

PINNACLE WEST

CAPITAL CORPORATION

Investor Presentation

January 2021



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.

A Refocused Company. Long Growth Runway.

1

**A refocused
company**

2

**Favorable
market dynamics**

3

**Shift to
clean**

4

**Strong
financial profile**

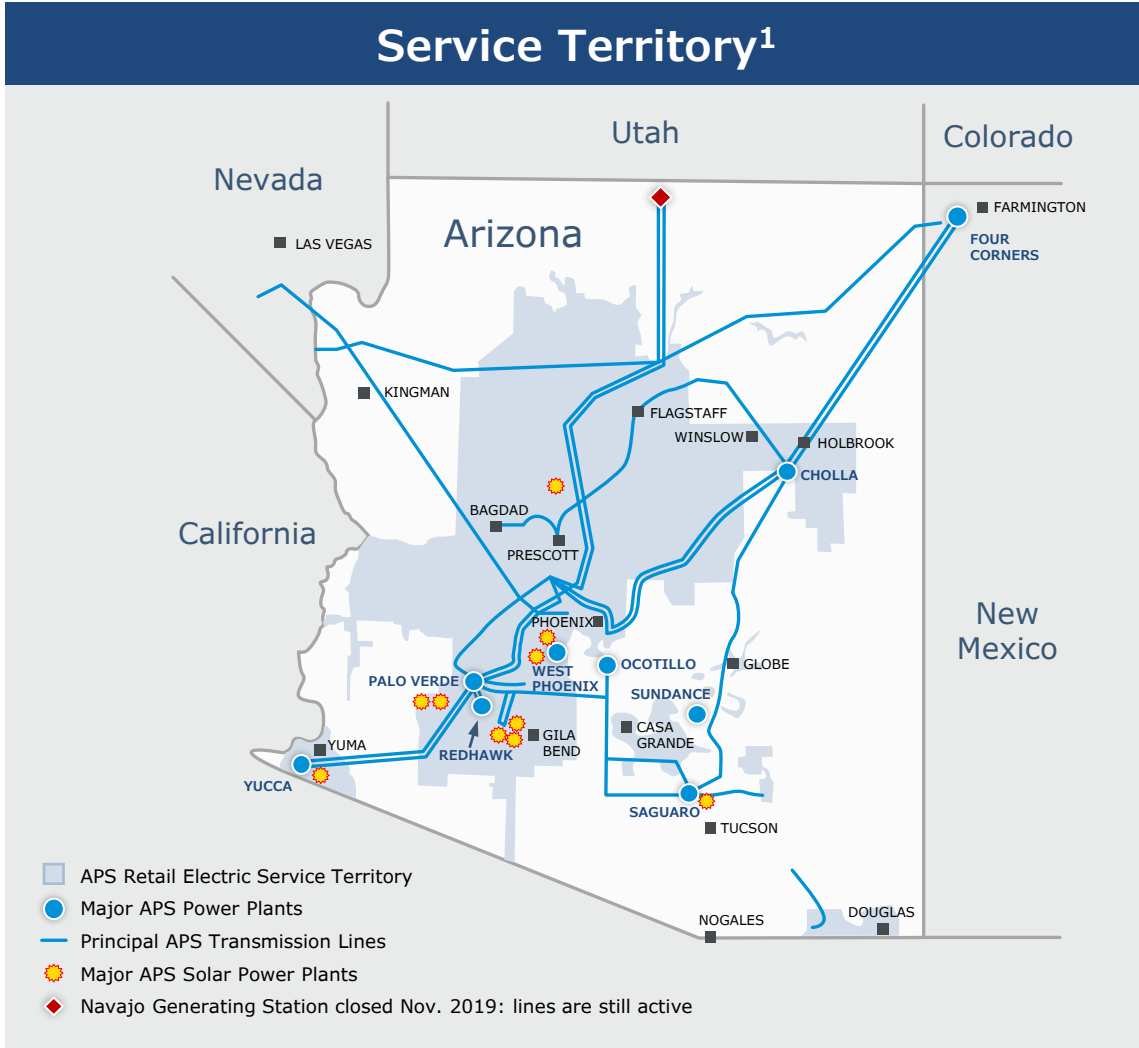
5

**Clear strategic
priorities**



AT A GLANCE

Arizona's Largest Electric Company



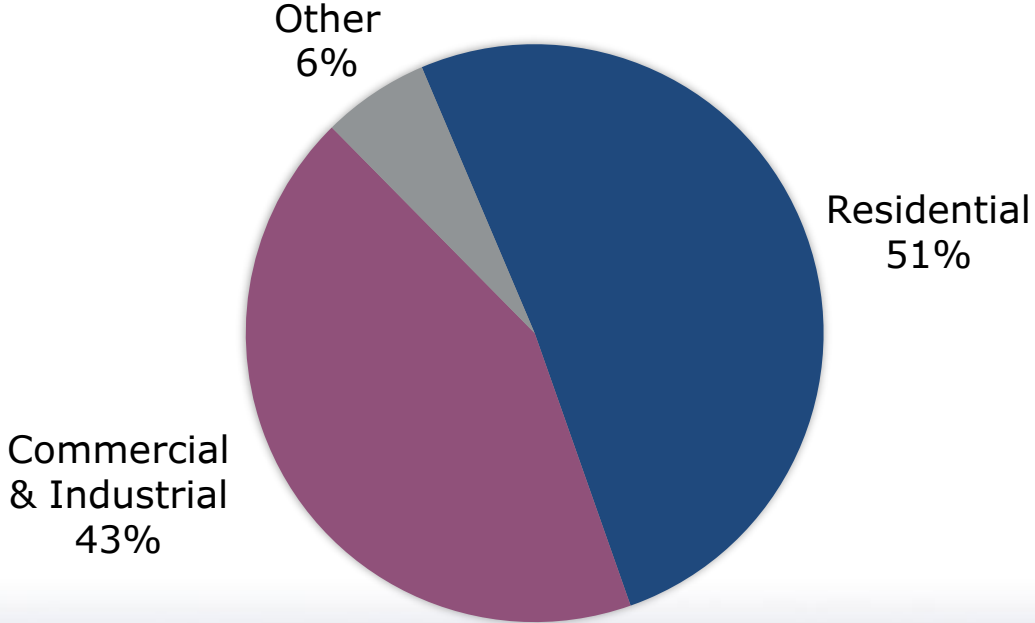
Key Facts as of Dec. 31, 2019

Consolidated assets	\$18B
Revenues	\$3.5B
Market cap	~\$9B
Generating capacity owned or leased – year end	~6.3 GW
Customers	1.3M
Current % from clean energy	~50%
Nuclear plant in U.S.	Largest

