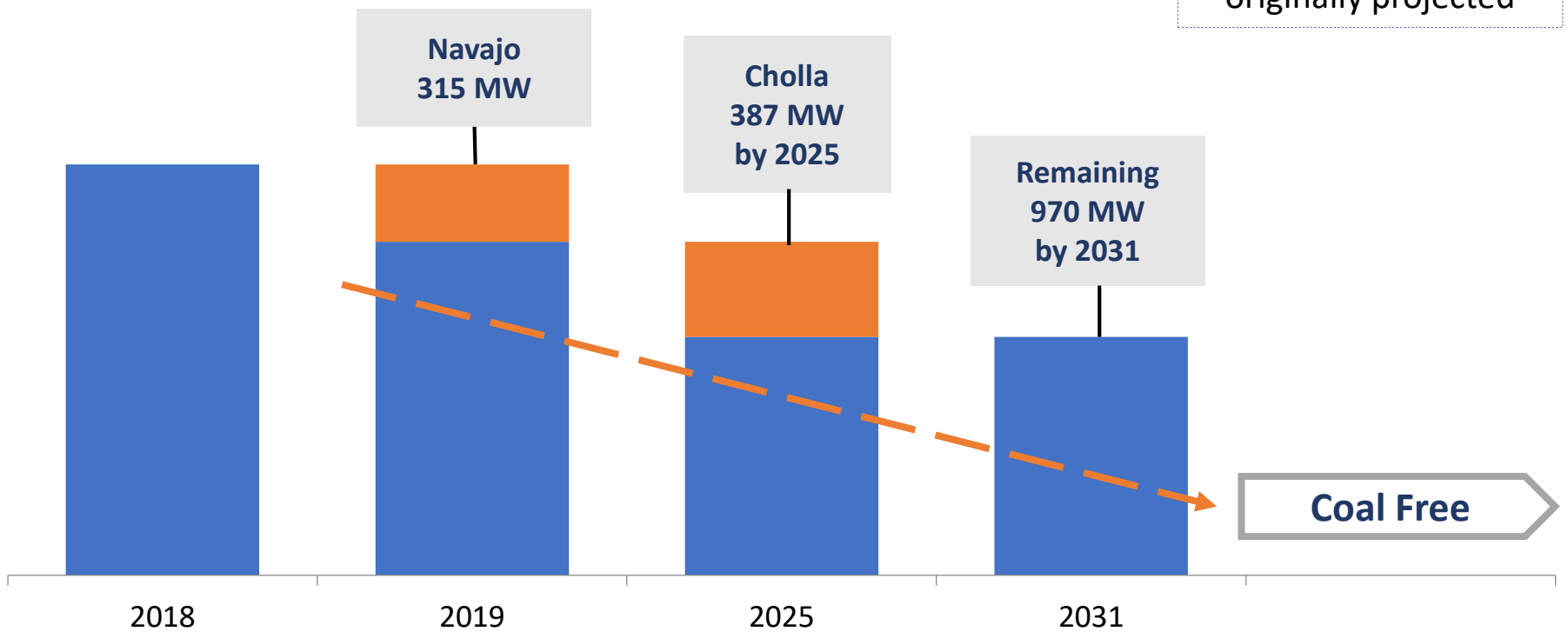






COAL EXIT STRATEGY

Plan to exit coal 7 years earlier than originally projected



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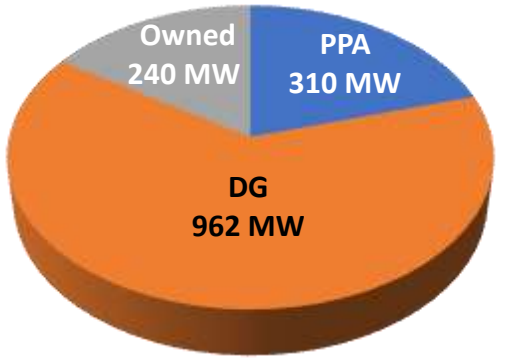


RENEWABLE RESOURCES

APS currently has 1,828 MW* of renewable resources:

• Solar	1,512 MW
• Wind	289 MW
• Biomass	14 MW
• Geothermal	10 MW
• Biogas	3 MW

APS Solar Portfolio*



Owned solar includes 170 MW AZ Sun Program, 26 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 12/31/19 as reported in the 2019 Form 10-K – with additional 95 MW under development

