PINNACLE WEST
CAPITAL CORPORATION

Investor Presentation

May 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, 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.

A Refocused Company. Long Growth Runway.

1	2	3	4	5
A refocused company	**Favorable market dynamics**	**Shift to clean**	**Strong financial profile**	**Clear strategic priorities**

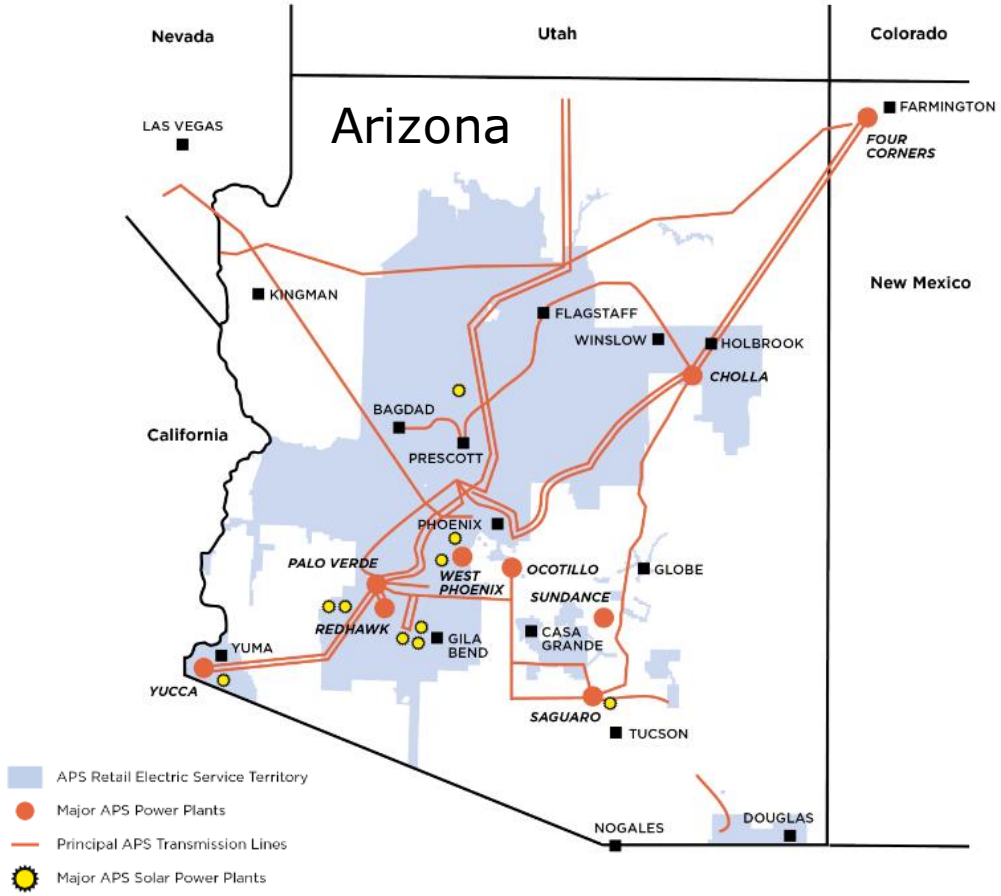


PINNACLE WEST CAPITAL CORPORATION

AT A GLANCE

Arizona's Largest Electric Company

Service Territory[1]



Key Facts as of Dec. 31, 2020

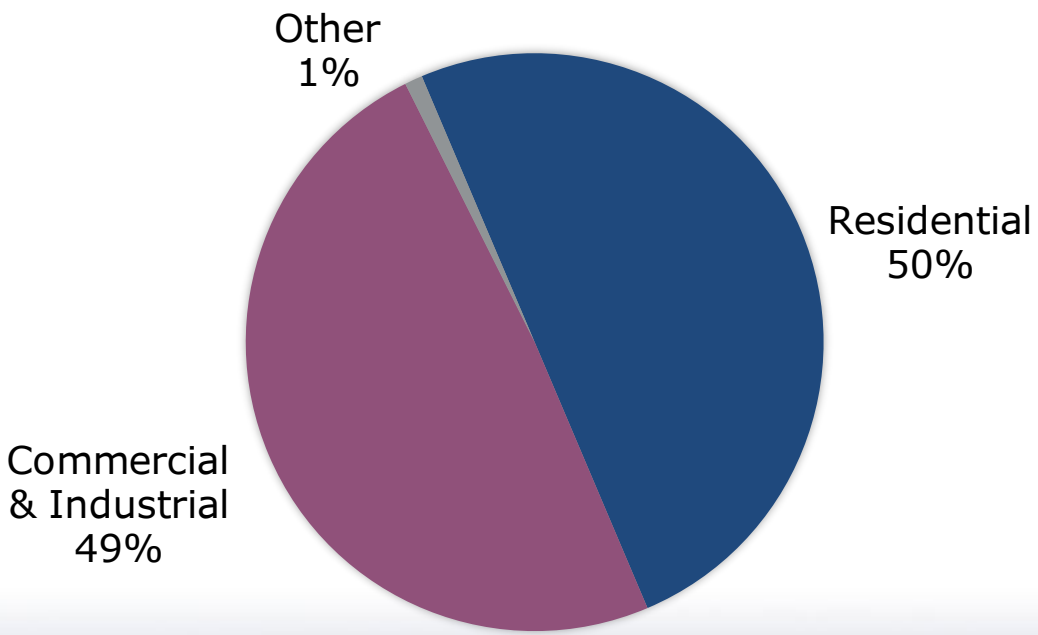
Consolidated assets	$20B
Revenues	$3.6B
Market cap	~$9B
Generating capacity owned or leased – year end	~6.3 GW
Customers	1.3M
Current % from clean energy	~50%
Nuclear plant in U.S.	Largest