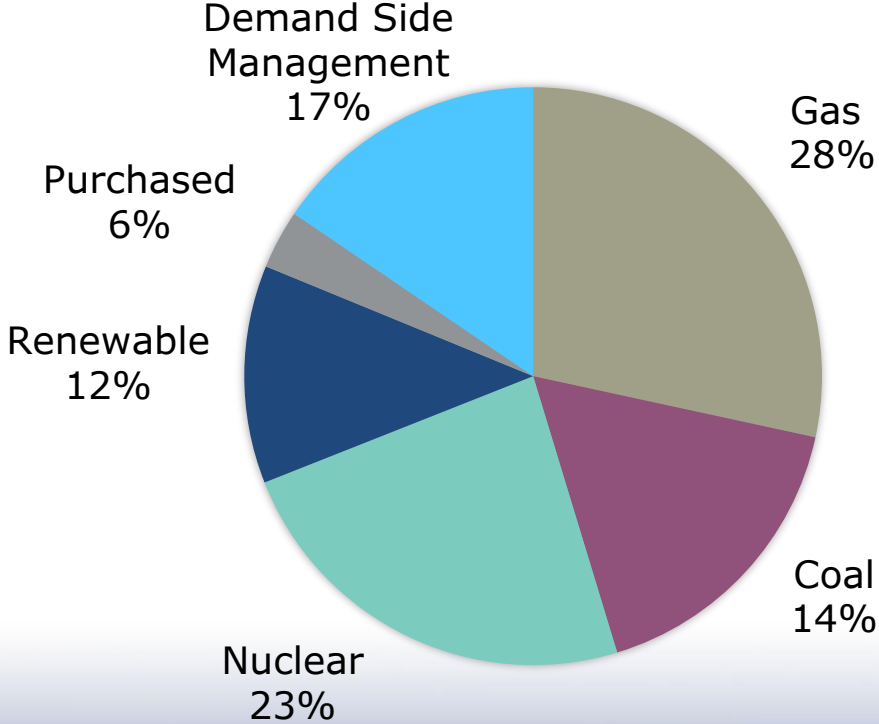
¹ As of December 31, 2019

Attractive Customer Mix and Shifting Generation Profile

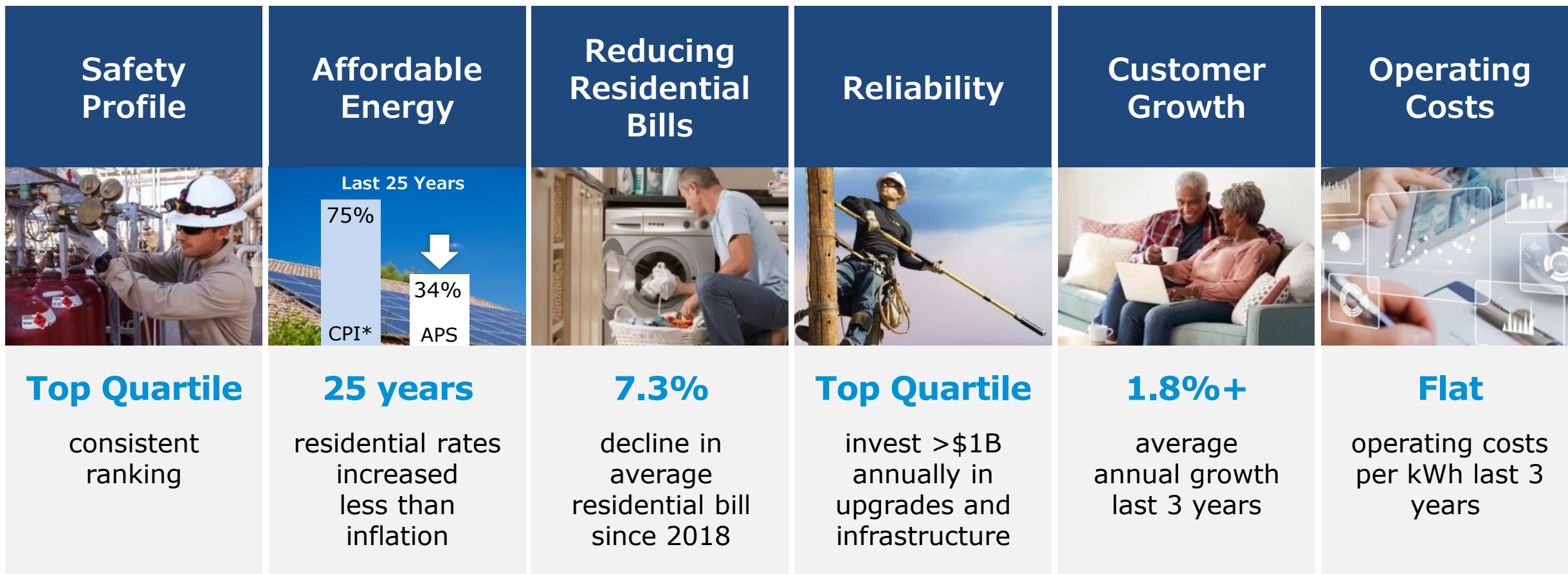
Retail Sales Mix



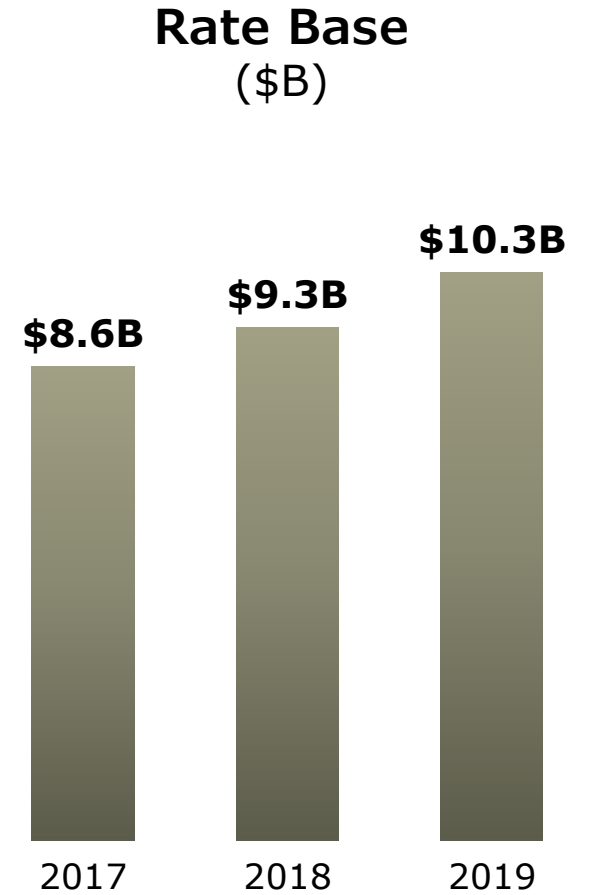
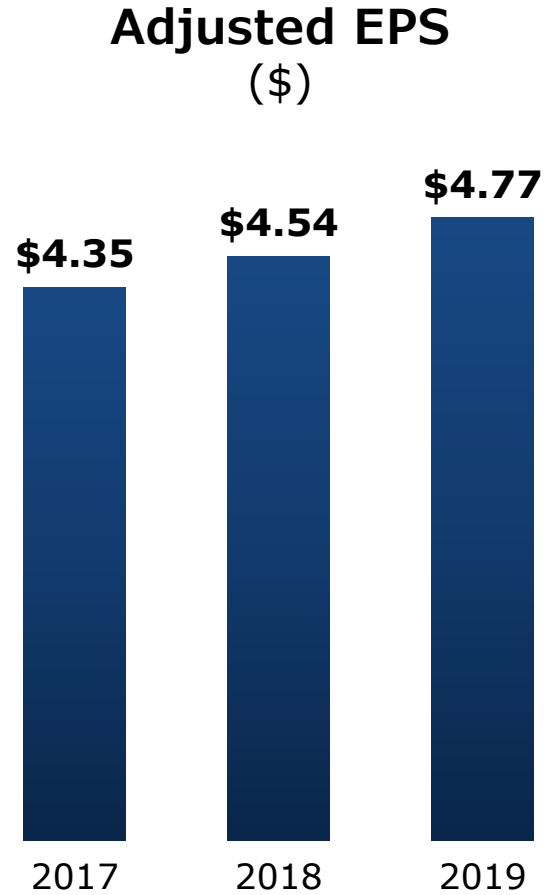
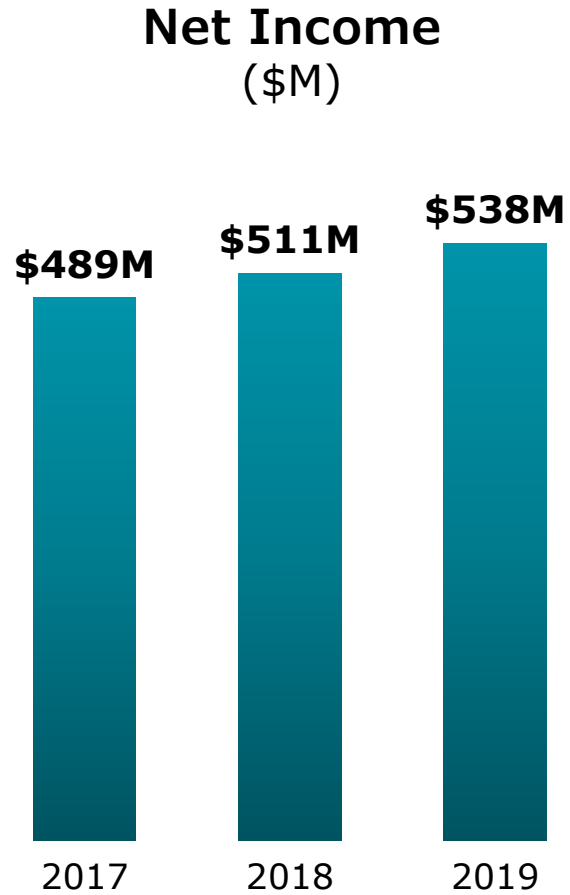
Energy Mix - Will Shift Going Forward