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Bright Canyon Energy

First acquisition of and ownership position in wind

Clear Creek and Nobles 2 Wind Investments

Opportunity

- 9.9% stake in 242MW Clear Creek wind farm in Missouri
  - PPA to Associated Electric Cooperative
- 5.1% stake in 250MW Nobles 2 wind farm in Minnesota
  - PPA to Allete subsidiary, Minnesota Power
- Both projects currently under construction and expected online in Q1 and Q4 2020, respectively

Benefits

- Gain experience in the construction, ownership and operation of wind
- Invest in fully contracted assets
- Form strategic relationship with Tenaska, a proven developer and operator, via a minority equity position

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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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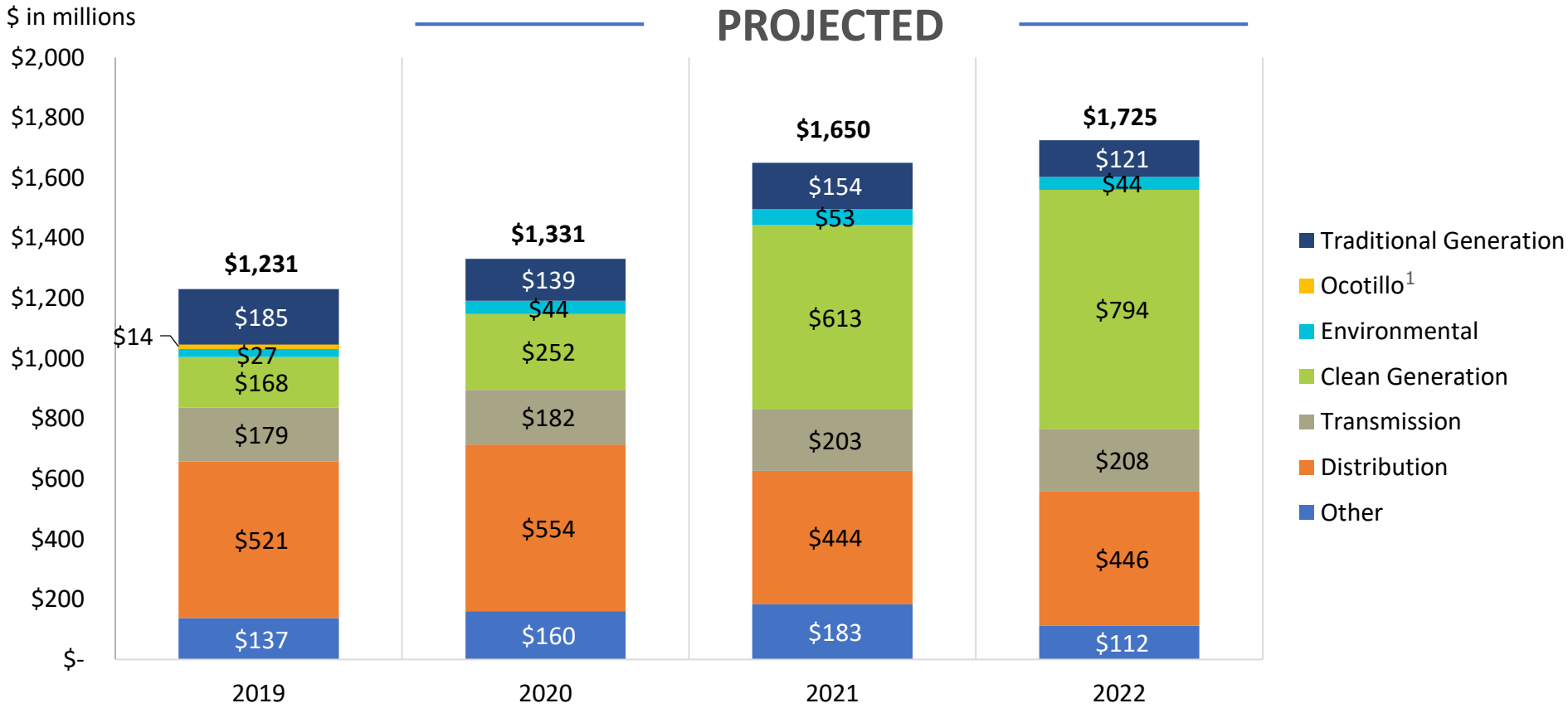


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APPENDIX

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.