[1] As of December 31,2020

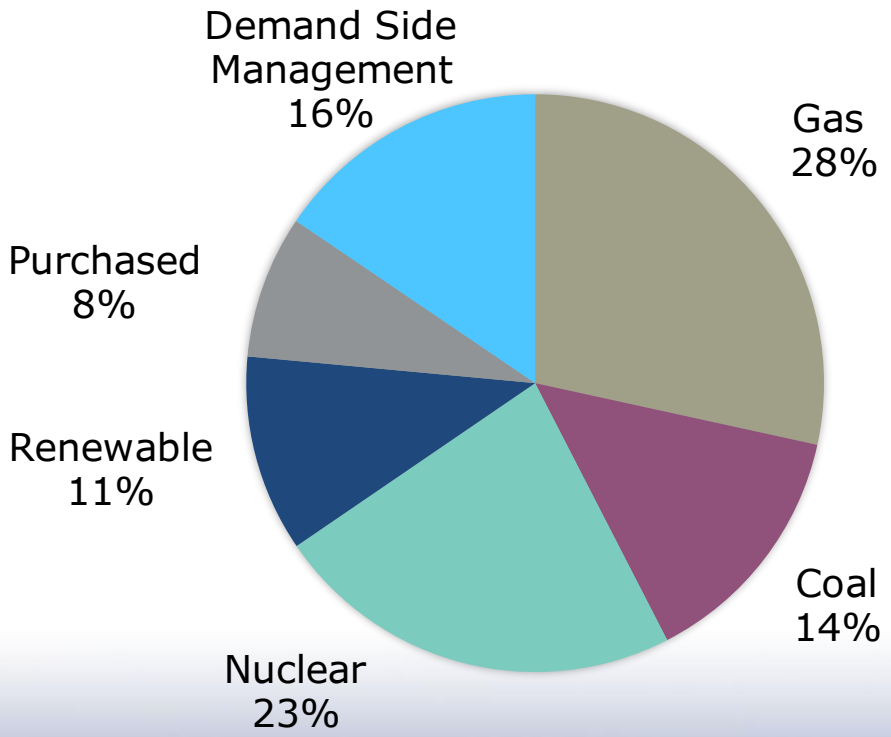
PINNACLE WEST CAPITAL CORPORATION

Attractive Customer Mix and Shifting Generation Profile

Retail Sales Mix

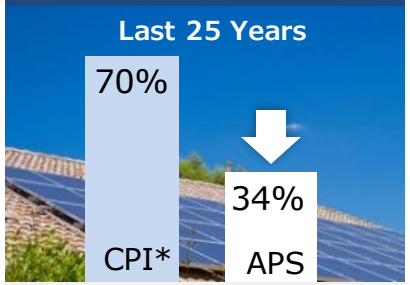
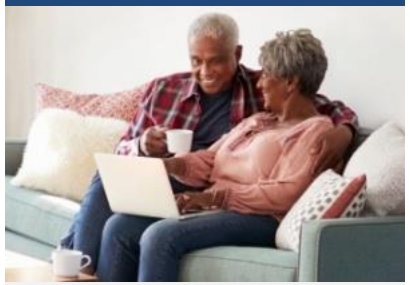


Energy Mix – Will Shift Going Forward





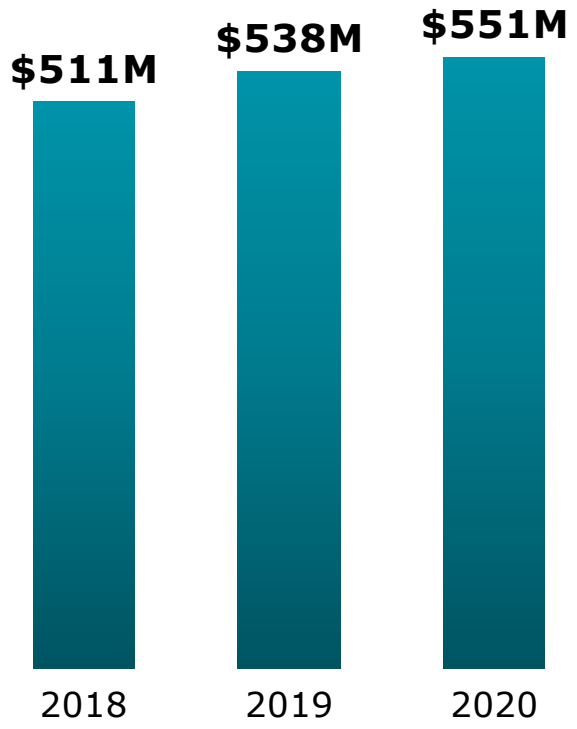
Building on a Strong Performance Track Record

Safety Profile	Affordable Energy	Reducing Residential Bills	Reliability	Customer Growth	Operating Costs
					
Top Quartile	**25 years**	**6.2%**	**Top Quartile**	**2%**	**Flat**
Consistent ranking	Residential rates increased less than inflation	Decline in average residential bill since 2018	Invest >$1B annually in upgrades and infrastructure	Average annual growth last 3 years	APS core operating costs per kWh last 3 years

* Consumer Price Index

Solid Underlying Financial Performance – Goal is More Consistent Growth

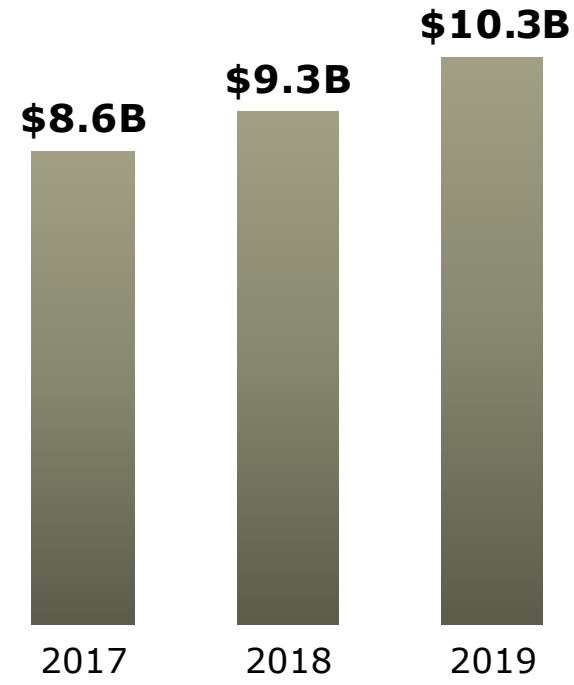
Net Income
($M)



Adjusted EPS
($)



Rate Base
($B)



Entering a New Era

Prior to 2019	2019-2020	2021+



Build

- Built Arizona's leading power utility with strong performance track record

Transformation

- New culture and clean energy goals
  - Lean principles supporting customer affordability

New Focus

- Investing in clean energy, stakeholder alignment and innovation

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 Climate[1]
- MSCI ESG "AA" rating[2]
- Reduced carbon by 26% since 2005 and retired over 1,000 MW of coal

Social



- Top quartile employee safety
- 36% of new hires ethnically or racially diverse
- Proposed $144M Coal Community Transition Plan

Governance



- 36% of independent directors gender or ethnically diverse
- ESG executive council
- Board oversight of strategy and risk

[1] Climate Change and Water Security "A Lists" by CDP: One of only 16 North American companies worldwide to receive two A scores.
[2] Report dated April 27, 2021.

