PINNACLE WEST
CAPITAL CORPORATION

Investor Presentation

December 2022



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, vaccine mandates, supply chain, expenses, inflation, 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 (including large increases in ambient temperatures), the general economy or social conditions, customer and sales growth (or decline), the effects of energy conservation measures and distributed generation, and technological advancements; the potential effects of climate change on our electric system, including as a result of weather extremes such as prolonged drought and high temperature variations in the area where APS conducts its business; 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 or interpretations of existing legislation or regulations, 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, war, acts of war, international sanctions, terrorist attack, physical attack, severe storms, 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; general economic conditions, including inflation rates, monetary fluctuations and supply chain constraints; 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 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, 2021, Part II, Item 1A of the Pinnacle West/APS Quarterly Report on Form 10-Q for the quarter ended March 31, 2022, and Part II, Item 1A of the Pinnacle West/APS Quarterly Report on Form 10-Q for the quarter ended September 30, 2022, 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.

In this presentation, references to net income and earnings per share (EPS) refer to amounts attributable to common shareholders.

Navigating Short-Term Challenges. Longer-Term, A Powerful Growth Story

1
Company Profile - Solid Foundation

2
Growth Outlook Remains Strong

3
Customer Initiatives and ESG Leadership

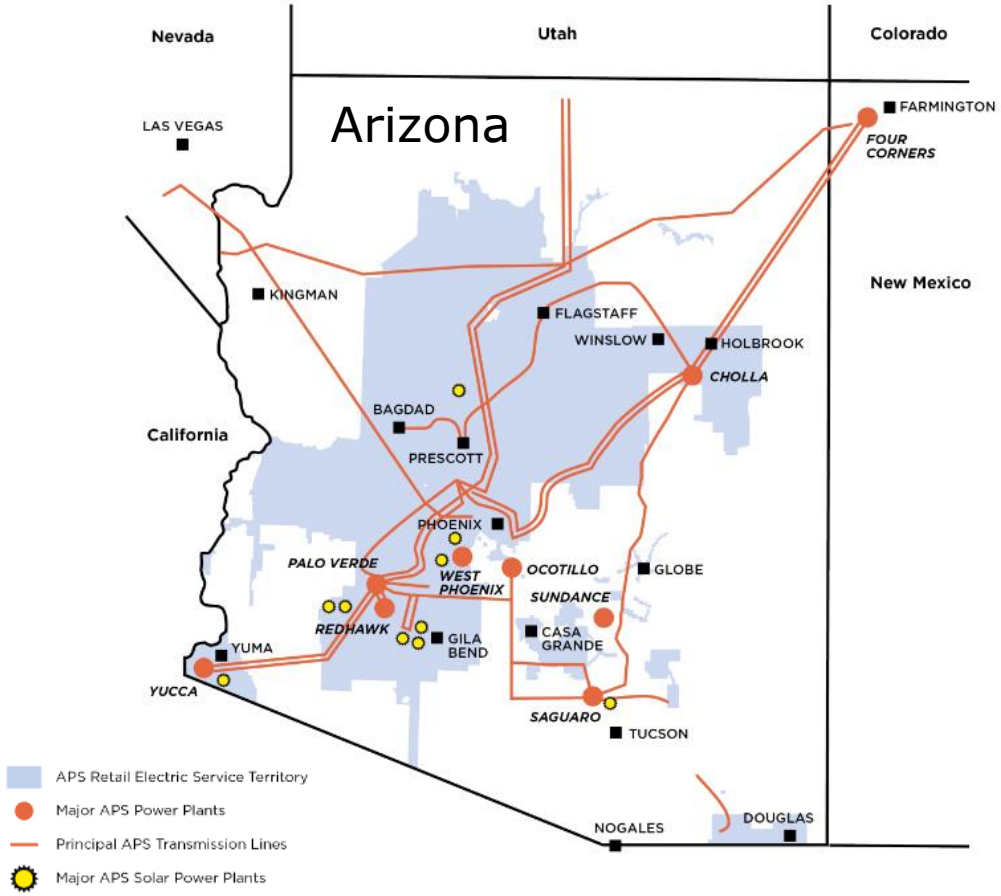
4
Financial Outlook & 2022 Rate Case



AT A GLANCE

Arizona's Largest Electric Company

Service Territory[1]