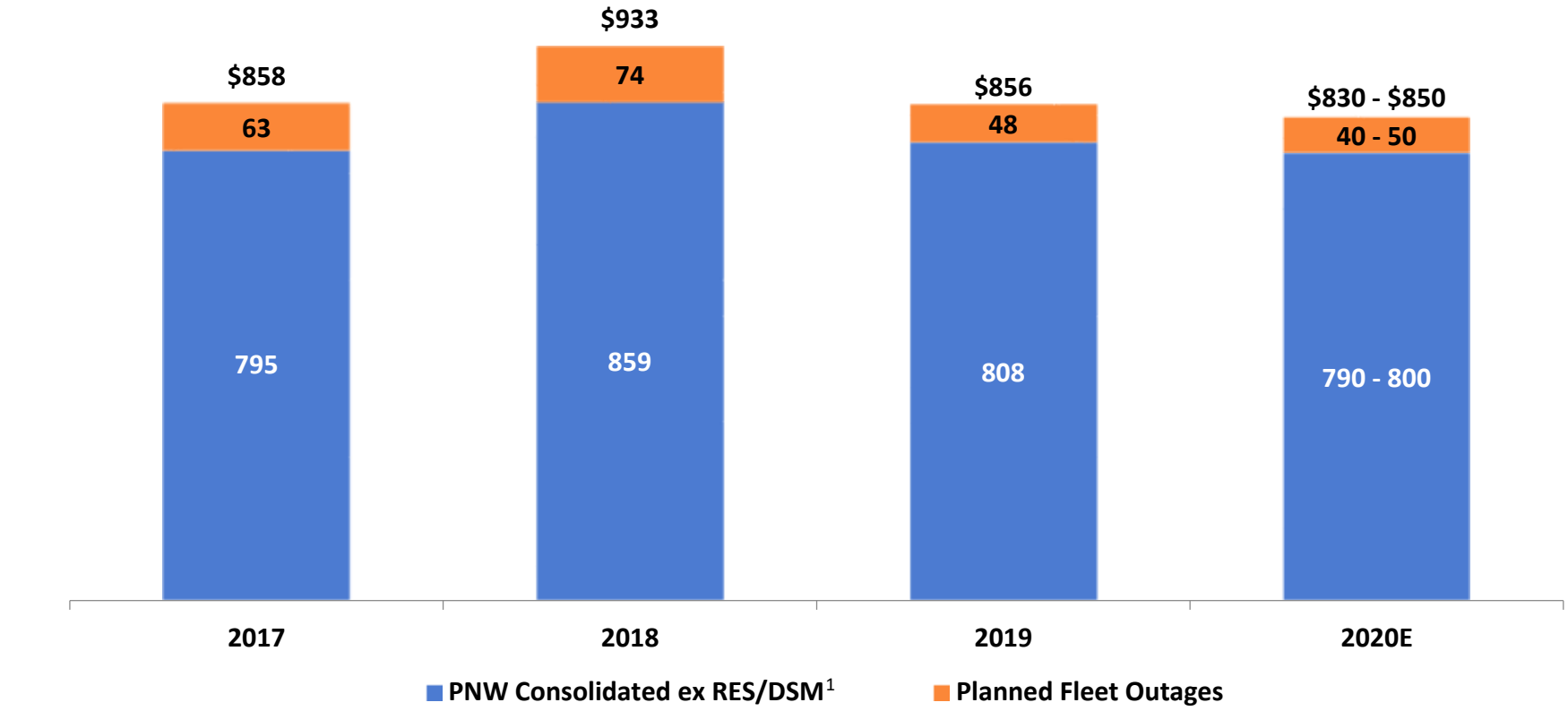
[1] Ocotillo Modernization Project: Units in service second quarter 2019.