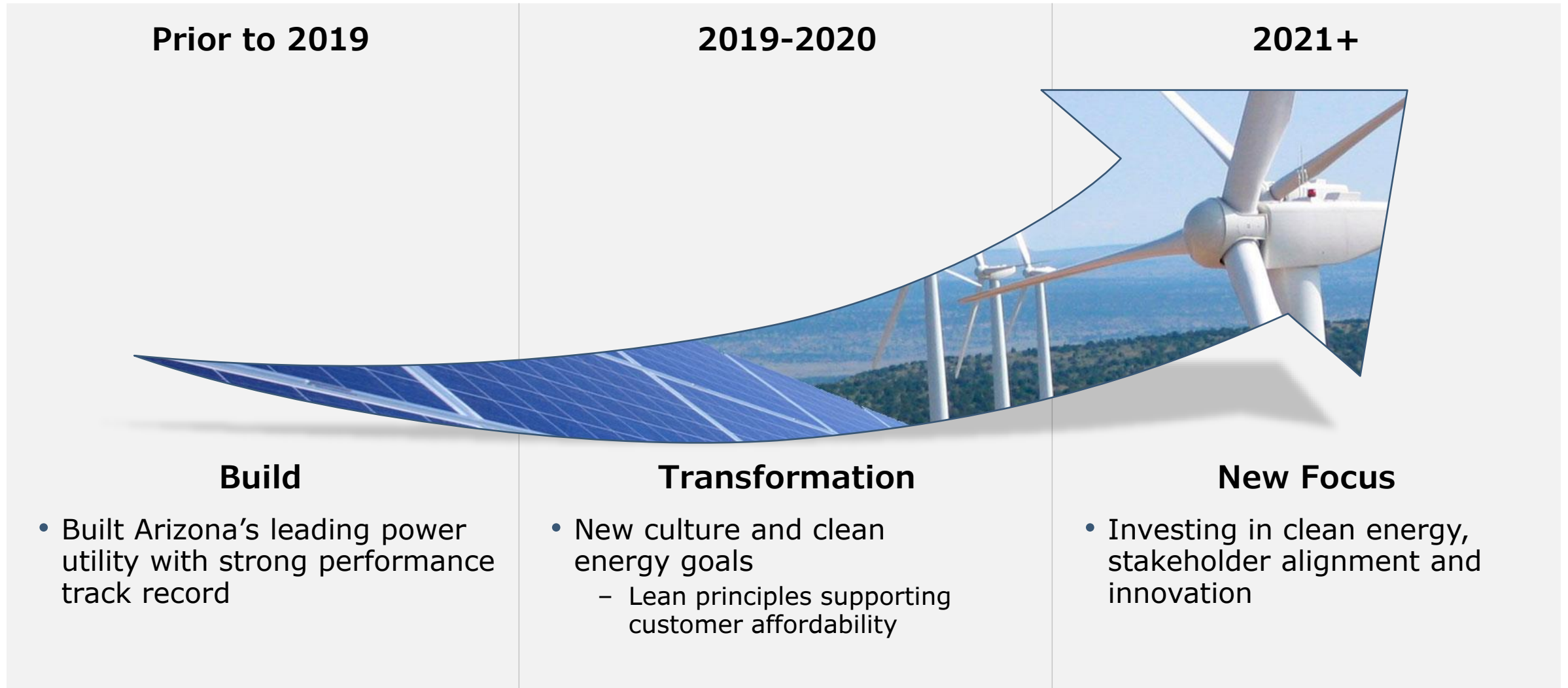
Building on a Strong Performance Track Record



Solid Underlying Financial Performance – Goal is More Consistent Growth



Entering a New Era



Building the New Pinnacle West

Focus	Past	Future
Customer Experience	Average	▶ Best in Class
Clean Energy	Moderate	▶ Priority / accelerating
Regulatory Relations	Challenging	▶ Aligned
Earnings Performance	Strong / Inconsistent	▶ Strong / More consistent

Leading ESG Practices Guide Our Approach – Snapshot

Environmental



- ✓ Only North American electric utility on CDP A List for Water and Climate¹
- ✓ Ranked on the world's Top 100 Green Utilities²
- ✓ MSCI ESG "A" rating³

Social



- ✓ Top quartile employee safety
- ✓ 82% employee satisfaction vs. 76% for industry
- ✓ Torch of Liberty Award for support of diversity⁴

Governance



- ✓ 40% of independent directors gender or ethnically diverse
- ✓ ESG executive council

¹ Climate Change and Water Security "A Lists" by CDP: One of only 64 companies worldwide to receive two A scores.

² Named to the annual ranking for the world's Top 100 Green Utilities by Energy Intelligence's EI New Energy.

³ Report dated April 14, 2020.

⁴ Arizona Anti-Defamation League 2019.

Recent Positive Results Show Evidence of Repositioning

- ✓ Improved regulatory transparency
 - delivered on customer issues
- ✓ Improving J.D. Power customer rankings
 - #1 most improved large utility residential customer rating
 - business customer rating rises to second quartile
- ✓ Improved customer experience
 - 24/7 care center support
 - Enhanced digital engagement



A Refocused Company. Long Growth Runway.

