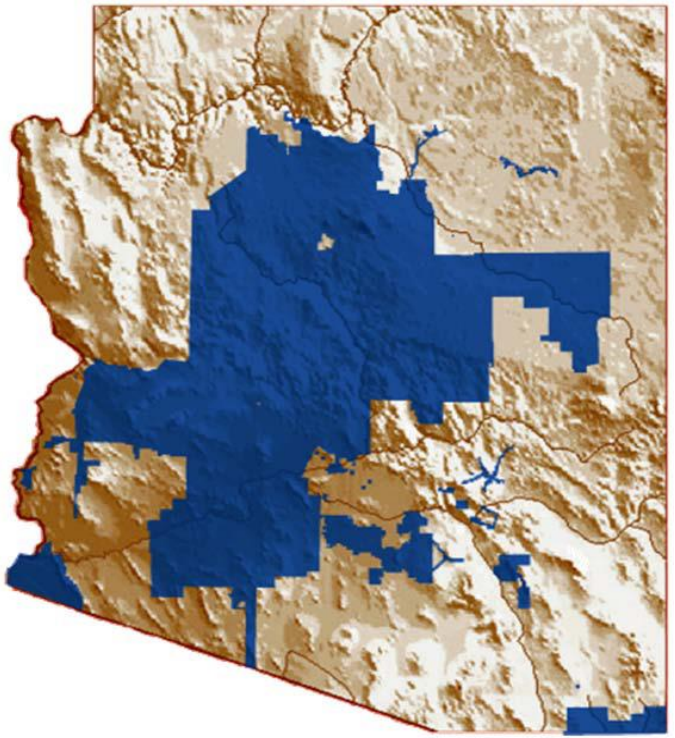
# Arizona Public Service Company
# 2021 Summer Preparedness

# 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, but not limited to, 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 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 and energy 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 through our rates and adjustor recovery mechanisms, including returns on and of debt and equity capital investments; our ability to meet renewable energy and energy efficiency mandates and recover related costs; the ability of APS to achieve its clean energy goals (including a goal by 2050 of 100% clean, carbon-free electricity) and, if these goals are achieved, the impact of such achievement on APS, its customers, and its business, financial condition and results of operations; 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 trusts, 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, 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.

# APS Service Territory

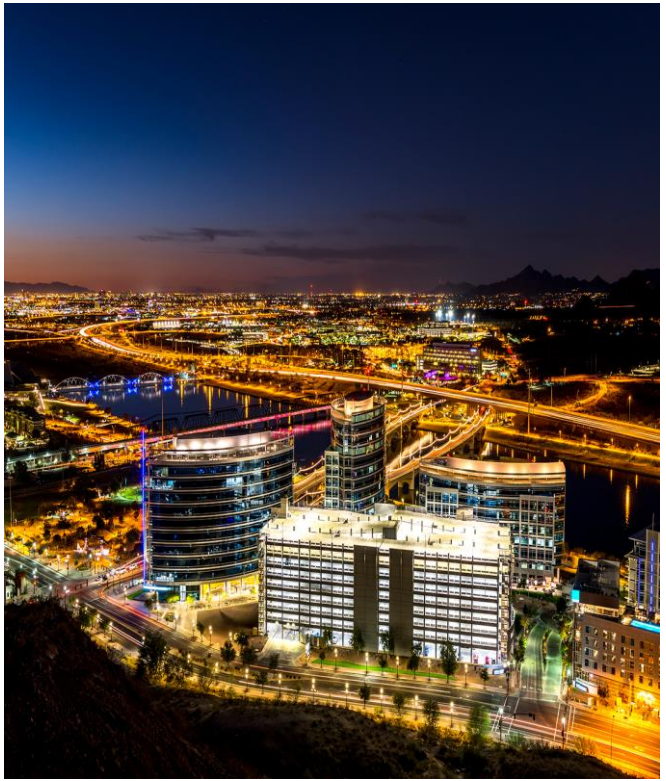
- 11 of Arizona's 15 counties
- 34,646 square mile service area
- Serving about 1.3 million customers
- Nearly 500 substations; roughly 300,000 transformers; more than 550,000 poles and structures
- Approximately 6,000 miles of transmission lines, 11,000 miles of overhead lines and 22,000 miles of underground cable