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OPERATIONS & MAINTENANCE

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

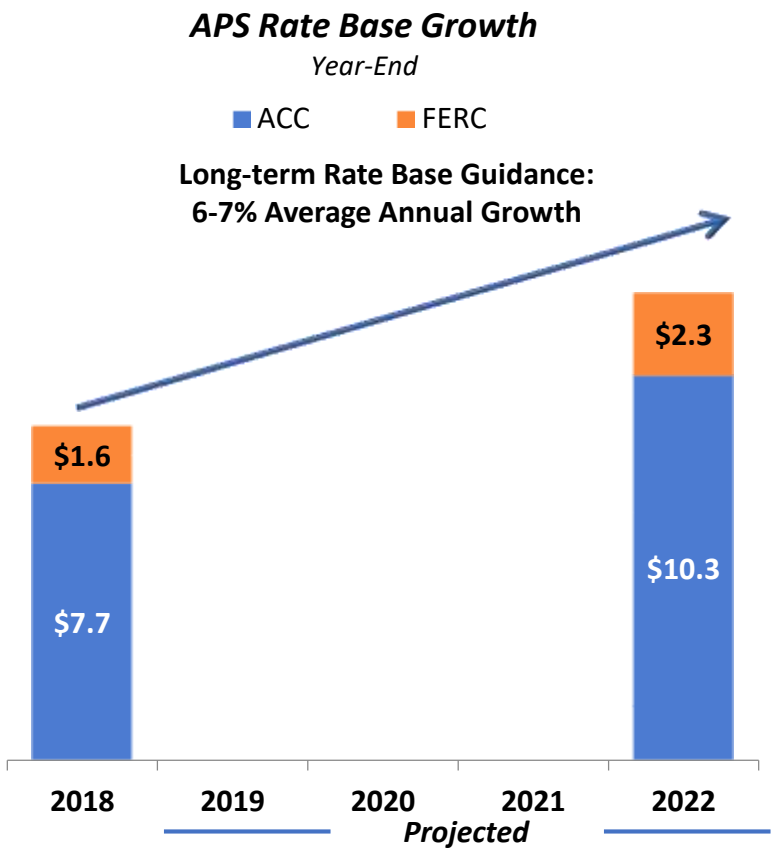
$ in millions



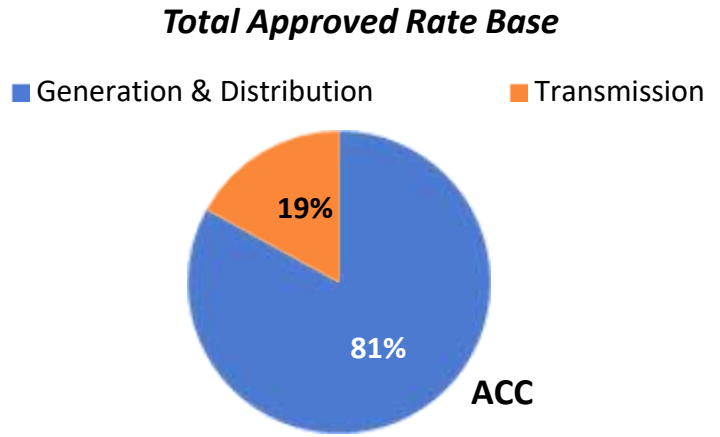
[1] Excludes RES/DSM of $91 million in 2017, $104 million in 2018, $86 million in 2019, and $65 million in 2020E.

RATE BASE

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



Rate base $ in billions, rounded



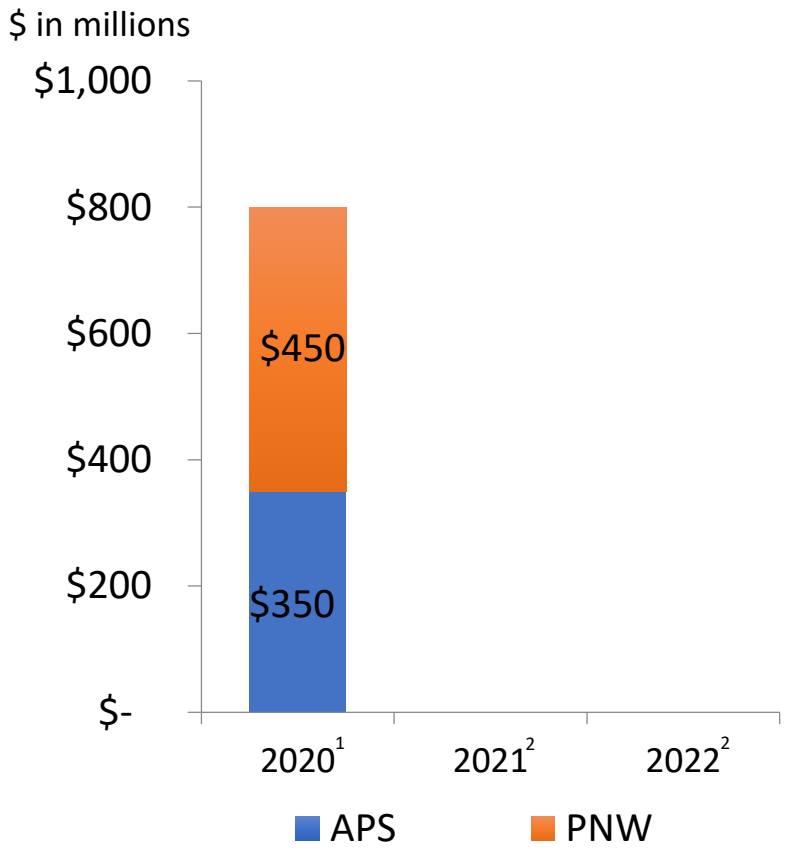
	ACC	FERC
Rate Effective Date	8/19/2017	6/1/2019
Test Year Ended	12/31/2015[1, 2]	12/31/2018
Rate Base	$6.8B	$1.6B
Equity Layer	55.8%	54.6%
Allowed ROE	10.0%	10.75%

[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



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.