1

**A refocused
company**

2

**Favorable
market dynamics**

3

**Shift to
clean**

4

**Strong
financial profile**

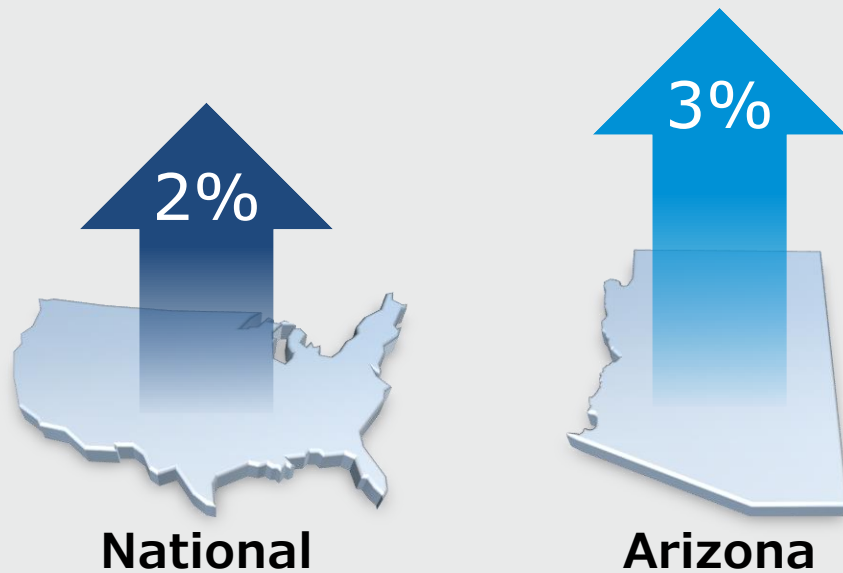
5

**Clear strategic
priorities**



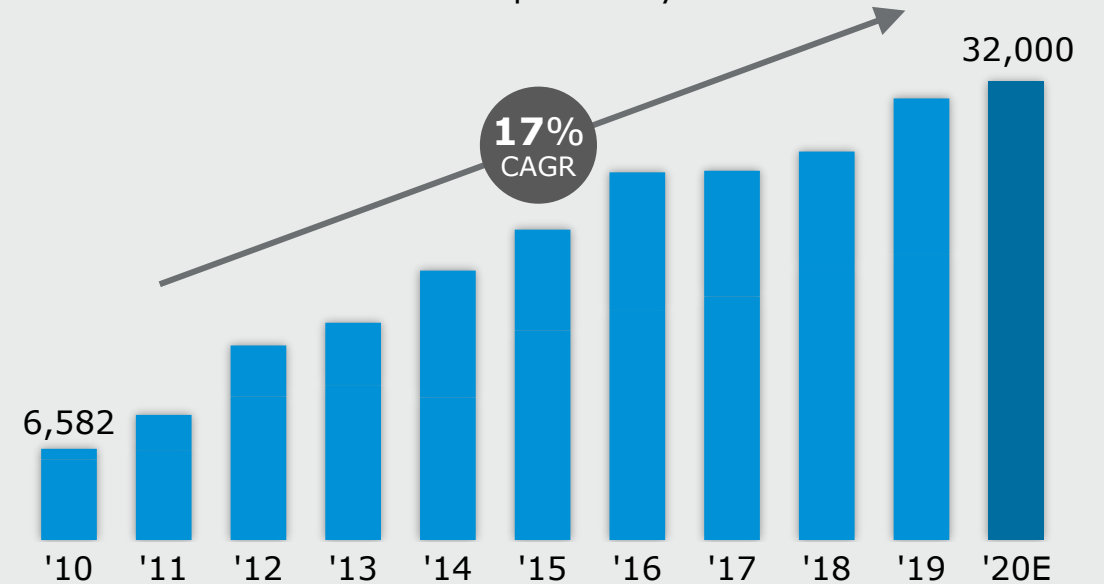
Fast Growing Service Territory

Annual Employment Growth Last Three Years¹



Steady Housing Growth²

Single Family & Multifamily Housing Permits Maricopa County



Arizona – Third fastest growing state

¹ 2017-2019

² Maricopa County population 4.5M, 62% of state population

System Supports High Tech Growth in Economy

Our Approach: Focus on Four Main Areas

- Business attraction and expansion
- Community development
- Entrepreneurial support
- Infrastructure support



Supports Influx of Tech and Data Centers – Examples

- Microsoft – constructing 3 new mega data centers
- Taiwan Semiconductor – plans to build \$12B factory
- Stack Infrastructure – building 1M sq ft data center on 79 acres
- Stream Data Centers – 418,000 sq ft, up to 200MW of load

Data centers are projected to create up to 640 MW of capacity needs by 2035



A Refocused Company. Long Growth Runway.

1

**A refocused
company**

2

**Favorable
market dynamics**

3

**Shift to
clean**

4

**Strong
financial profile**

5

**Clear strategic
priorities**



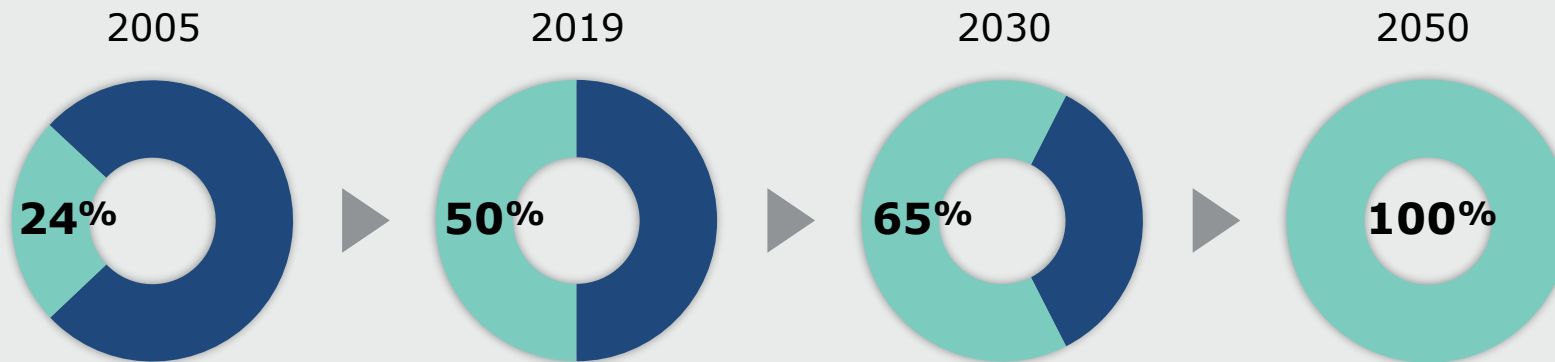
Our Clean Energy Plan

Commitments

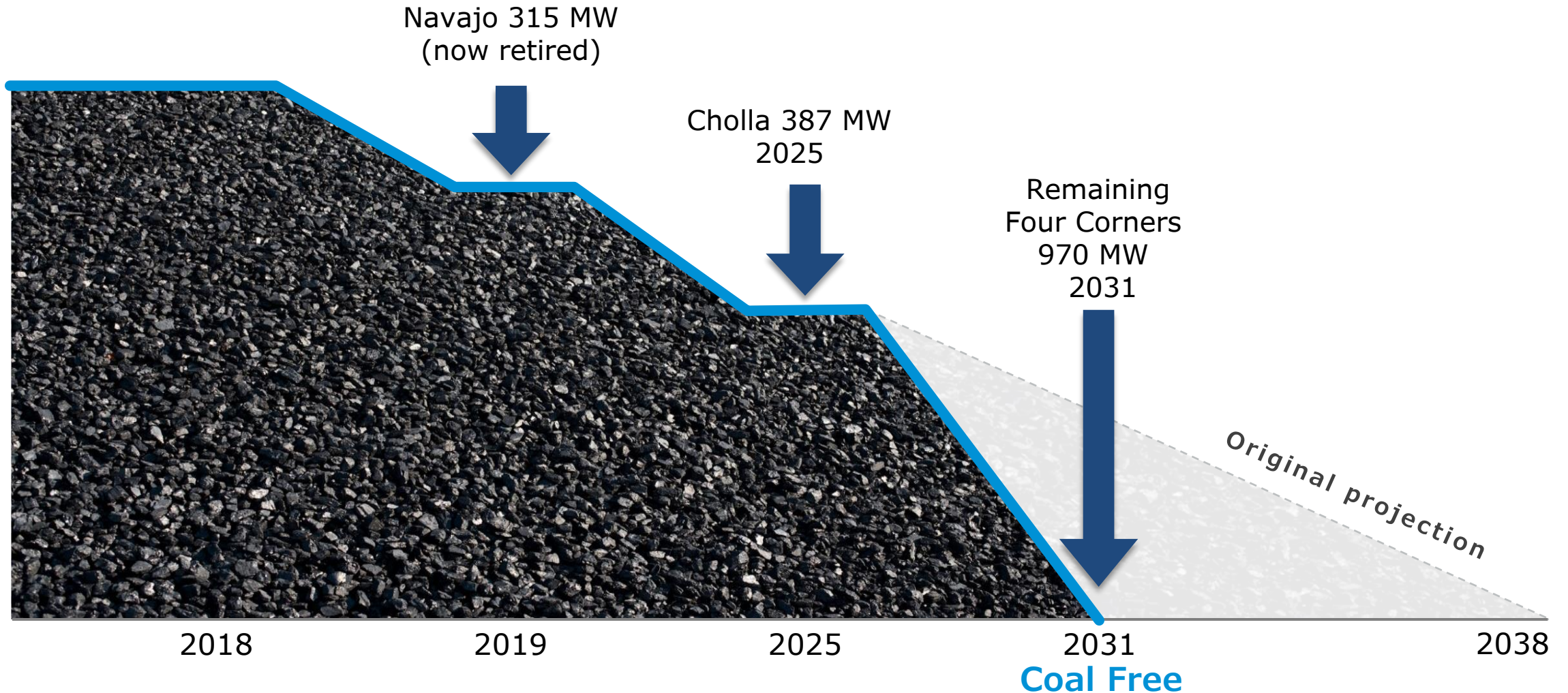
- 1 100% clean, carbon-free electricity by 2050
- 2 65% clean energy by 2030 with 45% renewable energy
- 3 End APS's use of coal-fired generation by end of 2031