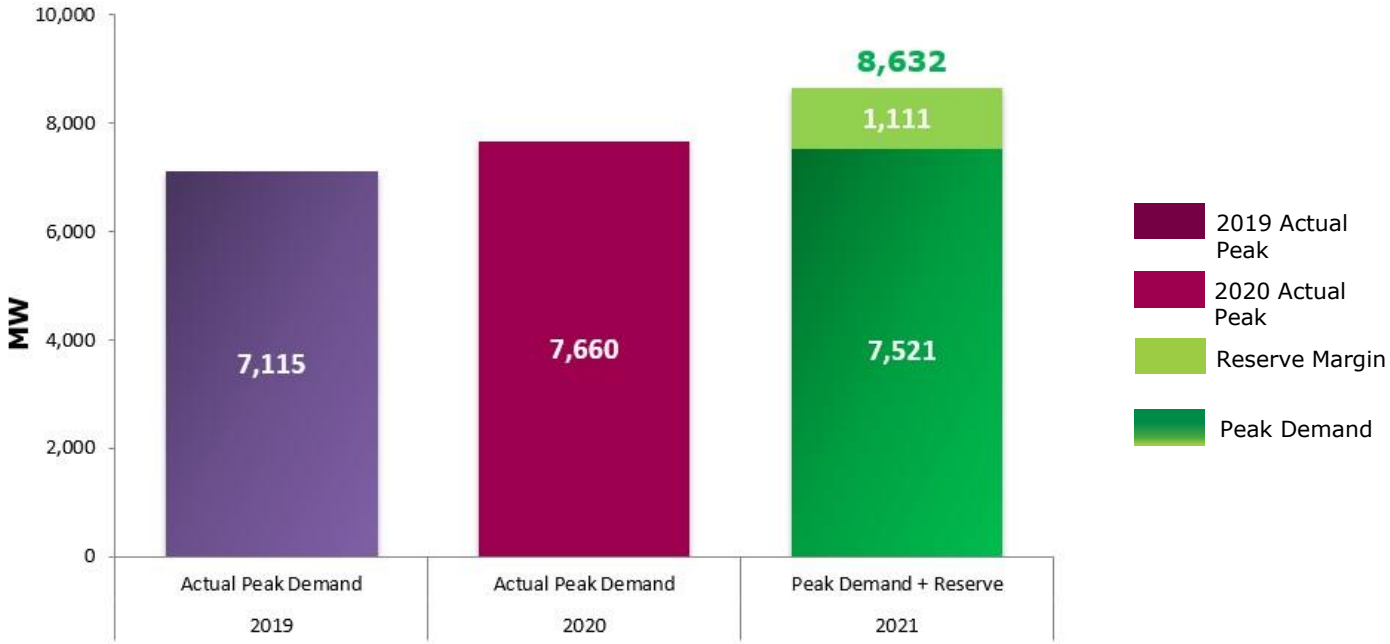
# 2020 Recap

*APS Results*

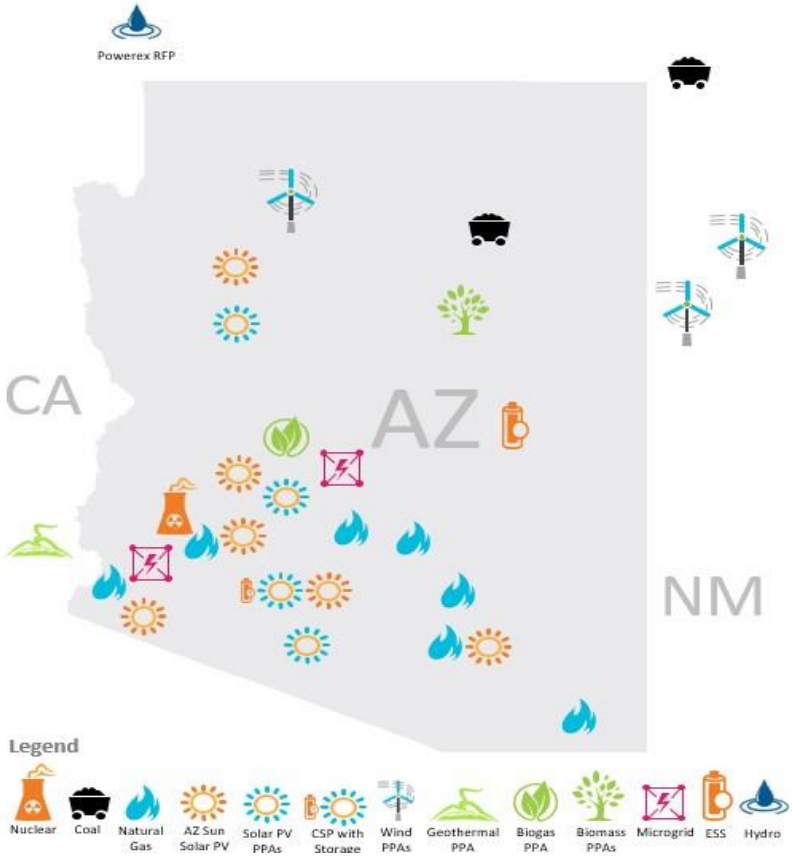
- Arizona experienced the hottest summer on record, with 53 days above 110 degrees, and 14 days above 115 degrees
- APS set an all-time peak in the summer 2020 at nearly 7700 MW
- Customer partnerships contributed to a successful summer
- Focus on resource planning, sufficient reserve margins, fire mitigation, and overall preparedness were key to maintaining reliability



# 2021 Peak Resources and Demand



# 2021 APS Resource Diversity




## 2021 Resource Peak Capacity (MWs)

| | PEAK CAPACITY |
|---|---|
| **Nuclear** | **1,146** |
| **Coal** | **1,343** |
| **Natural Gas** | **5,094** |
| Owned | 3,296 |
| PPAs | 1,798 |
| **Short-term Purchases*** | **450** |
| **Microgrid/ESS** (Quick Start) | **32** |
| **Renewables** | **462** |
| Solar | 403 |
| *Owned Solar* | *120* |
| *Solar PPAs* | *283* |
| Wind (PPAs) | 33 |
| Other (PPAs) | 26 |
| **Incremental Customer-Based** | **105** |
| Energy Efficiency | 64 |
| Distributed Energy | 2 |
| Demand Response | 39 |
| **TOTAL** | **8,632** |