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 (2020)
  - Business customer rating rises to second quartile (2020)
- Improved customer experience
  - 24/7 care center support
  - Enhanced digital engagement



[1]For 2020, we received a 55 point customer satisfaction improvement from our residential customer on the J.D. Power residential study (an increase from 680 points to 735 points on a 1,000 point scale) resulting in the largest improvement in satisfaction of large brands in the study. https://www.jdpower.com/business/press-releases/2020-electric-utility-residential-customer-satisfaction-study
We also received a 44 point customer satisfaction improvement from our business customer on the J.D. Power business study (an increase from 755 points to 799 points on a 1,000 point scale) resulting in an improvement into the second quartile ranking nationally.
https://www.jdpower.com/business/press-releases/2020-electric-utility-business-customer-satisfaction-study

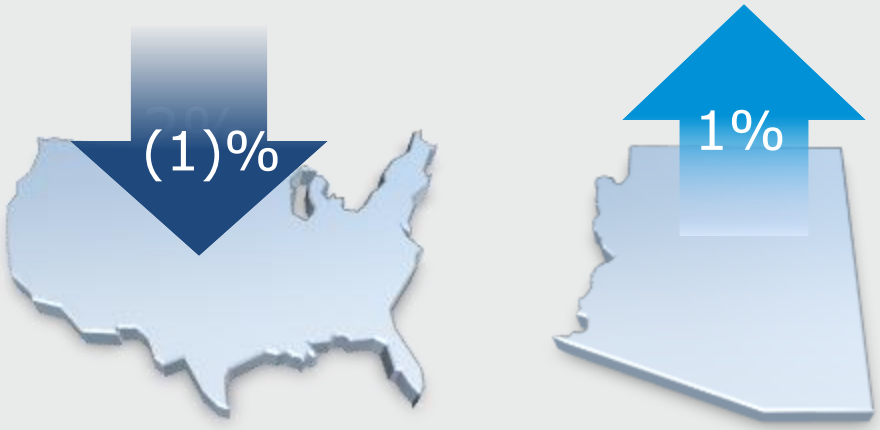
A Refocused Company. Long Growth Runway.

1	2	3	4	5
A refocused company	**Favorable market dynamics**	**Shift to clean**	**Strong financial profile**	**Clear strategic priorities**



Fast Growing Service Territory

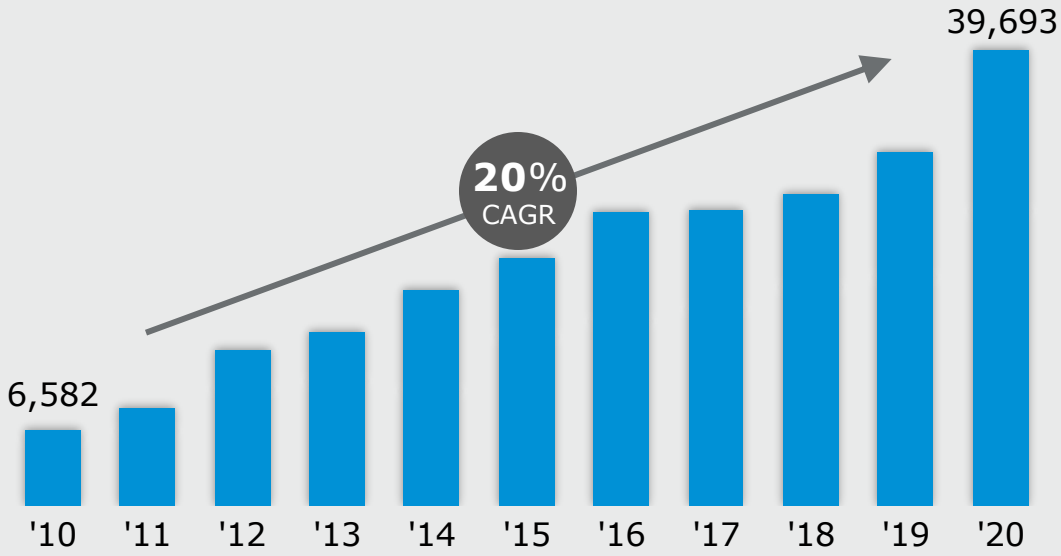
Annual Employment Growth Last Three Years[1]



National **Arizona**

Steady Housing Growth[2]

Single Family & Multifamily Housing Permits
Maricopa County



Phoenix metro ranked second in the nation for expected industrial space growth in 2021[3]

[1] 2018-2020
[2] Maricopa County population 4.5M, 62% of state population
[3] Phoenix Business Journal. April 14, 2021