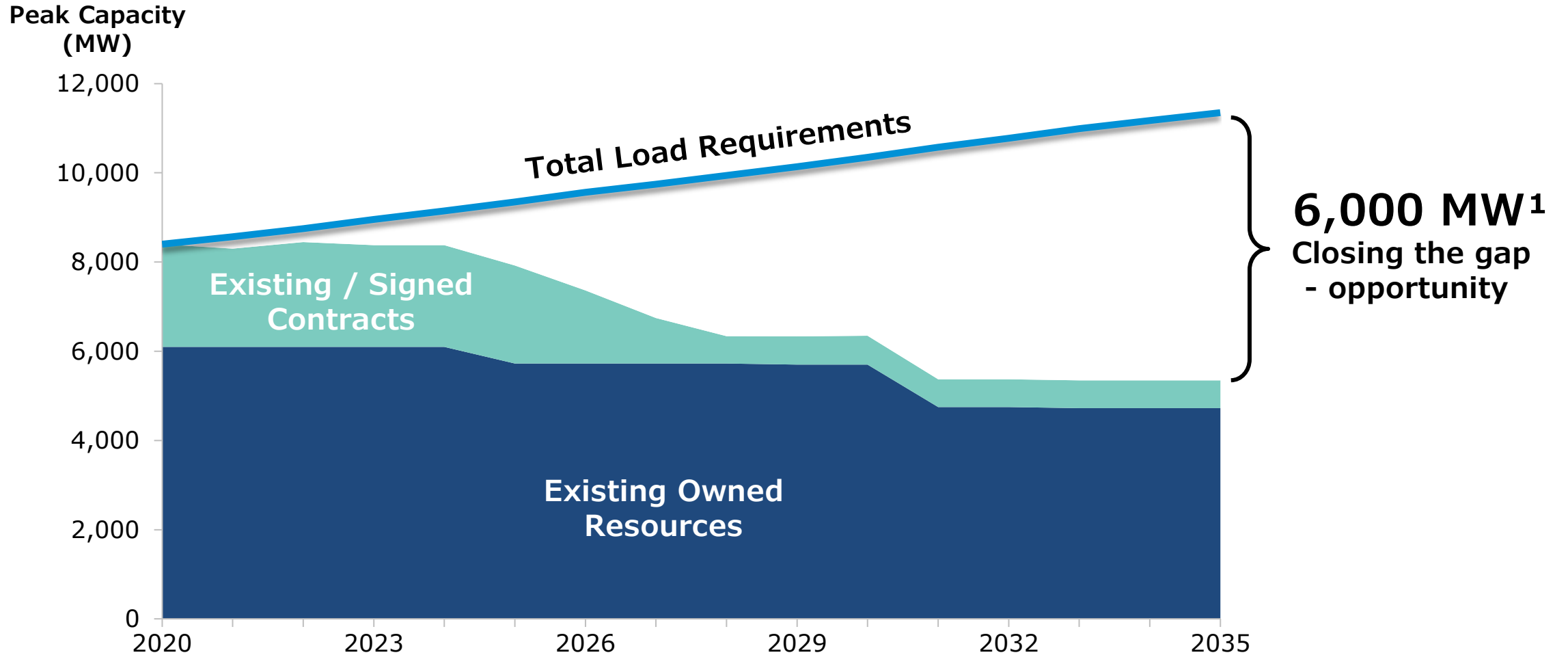
Pathway



Coal Exit Strategy – 7 Years Earlier than Originally Projected



Coal Exit and Expiring Purchase Contracts Will Create a 6,000 MW Supply-Demand Gap by 2035



¹ Will need more additions than 6,000 MW due to new resources being paired to meet reliability requirements (i.e. solar with storage requires 100 MW solar plus 100 MW of storage).

Key New Energy Sources to Achieve Goals

Initiatives

- Solar generation
- Wind generation
- Gas as a bridge fuel
- Demand-side management
- Energy storage solutions
- Innovation



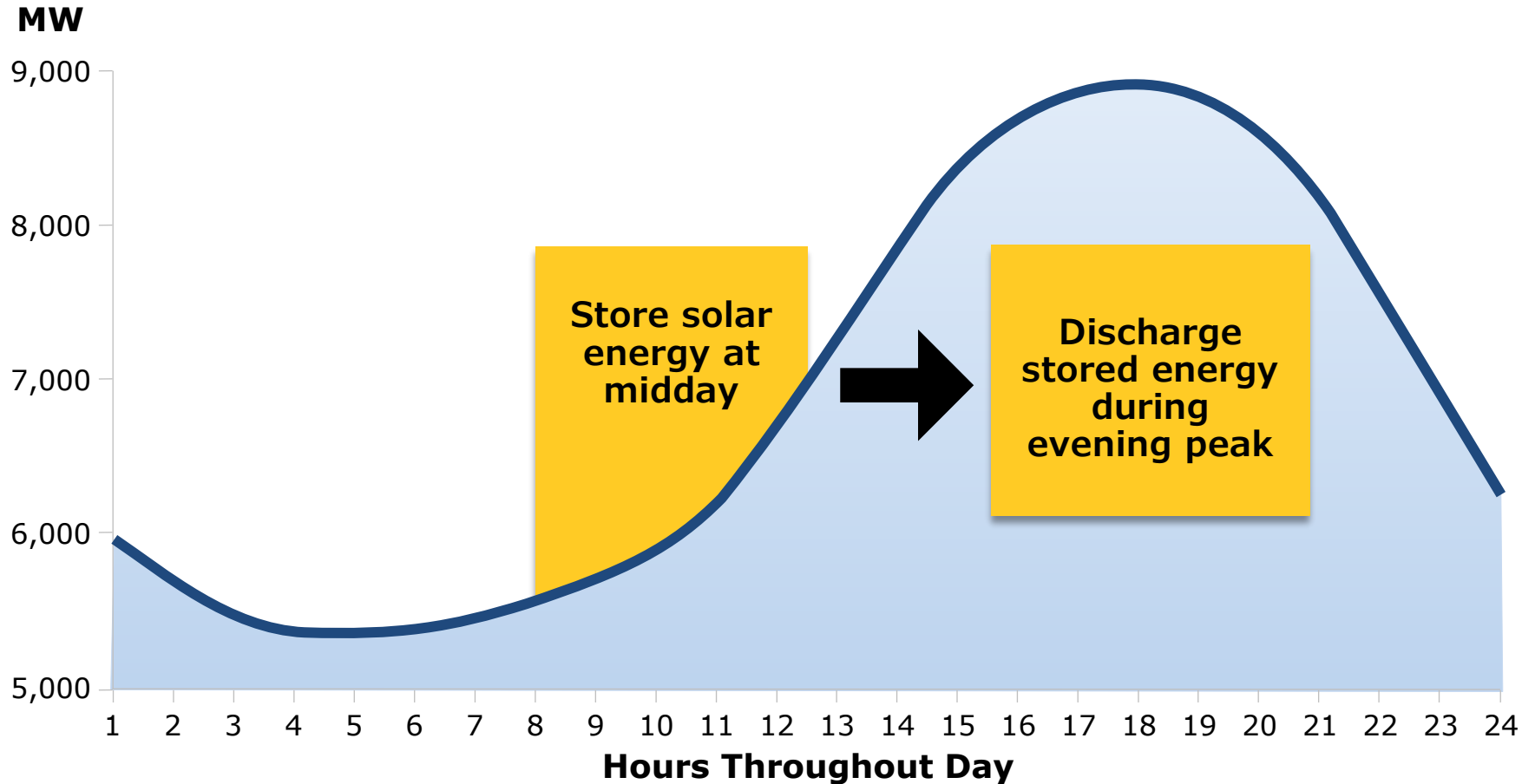
Resource Mix Change

	Today		2035
Coal	14%	➔	0%
Gas	28%	➔	6%-17%
Nuclear	23%	➔	16%
Purchased	6%	➔	11%
Renewable/ DSM	29%	➔	56%-67%