PINNACLE WEST CAPITAL CORPORATION

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)

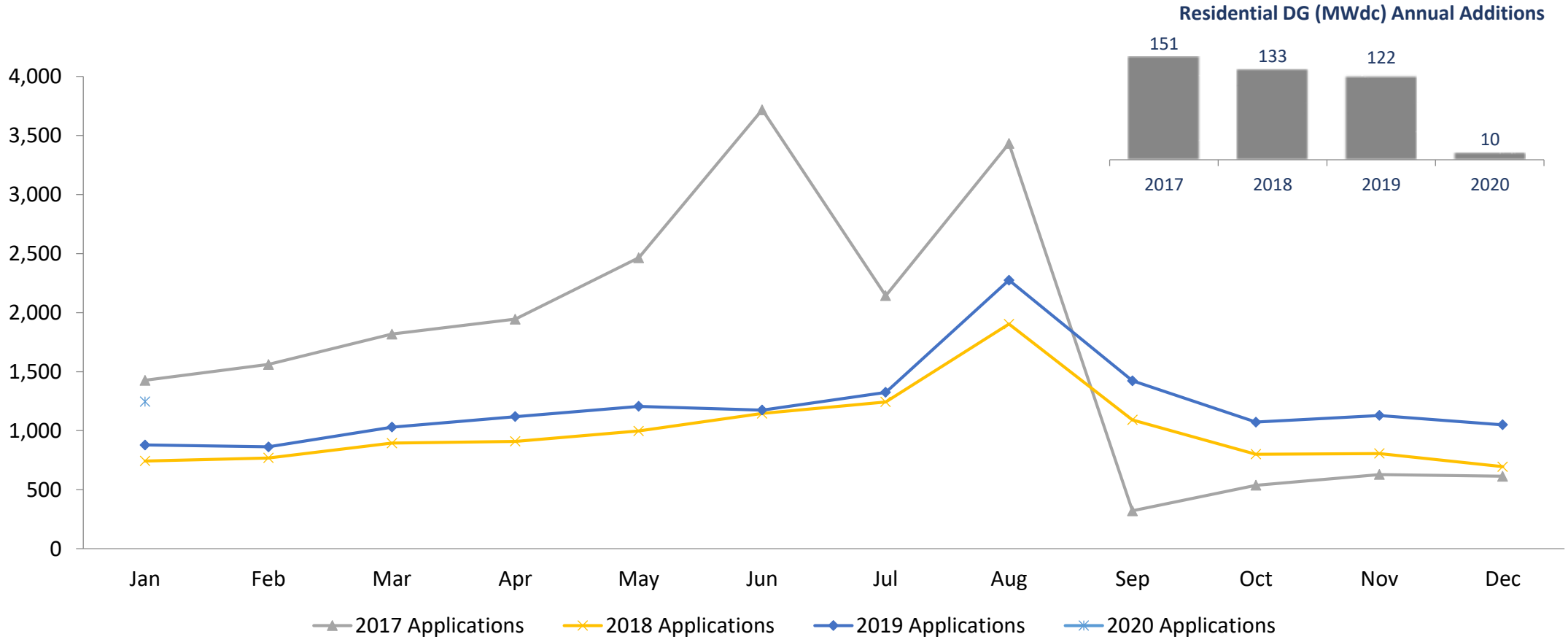
Pre-Hearing Conference (Jul 13, 2020)

Hearing Commences (Jul 17, 2020)