Key Facts as of Dec. 31, 2021

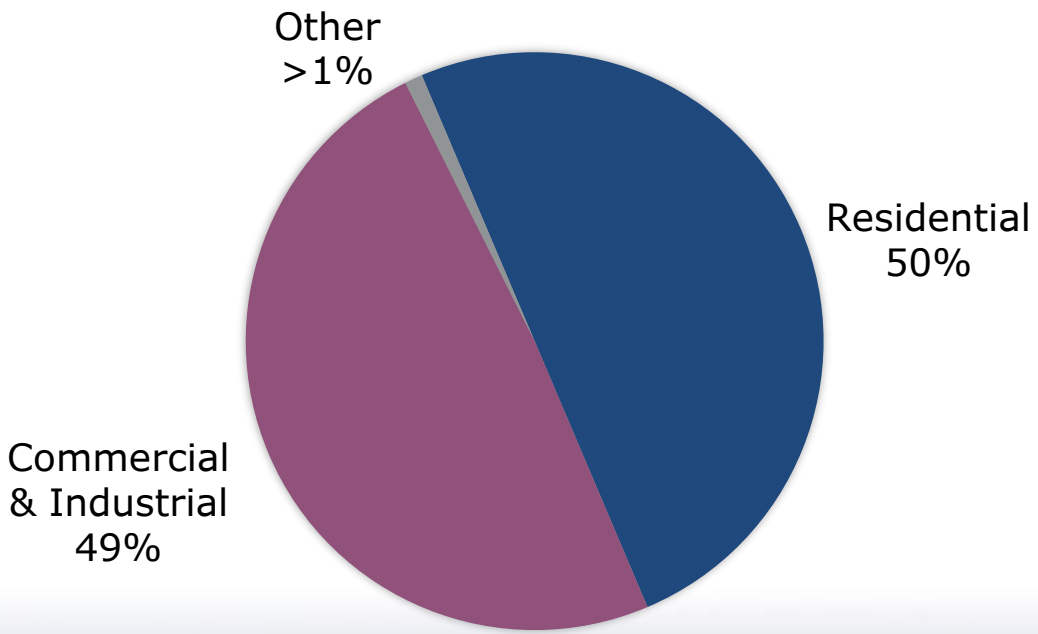
Consolidated assets	$22B
Revenues	$3.8B
Market cap	~$8B
Generating capacity owned or leased – year end	~6.3 GW
Customers	1.3M
Current % from clean energy	~50%
Nuclear plant in U.S.	Largest

[1] As of December 31,2021

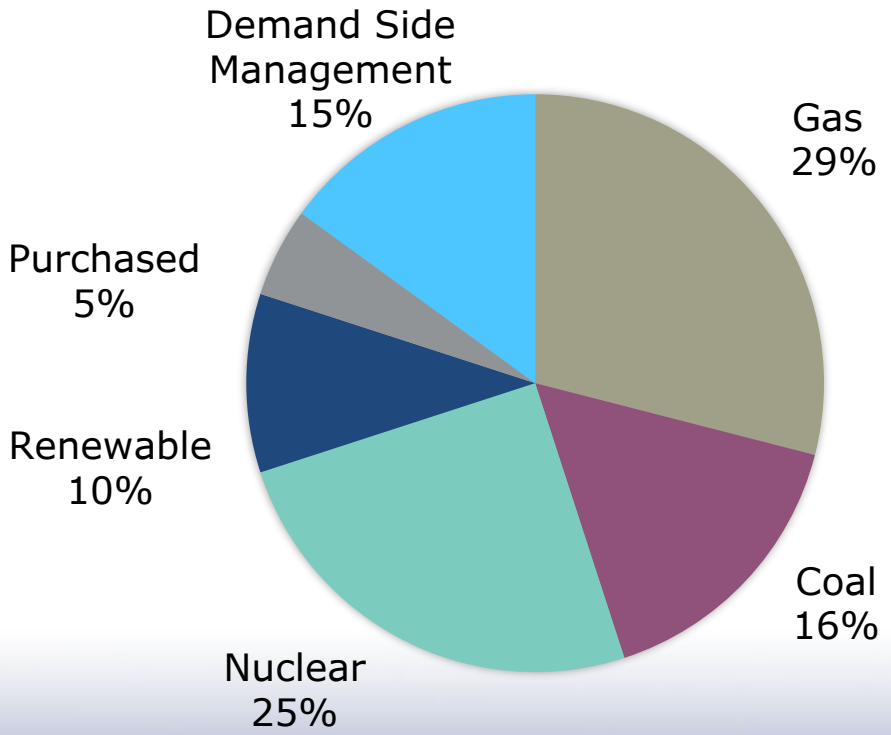
PINNACLE WEST CAPITAL CORPORATION

Attractive Customer Mix and Shifting Generation Profile

Retail Sales Mix[1]



Energy Mix – Will Shift Going Forward[1]



[1] As of December 31, 2021.