Energy Storage A Key Element of Our Renewal Energy Plan

Daily Energy Usage



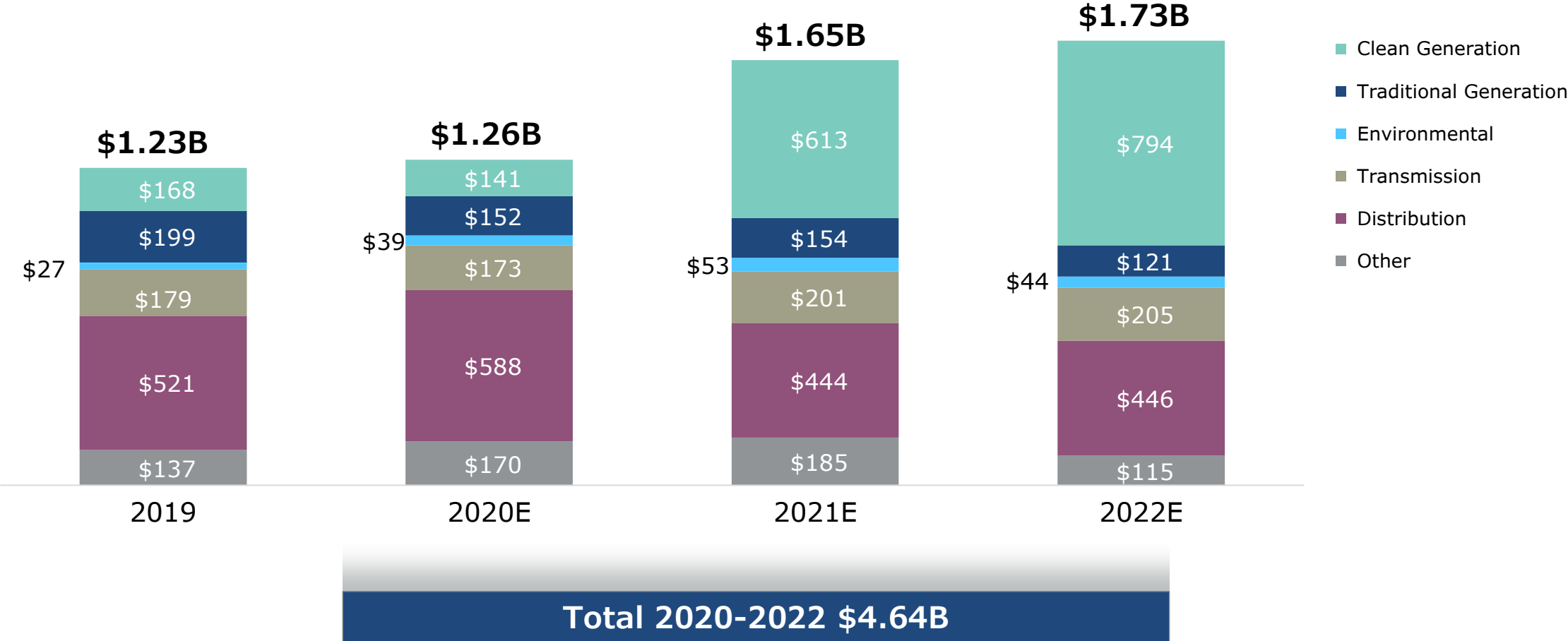
Plan includes 300 MW/year of energy storage 2022-2030

Storage Advantages

- ✓ Absorbs negative priced excess energy at noon
- ✓ Provide opportunity to save customers more through the Energy Imbalance Market



Advancing On Path to 100% Clean Energy – Three Year Capital Plan of \$4.64B¹



¹ As of October 30, 2020

Shift to Clean Energy is a Win, Win, Win, Win

WIN for clean air



- Lower carbon



WIN for customers



- Maintain affordability



WIN for relations with regulators



- Aligned goals



WIN for EPS growth



- Expanded capital base

A Refocused Company. Long Growth Runway.

1

**A refocused
company**

2

**Favorable
market dynamics**

3

**Shift to
clean**

4

**Strong
financial profile**

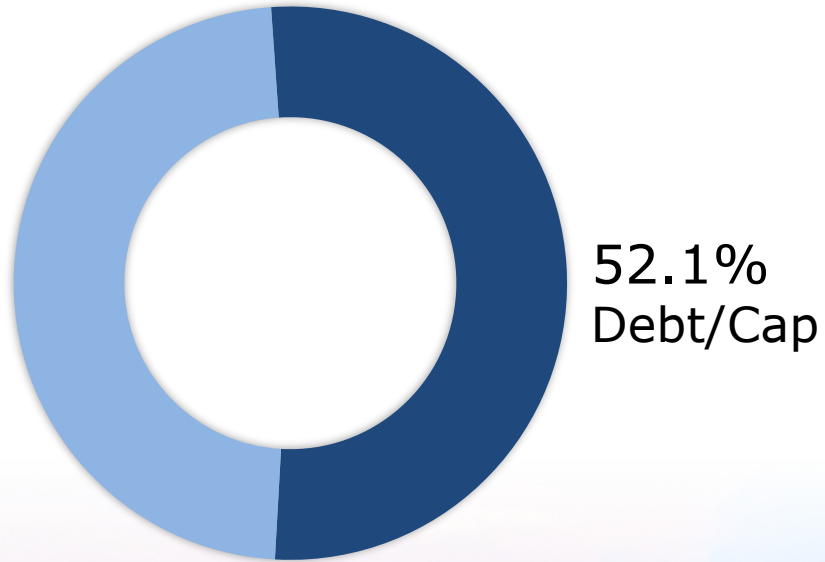
5

**Clear strategic
priorities**



Strong Balance Sheet – Pinnacle West

Debt to Capitalization (2019)



FFO/Debt: 19.5%
(2019)

Source: Standard & Poor's

Corporate Credit Ratings¹ (2019)