ARIZONA UTILITIES
GENERAL RATE CASES

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

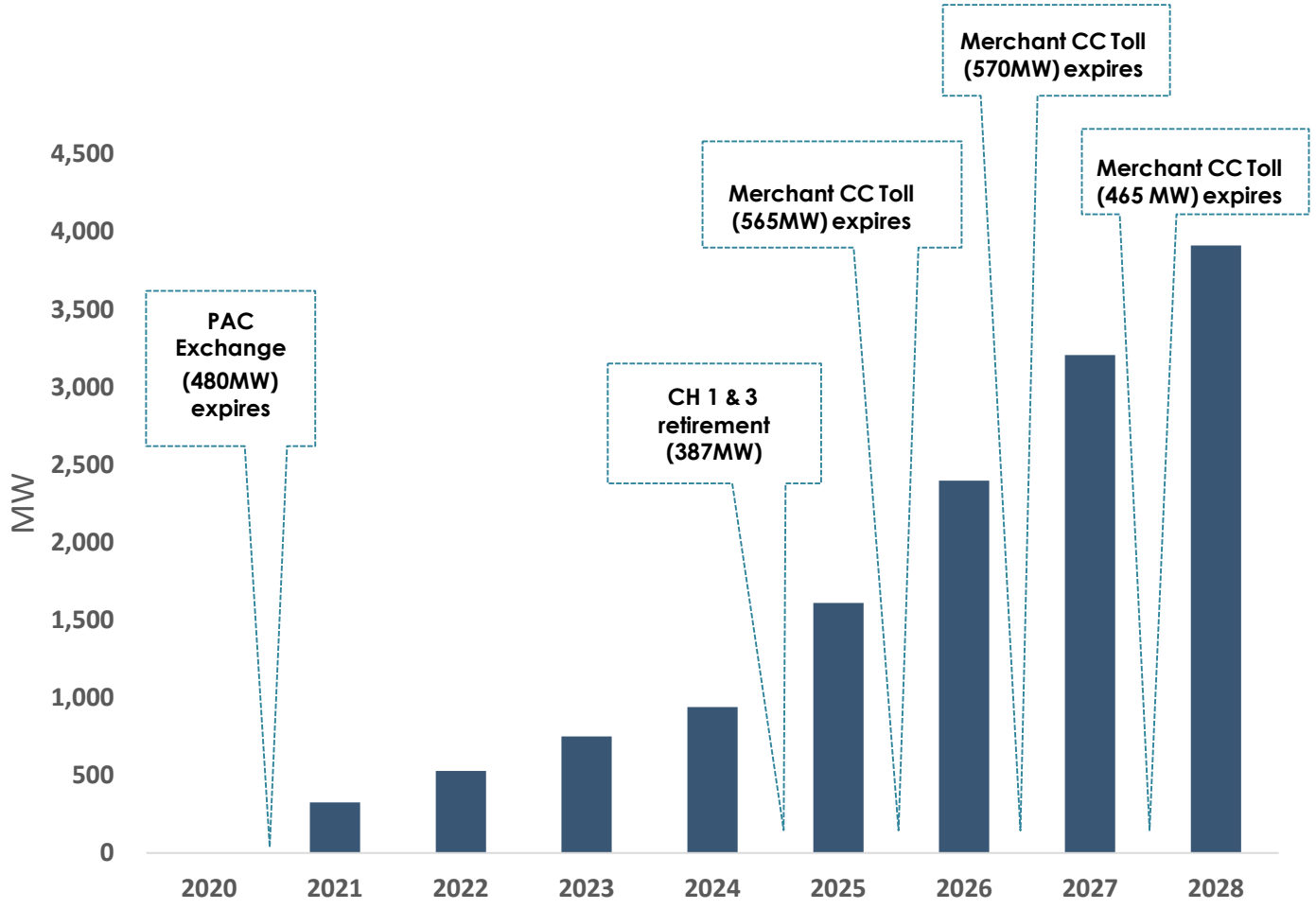
RESIDENTIAL PV APPLICATIONS[1]



[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.