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**



PINNACLE WEST CAPITAL CORPORATION

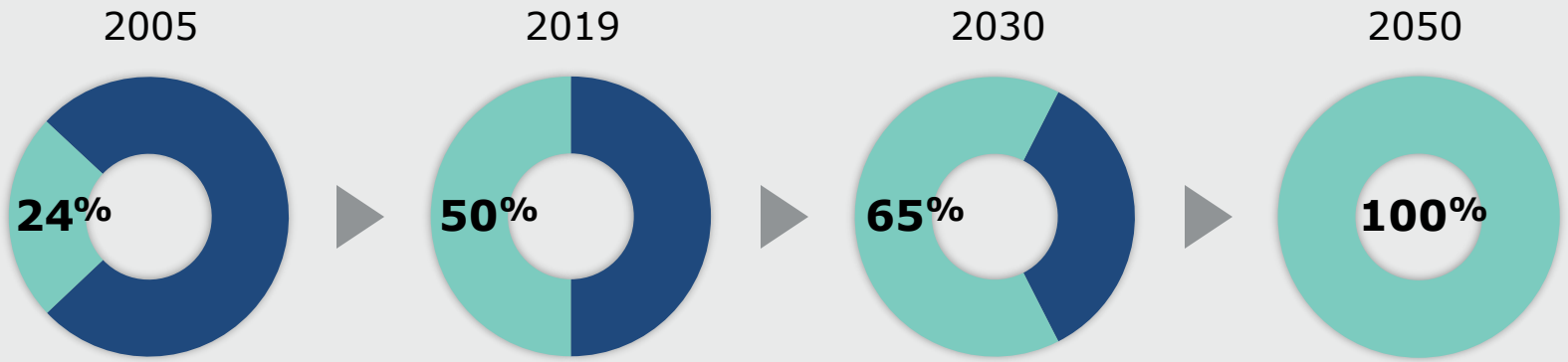
Our Clean Energy Plan

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



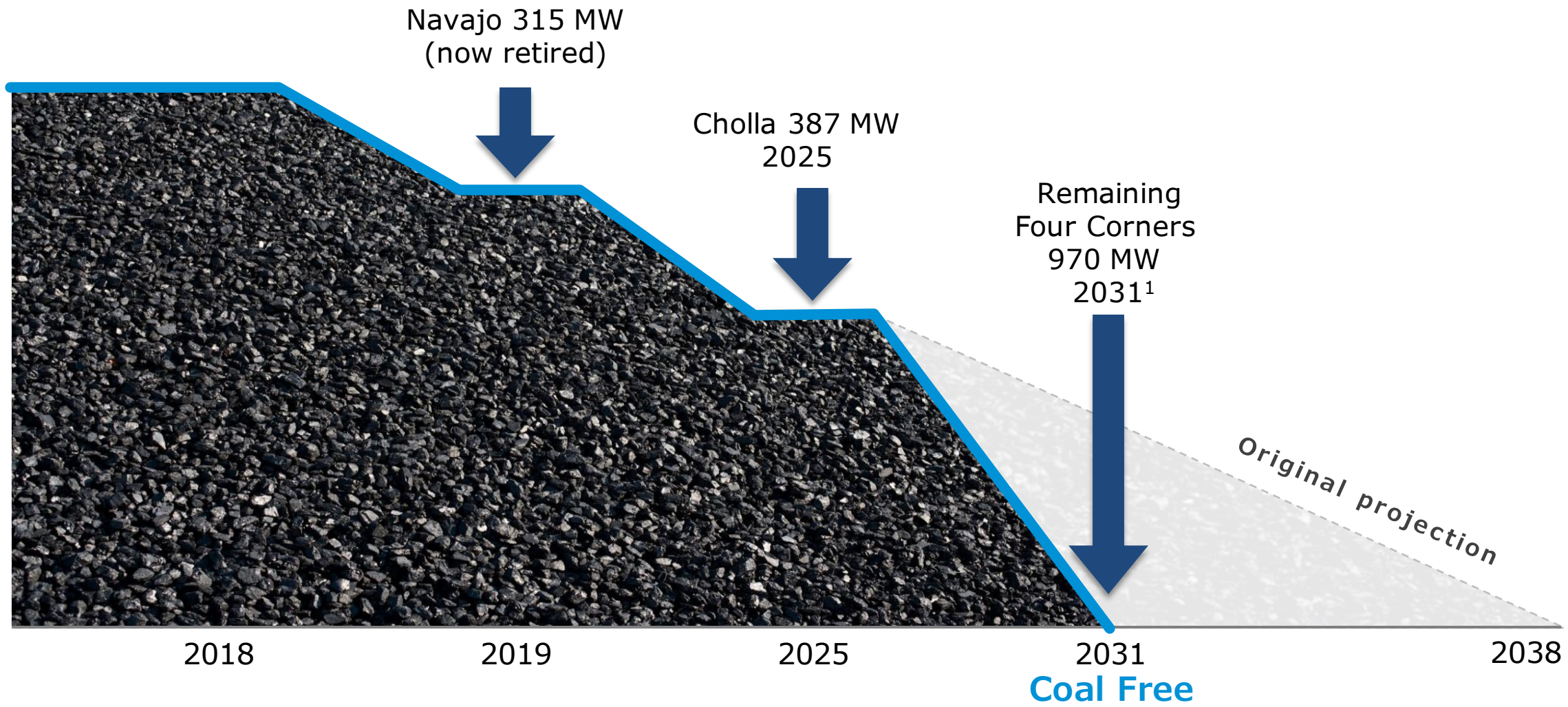
Pathway





PINNACLE WEST CAPITAL CORPORATION

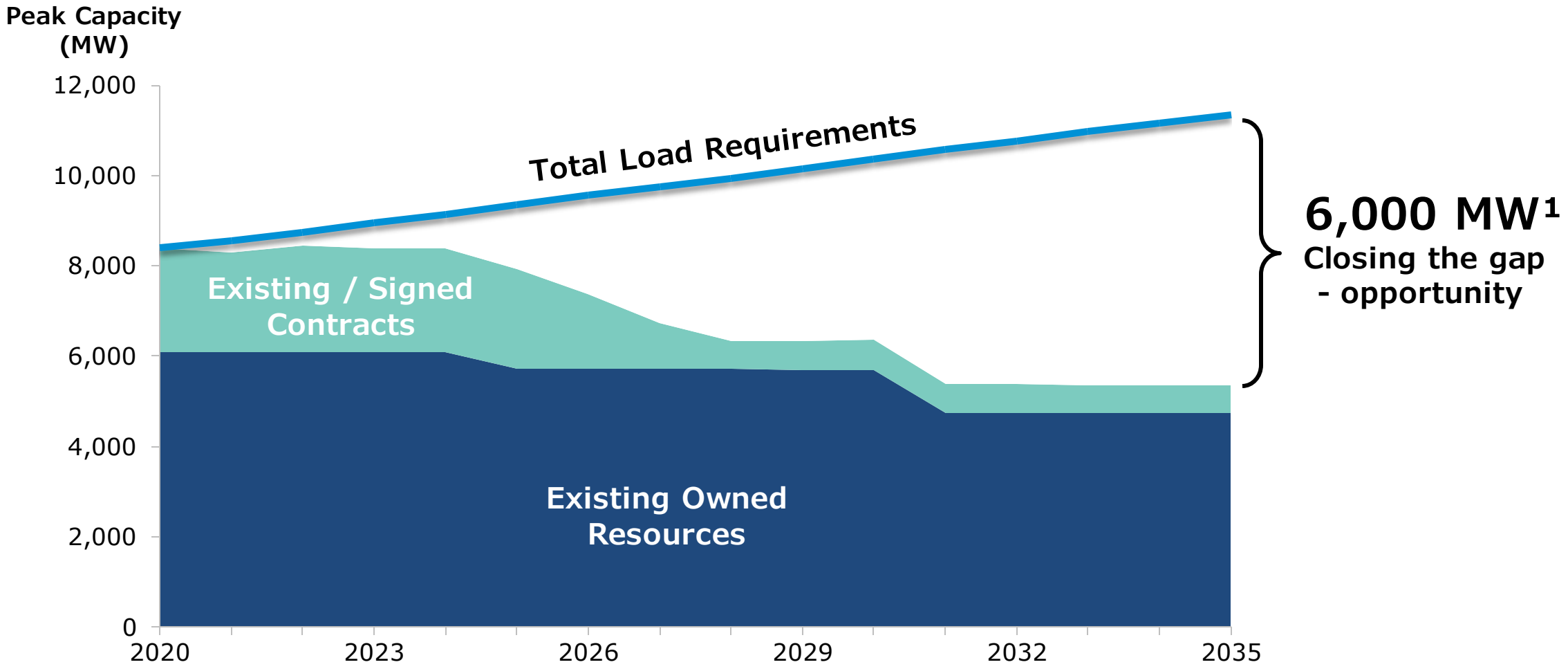
Coal Exit Strategy – 7 Years Earlier than Originally Projected



[1]Starting in 2023, Four Corners will move to a seasonal operating schedule that will further reduce annual carbon emissions at Four Corners by an estimated 20-25%.

PINNACLE WEST CAPITAL CORPORATION

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).