Moody's

A3

S&P

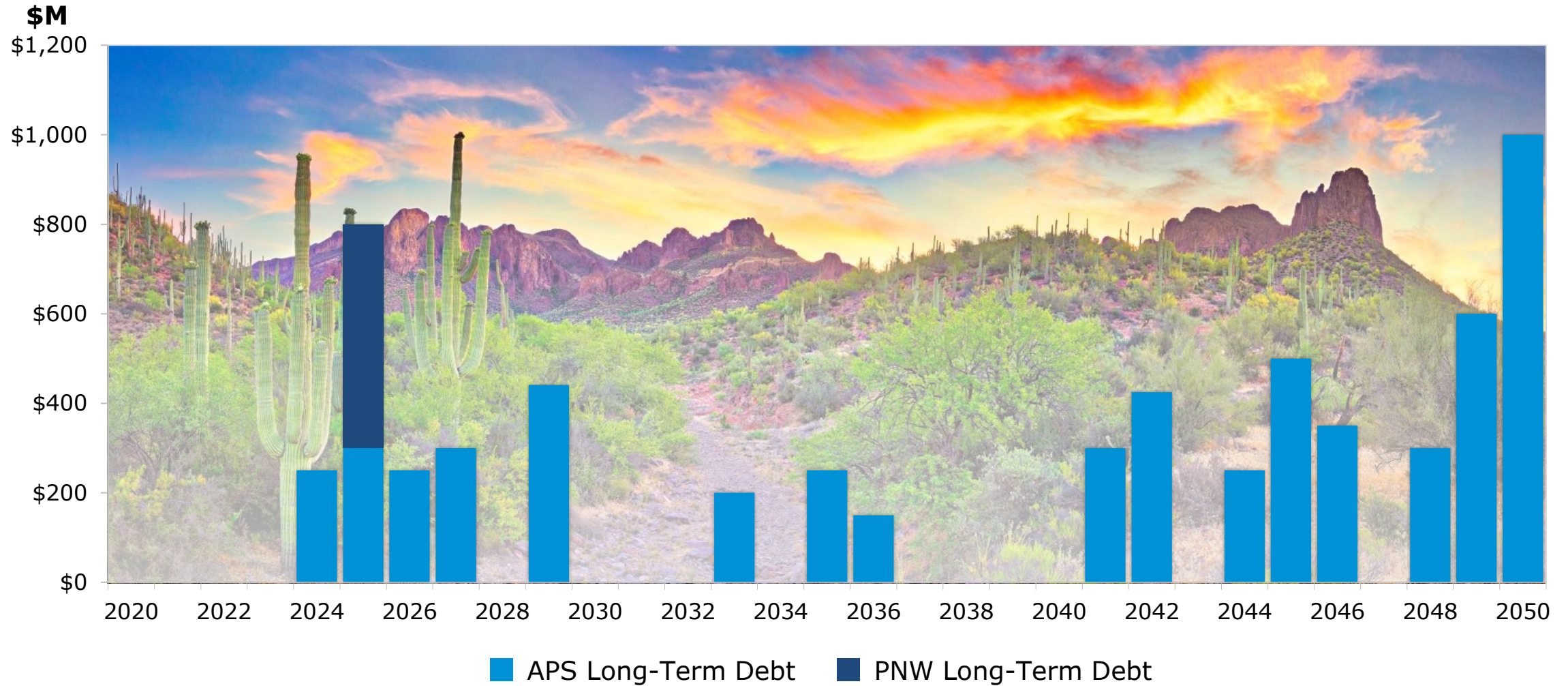
A-

Fitch

A-

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.

Well-Balanced Long-Term Debt Maturity Profile



As of December 31, 2020

Increased Dividend, 9 Year History of Increases¹

Indicated Annual Dividend – Year End



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

A Refocused Company. Long Growth Runway.

1

**A refocused
company**

2

**Favorable
market dynamics**

3

**Shift to
clean**

4

**Strong
financial profile**

5

**Clear strategic
priorities**



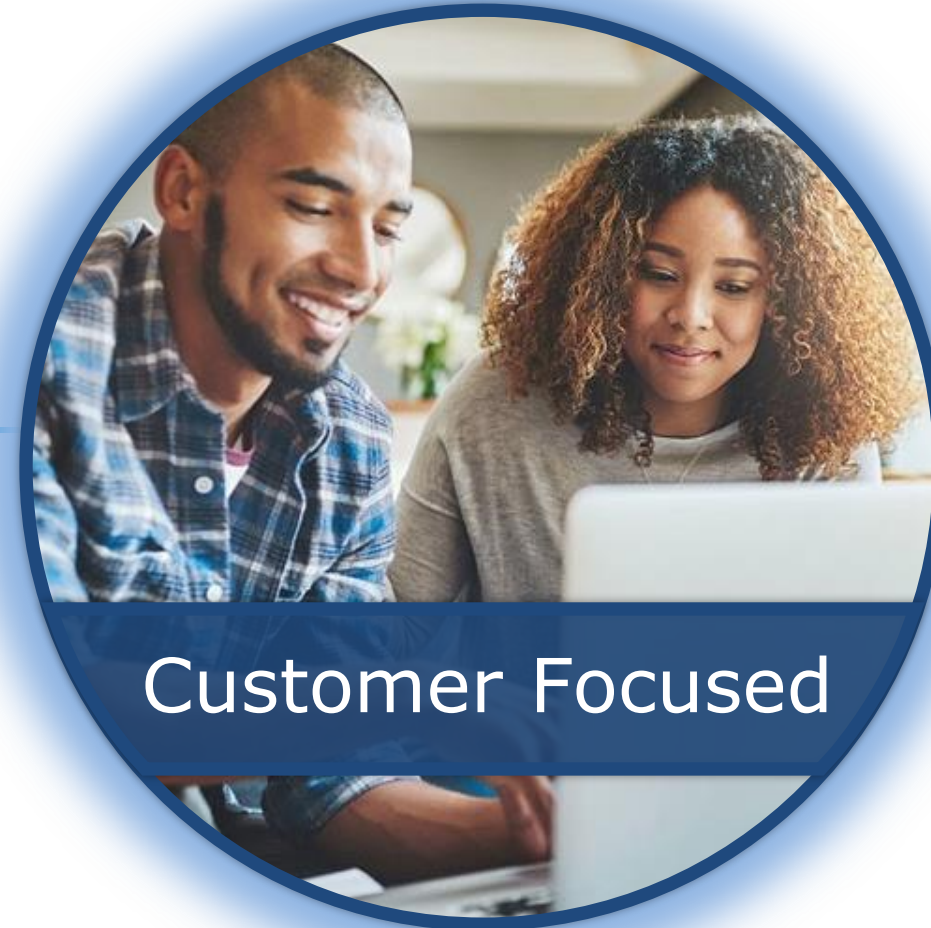
Clear Strategy Going Forward

1

Deliver exceptional customer service

2

Ensure superior reliability and operating performance



Customer Focused

4

Make intelligent investments to support a growing Arizona

3

Maintain strong credit ratings and financial health

Bringing the Residential Customer into the Advanced Economy

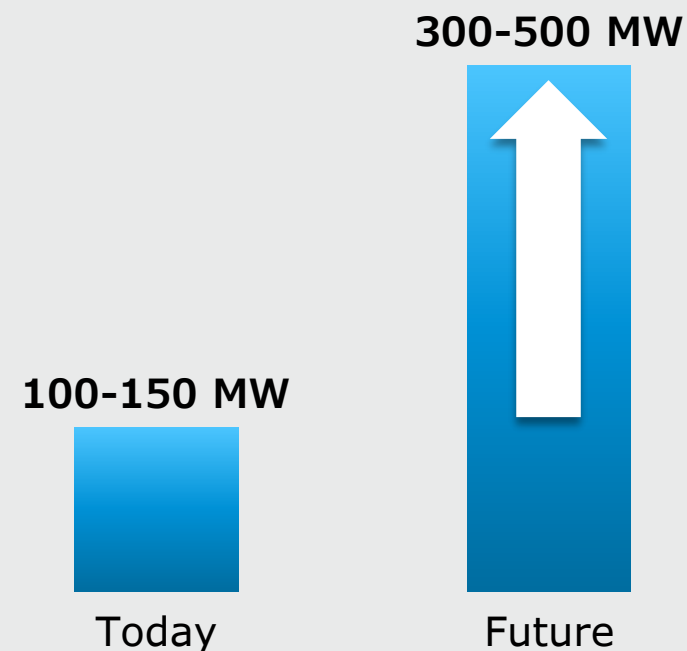
Initiatives

- Award-winning program to promote installation of advanced smart thermostats
 - reduces demand during 3-8 pm peak load window
- Super off-peak electric vehicle charging rate equivalent to ~30¢ per gallon gasoline



Potential Impact

Demand Savings During Peak Afternoon Window



Customer Driven Initiatives Underway – A Few Examples

Take Charge AZ



- Pilot program to encourage electric vehicle adoption by installing charging stations
- Expect to install 300 chargers through 2021

Customer Advisory Board



- Gathers direct insight from residential customers
- Identify customer concerns to shape solutions

Energy Efficiency



- Demand response programs to reward shift of energy usage to lower-cost times
 - smart thermostats
 - residential battery systems
 - grid-interactive water heaters