CUMULATIVE PEAK CAPACITY NEEDS THROUGH 2028



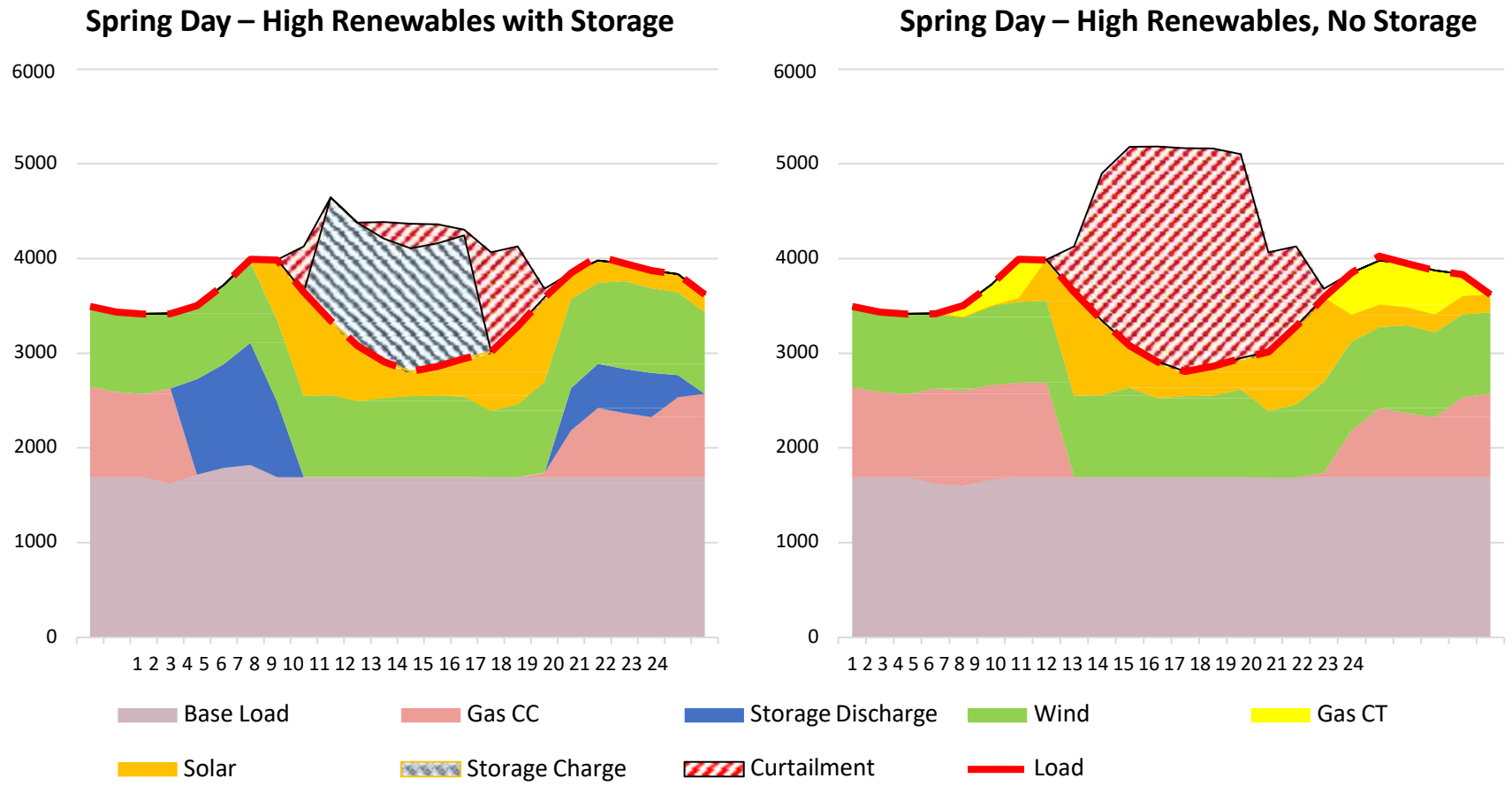
Large resource needs resulting from load growth, data centers and contract roll-offs