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Key New Energy Sources to Achieve Goals

Initiatives

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

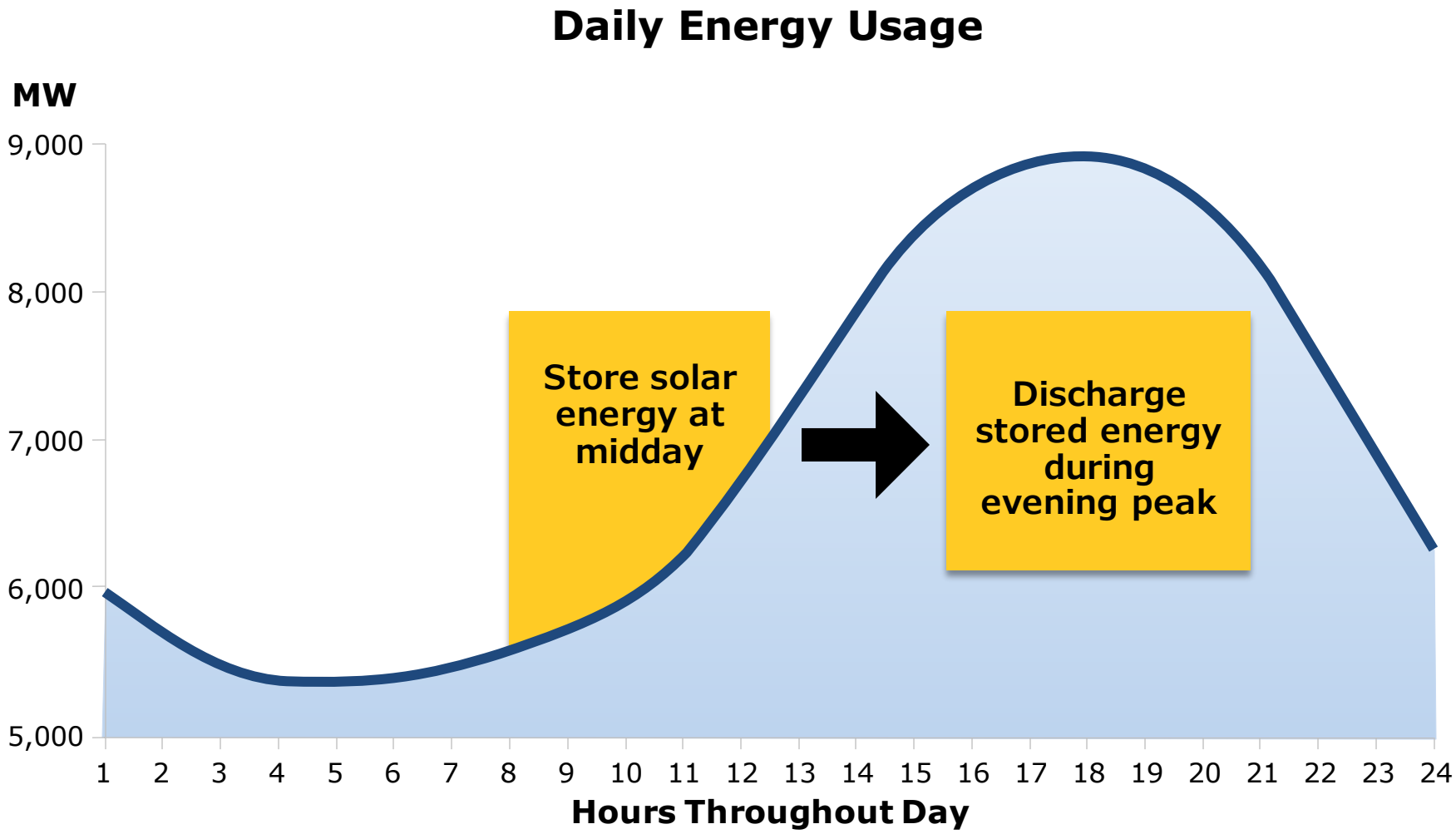


Resource Mix Change

	Today		2035
Coal	**14%**	→	**0%**
Gas	**28%**	→	**6%-17%**
Nuclear	**23%**	→	**16%**
Purchased	**8%**	→	**11%**
Renewable/ DSM	**27%**	→	**56%-67%**