Pilot Project Exploring Hydrogen as Potential Solution for Long Duration Storage

Profile of Project

Collaborators

- Palo Verde nuclear plant and Idaho National Laboratory

Pilot Program 2020-2023

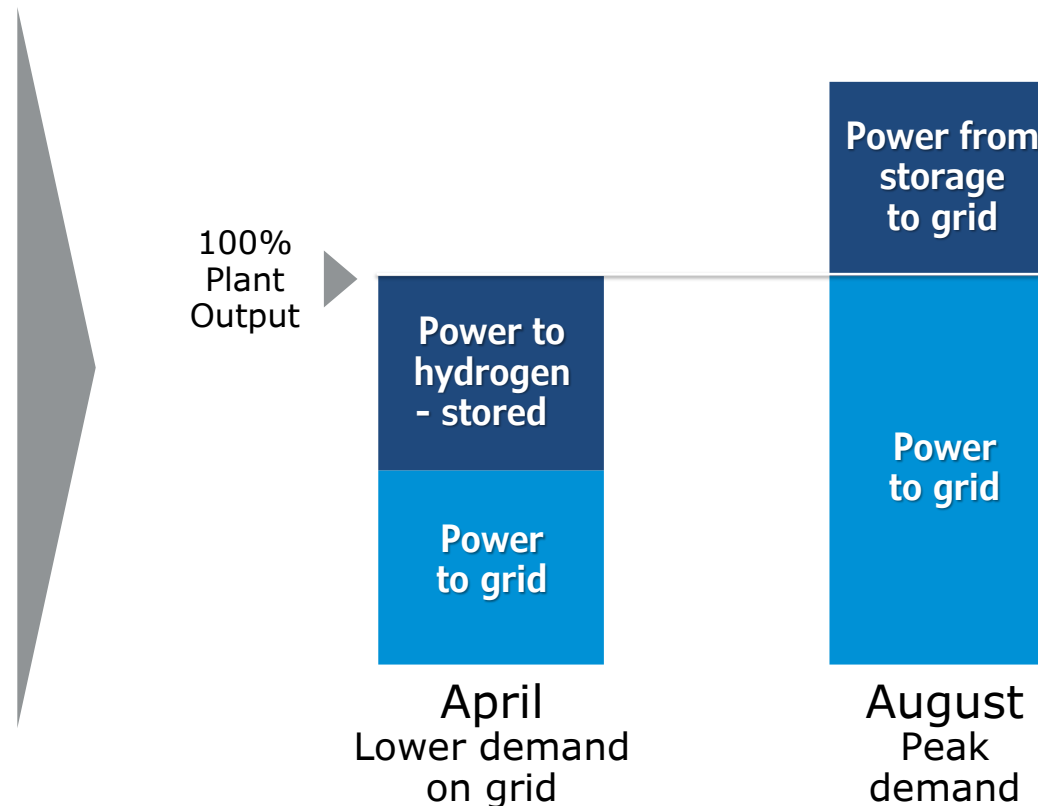
- Examine long-term cost effectiveness of hydrogen production at utility scale

Goal

- Use of hydrogen for long term storage of energy



Possible Scenario for Palo Verde Nuclear Plant



Key Value Drivers Going Forward

Next 6-12 months

- 2019 Rate Case (decision expected mid-2021)
 - Seek regulatory approval for an adjustor mechanism to enable more timely recovery of clean investments
- Execute contracts to own additional clean energy resources

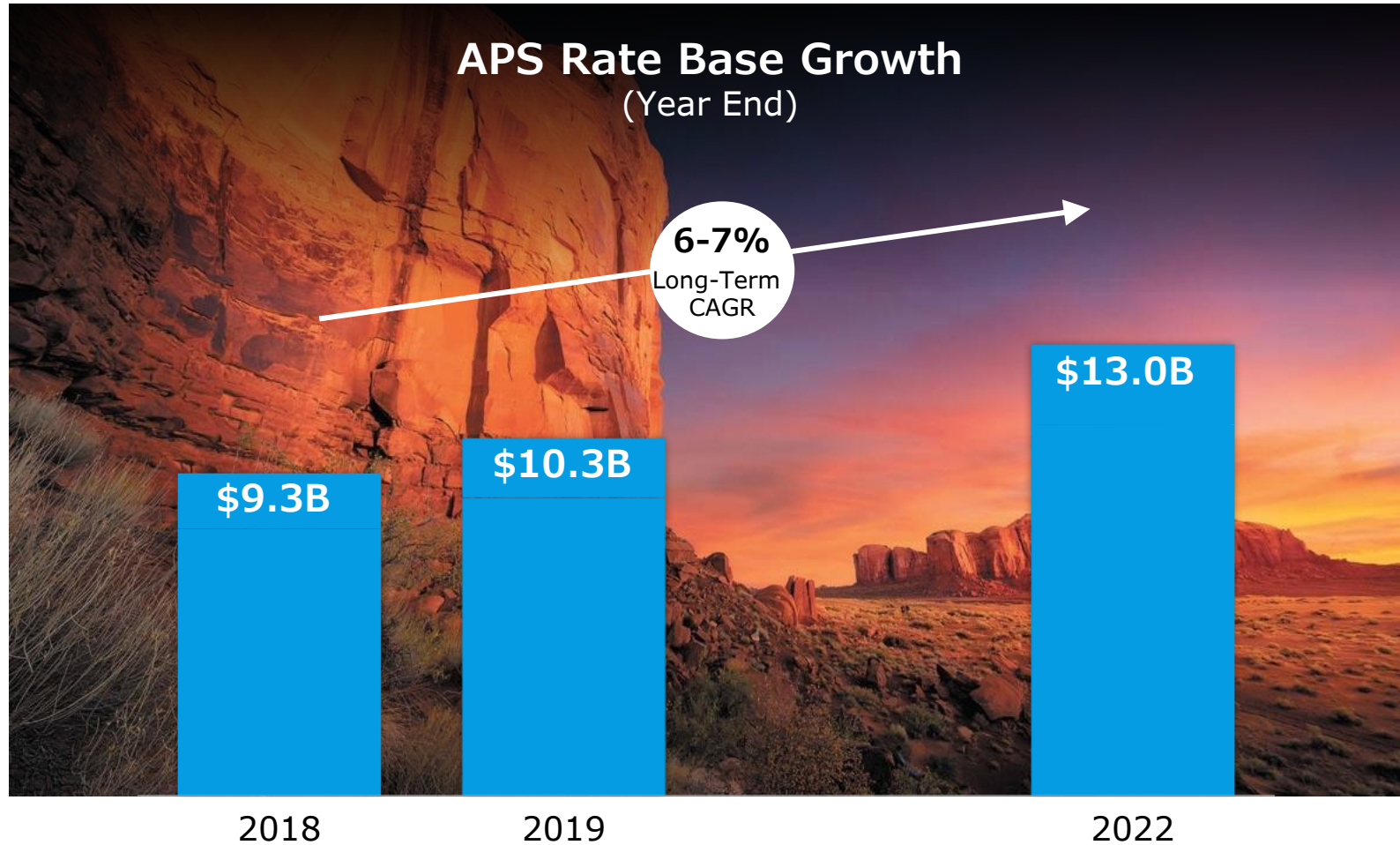
Longer Term Next 3-5 Years

- Investment in utility-owned clean energy resources
- Concurrent recovery for those resources
- Financing needs to support investments
- Continued customer and sales growth

Focus to Avoid Regulatory Lag:

- Enhanced recovery mechanisms
- Or more frequent rate case filings

Outlook: Steady Growth in Rate Base



Plan to continue dividend growth¹

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

Expect annual renewable additions of 300-500MW 2022-2030

IN SUMMARY

A Refocused Company. Long Growth Runway.

1

**A refocused
company**

2

**Favorable
market dynamics**

3

**Shift to
clean**

4

**Strong
financial profile**

5

**Clear strategic
priorities**



PINNACLE WEST

CAPITAL CORPORATION

Appendix



Effective COVID-19 Response for Customers and Employees



Customer and Community Relief Fund

Provided more than \$15M in pandemic aid



Customer Support Initiatives

Suspended disconnects, waived late fees



Employee Safety

New procedures, physical distancing

ESG Leadership – Recognition