PINNACLE WEST CAPITAL CORPORATION

SYSTEM OPERATING CHANGE

Spring 2025

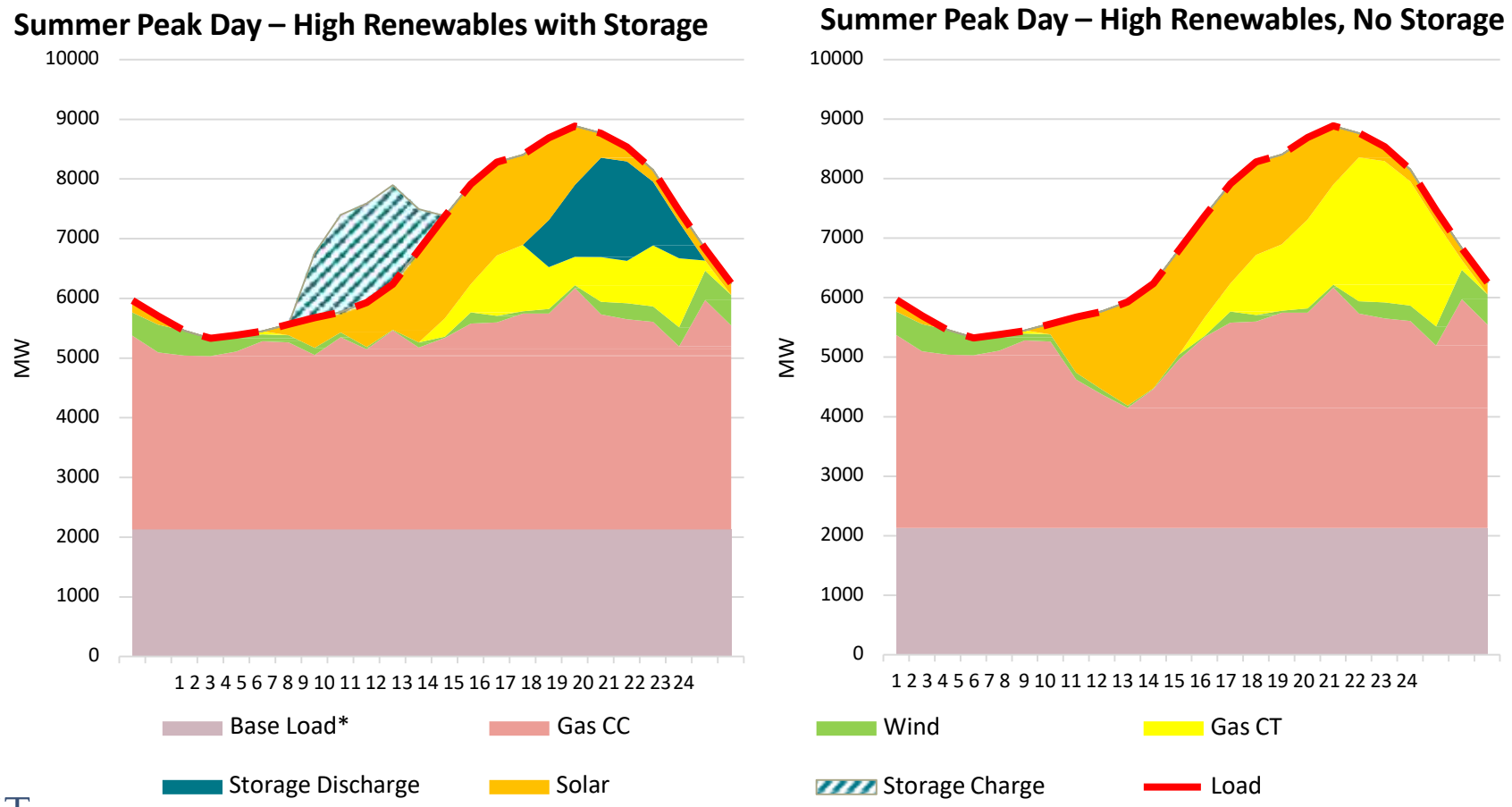
- Energy storage helps reduce the need for winter gas peaking resources and can be charged with zero or negatively priced energy



SYSTEM OPERATING CHANGE

Summer 2025

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



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

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.

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			

PURCHASED POWER CONTRACTS

	Contract	Location	Status[1]	PPA Signed	COD	Term (Years)	Net Capacity (MW)
SOLAR 310 MW	Solana	Gila Bend, AZ	IO	Feb-2008	2013	30	250
	RE Ajo	Ajo, AZ	IO	Jan-2010	2011	25	5
	Sun E AZ 1	Prescott, AZ	IO	Feb-2010	2011	30	10
	Saddle Mountain	Tonopah, AZ	IO	Jan - 2011	2012	30	15
	Badger	Tonopah, AZ	IO	Jan-2012	2013	30	15
	Gillespie	Maricopa County, AZ	IO	Jan-2012	2013	30	15
WIND 289 MW	Aragonne Mesa	Santa Rosa, NM	IO	Dec-2005	2006	20	90
	High Lonesome	Mountainair, NM	IO	Feb-2008	2009	30	100
	Perrin Ranch Wind	Williams, AZ	IO	Jul-2010	2012	25	99
GEOTHERMAL 10 MW	Salton Sea	Imperial County, CA	IO	Jan-2006	2006	23	10
BIOMASS 14 MW	Snowflake	Snowflake, AZ	IO	Sep-2005	2008	15	14
BIOGAS 3 MW	NW Regional Landfill	Surprise, AZ	IO	Dec-2010	2012	20	3
INTER-UTILITY 540 MW	Exchange Agreement		IO	Sep-1990	1991	30	480
	Purchase Agreement	Not Disclosed	IO	May-2009	2010	10	60
CONVENTIONAL TOLLING 1,598 MW	Tolling Agreement	Not Disclosed	IO	Dec-2017	2020	7	570
	Tolling Agreement	Not Disclosed	IO	Dec-2016	2020	6	565
	Tolling Agreement	Not Disclosed	IO	Feb - 2019	2021	7	463
DEMAND RESPONSE 25 MW	Demand Response	Not Disclosed	IO	Sep-2008	2010	15	25
SOLAR PLUS ENERGY STORAGE 50 MW	Solar Plus Energy Storage	Arlington, AZ	UD	Feb – 2018	2021	15	50
	Total Contracted Capacity						**2,839 MW**

PINNACLE WEST CAPITAL CORPORATION

* As disclosed in 2019 Form 10-K.

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