Energy Storage A Key Element of Our Renewal Energy Plan



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

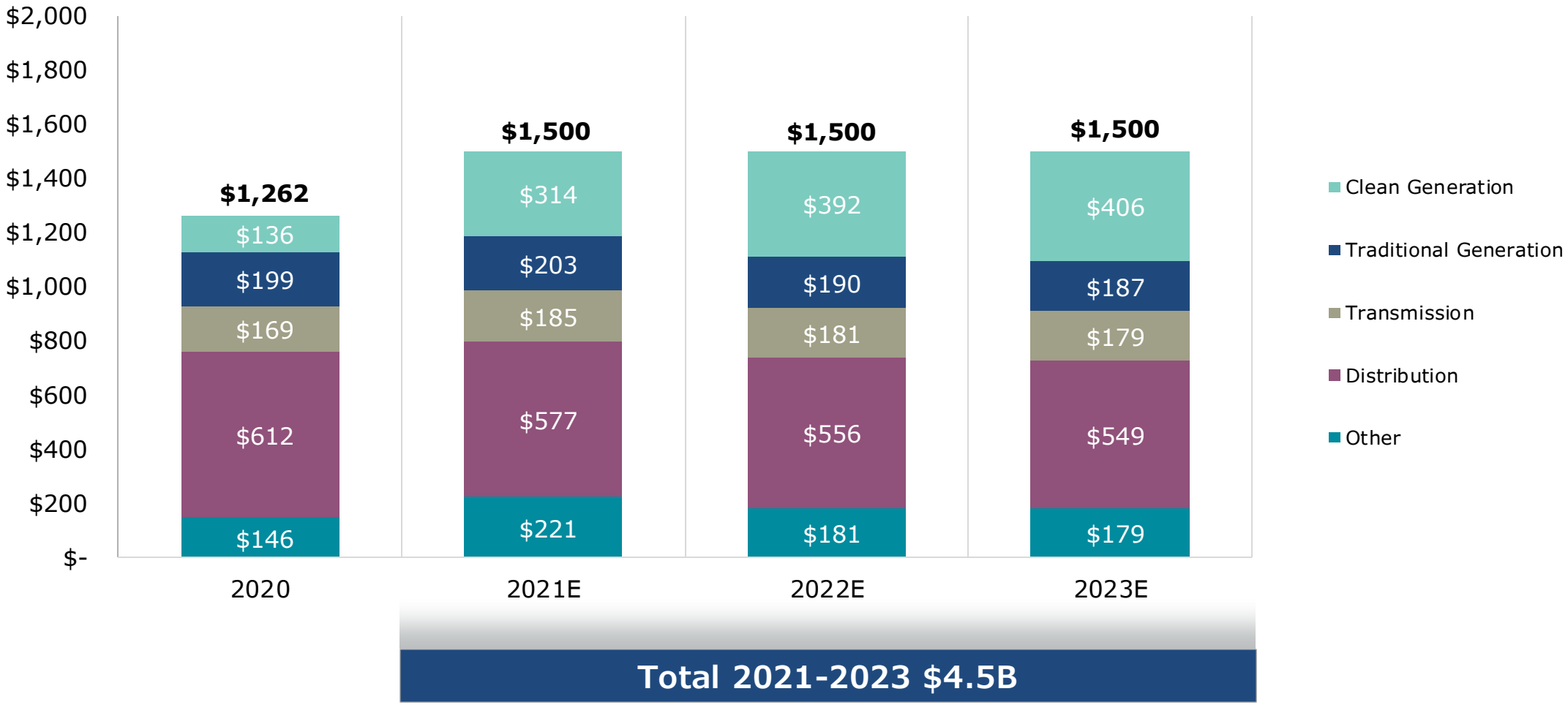
Storage Advantages

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



PINNACLE WEST CAPITAL CORPORATION

Advancing On Path to 100% Clean Energy – Three Year Capital Plan of $4.5B[1]



[1] As disclosed in the Quarterly Report on Form 10-Q for the period ended March 31, 2021.

PINNACLE WEST CAPITAL CORPORATION

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

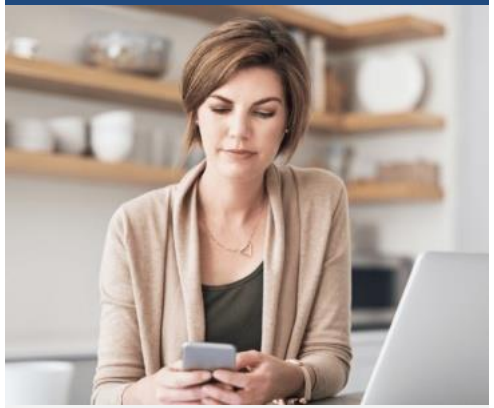
WIN for clean air



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**

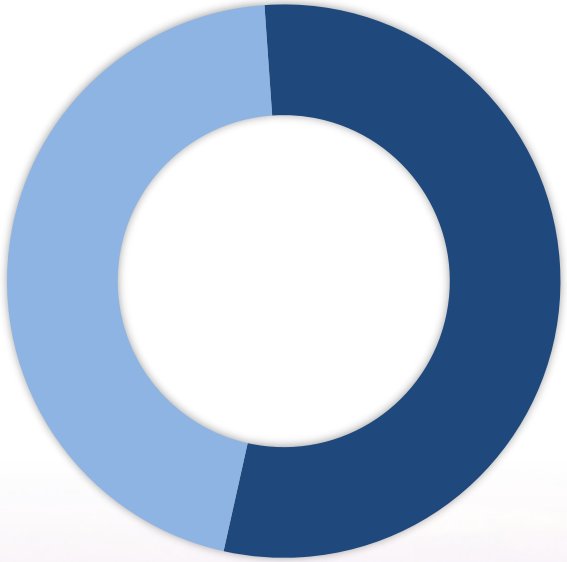
4 **Strong financial profile**

5 **Clear strategic priorities**



Strong Balance Sheet – Pinnacle West

Debt to Capitalization
(TME 12/31/2020)



54.6%
Debt/Cap

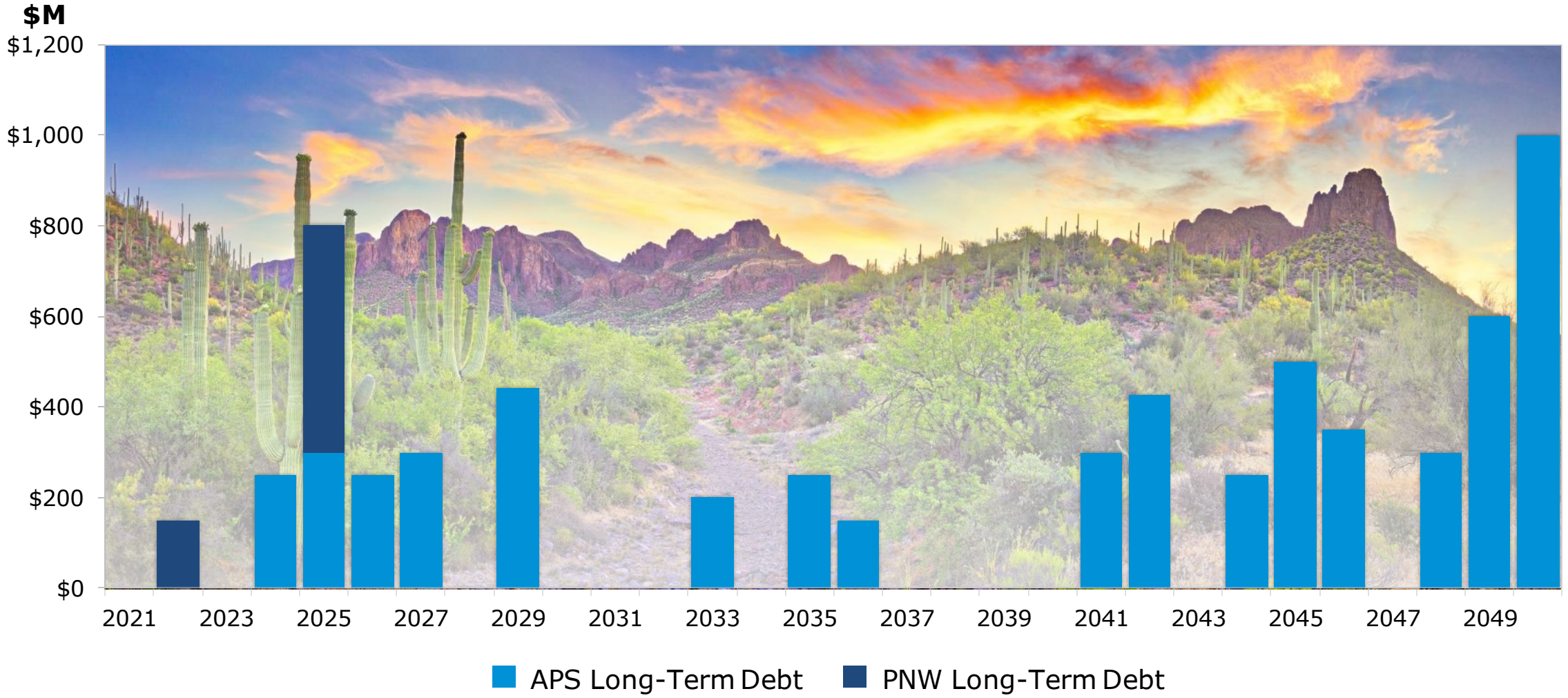
FFO/Debt: 20.2%
(TME 12/31/2020)
Source: Standard & Poor's

Corporate Credit Ratings[1]

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 March 31, 2021

PINNACLE WEST CAPITAL CORPORATION

Increased Dividend, 9 Year History of Increases[1]

Indicated Annual Dividend – Year End



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

PINNACLE WEST CAPITAL CORPORATION

A Refocused Company. Long Growth Runway.