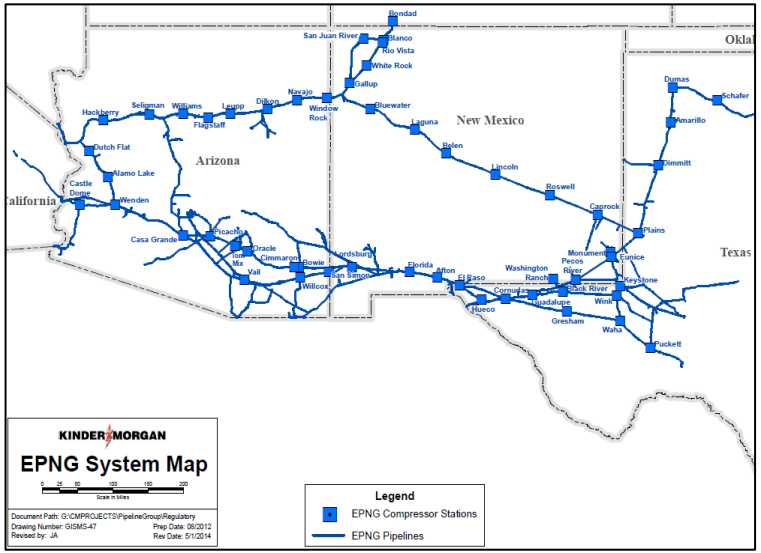
*Includes 250 MW Hydro from Powerex

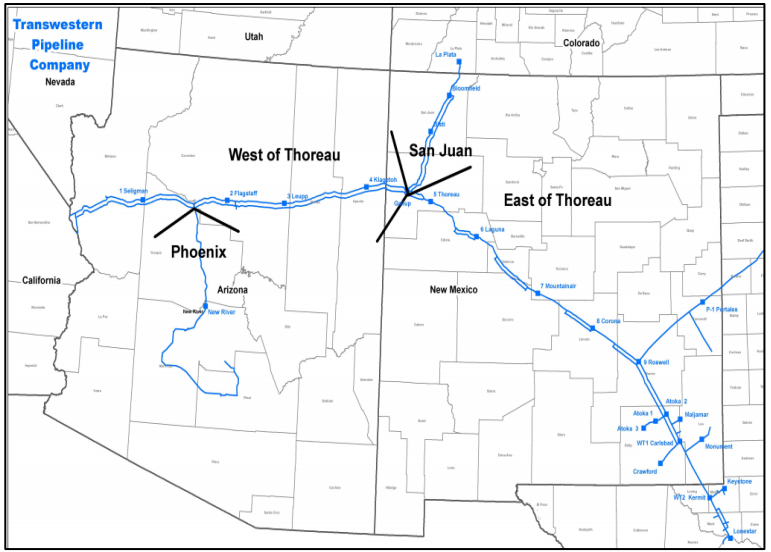
# APS has adequate fuel supply for all its generating facilities

- **Palo Verde**
  - 100% of fuel requirements contracted through 2026
  - Overall station capacity factor 91.24% in 2020
- **Conventional Generation**
  - Fuel contracts in place for other APS generating facilities



# APS Natural Gas Supply and Transport




- Primary firm gas transportation contracts on three interstate gas pipelines: El Paso, Transwestern, North Baja (not pictured)
- Access to San Juan and Permian gas supply basins
- Firm gas transportation contracts to meet seasonal and annual peak needs

# Power Plant Summer Operations

- Seasonal readiness procedure in use since 2009
  - Walkdowns ensure good material condition
  - Outfit employees with appropriate PPE
  - Review lessons learned
  - Survey critical control systems
  - Identify/prepare critical spares
- Continued Response to COVID-19
  - Adhering to CDC guidelines



# Transmission & Distribution

- 2020 Recap
  - 209 poles replaced
  - 2,536 wildfires statewide
- Preventative Maintenance
  - Patrols and Inspections
  - Completed summer-specific substation maintenance
- Infrastructure additions/replacements
- Operational Strategies
  - Planned outages & Extreme Heat Days
  - Increased focus on customer communication
  - Emergency Operations Center Drills



# Fire Mitigation Preparedness



- Comprehensive Plan
  - Supports public safety, first responders, and land management
- Fire Mitigation Patrols
  - 2,870 miles of overhead lines
- Defensible Space Around Poles (DSAP)
- Engineering Focus
- Reclosing Strategy
- Public Outreach
  - Send approximately 237,000 postcards

# Focus on the customer



- Improved Outage Map
- Text alerts
- Ice distribution
- aps.com facelift
- 24/7 call center
- Continued response to COVID-19

# Emergency Management

**External Preparedness and Response**

- Update mutual assistance with neighboring utilities (SRP & TEP)
- Coordination of summer operating study with nearby utilities
- Fire and emergency management coordination with various Federal, State, and Local agencies.

**Internal Preparedness and Response**

- Black start system restoration drill
- Electric Load Curtailment Plan exercise
- Disaster Recovery Plan exercise



# Summary

APS has adequate generation resources, fuel supplies and transmission capacity in place to reliably meet customer demand this summer.