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Clear Strategy Going Forward

1

Deliver exceptional customer service

2

Ensure superior reliability and operating performance



4

Make intelligent investments to support a growing Arizona

3

Maintain strong credit ratings and financial health

EXAMPLE OF INNOVATION INNITIATIVE

Bringing the Residential Customer into the Advanced Economy

Initiatives

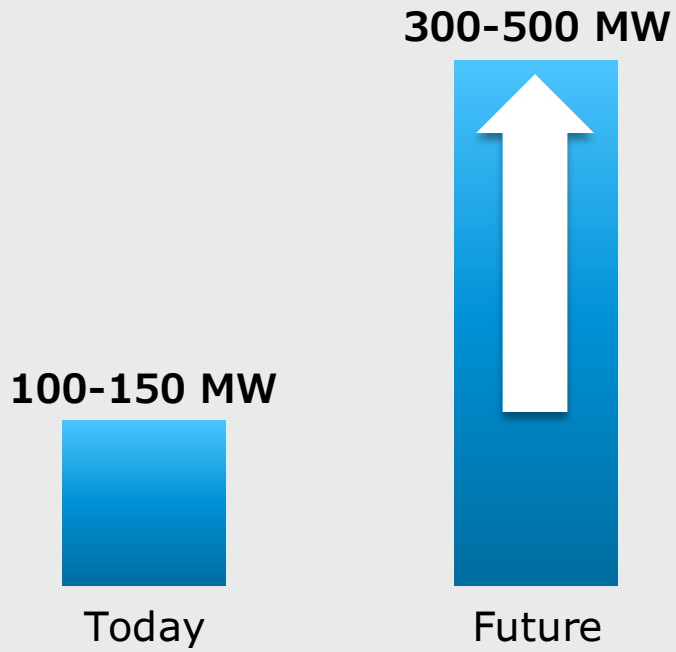
- Award-winning program to promote installation of advanced smart thermostats
  - reduces demand during 3-8 pm peak load window
- Super off-peak electric vehicle charging rate equivalent to ~30¢ per gallon gasoline





Potential Impact

Demand Savings During Peak Afternoon Window



PINNACLE WEST CAPITAL CORPORATION

Customer Driven Initiatives Underway – A Few Examples

Take Charge AZ



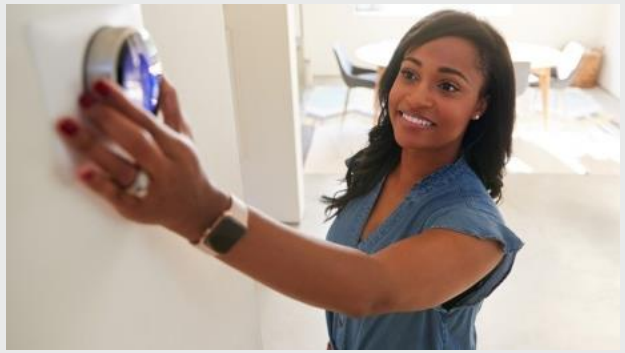
- Pilot program to encourage electric vehicle adoption by installing charging stations
- Expect to install more than 250 chargers through 2021

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

EXAMPLE OF INNOVATION INNITIATIVE

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

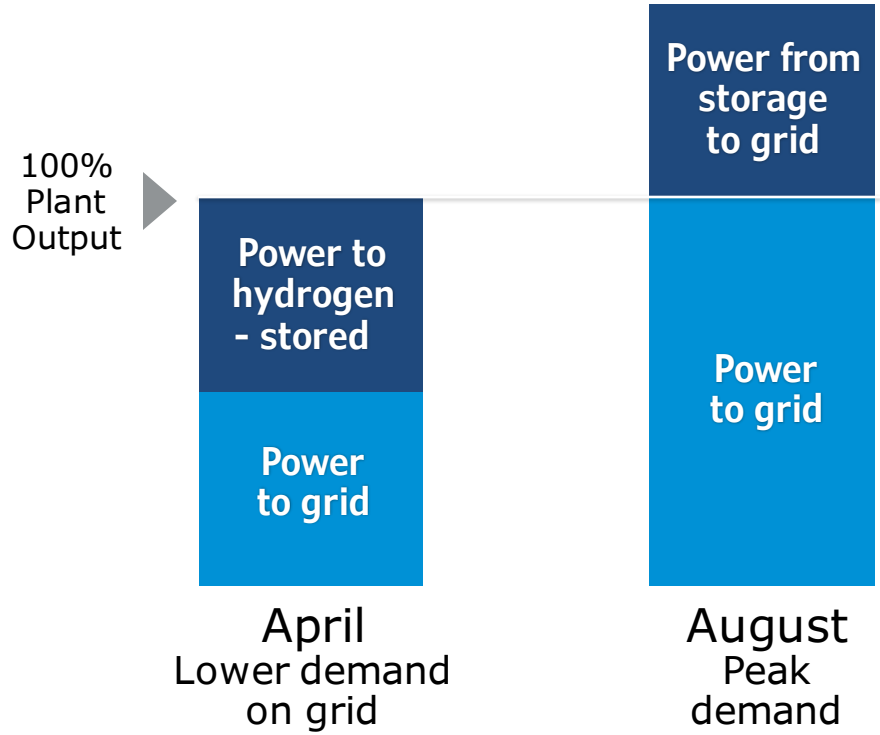
- Examine long-term cost effectiveness of hydrogen production at utility scale

Goal

- Use of hydrogen for long term storage of energy



Possible Scenario for Palo Verde Nuclear Plant



PINNACLE WEST CAPITAL CORPORATION

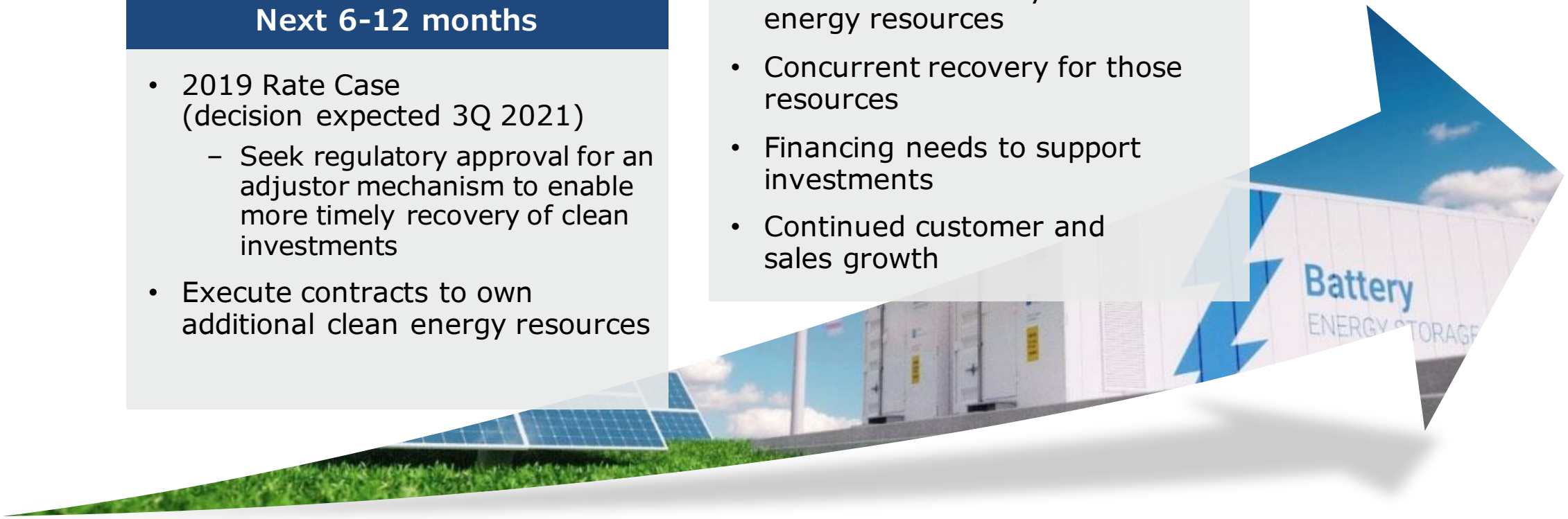
Key Value Drivers Going Forward

Next 6-12 months

- 2019 Rate Case (decision expected 3Q 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

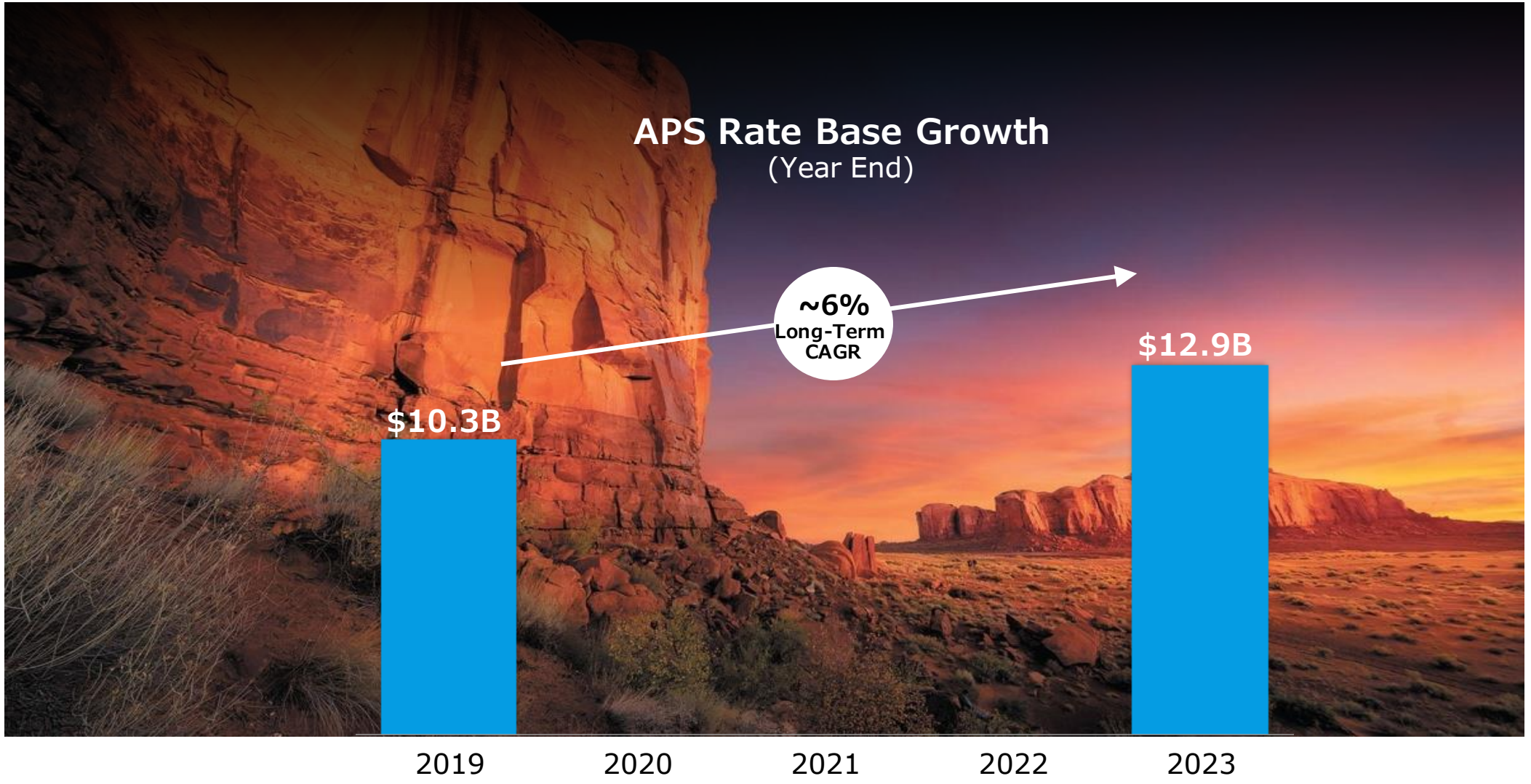
- Investment in utility-owned clean energy resources
- Concurrent recovery for those resources
- Financing needs to support investments
- Continued customer and sales growth



Focus to Avoid Regulatory Lag:

- Enhanced recovery mechanisms
- Or more frequent rate case filings

Outlook: Steady Growth in Rate Base



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

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IN SUMMARY

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PINNACLE WEST CAPITAL CORPORATION

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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

CDP DISCLOSURE INSIGHT ACTION A LIST 2020

CLIMATE

CDP DISCLOSURE INSIGHT ACTION A LIST 2020

WATER

MSCI

Environmental Sustainability and Governance "AA" rating[1]

A.E.S.P. ASSOCIATION OF ENERGY SERVICES PROFESSIONALS ENERGY AWARDS

OUTSTANDING ACHIEVEMENT

Emerging Tools & Technologies

training

Training Magazine

Top 100 Learning and Development Organization

HIRE Platinum Medallion Award 2018-2020

US Department of Labor

20th Anniversary U.S. WIN®

Women in Nuclear National Award for Best Public Outreach

[1] As of April 27, 2021