Navigating Short-Term Challenges. Longer-Term, A Powerful Growth Story

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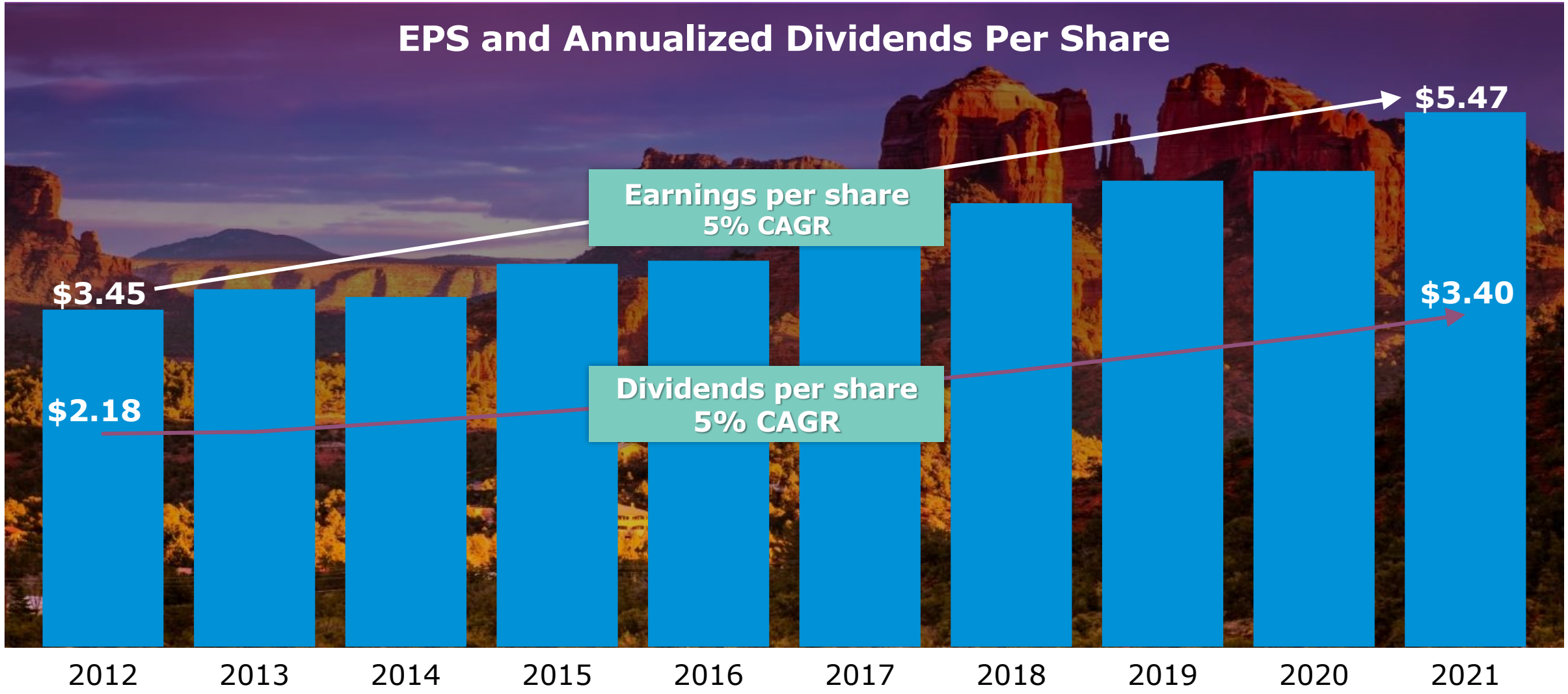


Why We Are Optimistic About the Future

Key Reasons

1. Solid long-term performance record
2. Robust economic growth in Arizona and our service territory
3. A clear plan for a clean energy transition
4. Ability to navigate the regulatory environment over time
5. Strong commitment to execute strategy

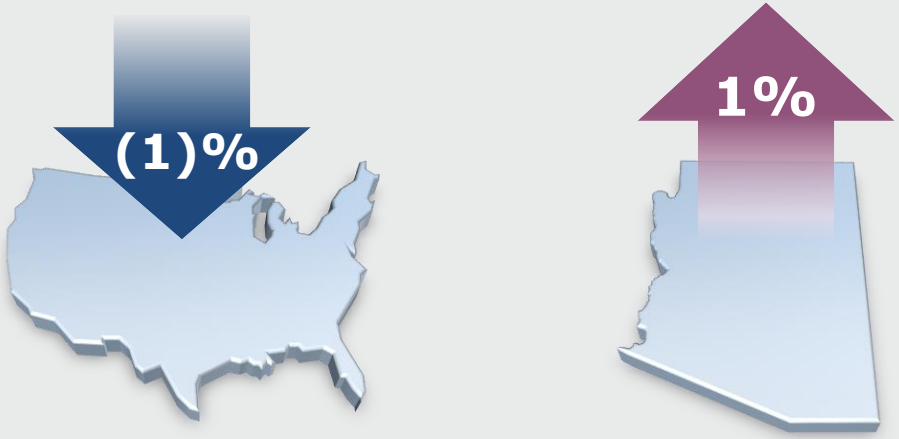
Last 10 Years: Strong Performance Track Record



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Arizona remains among the fastest growing states in the U.S.

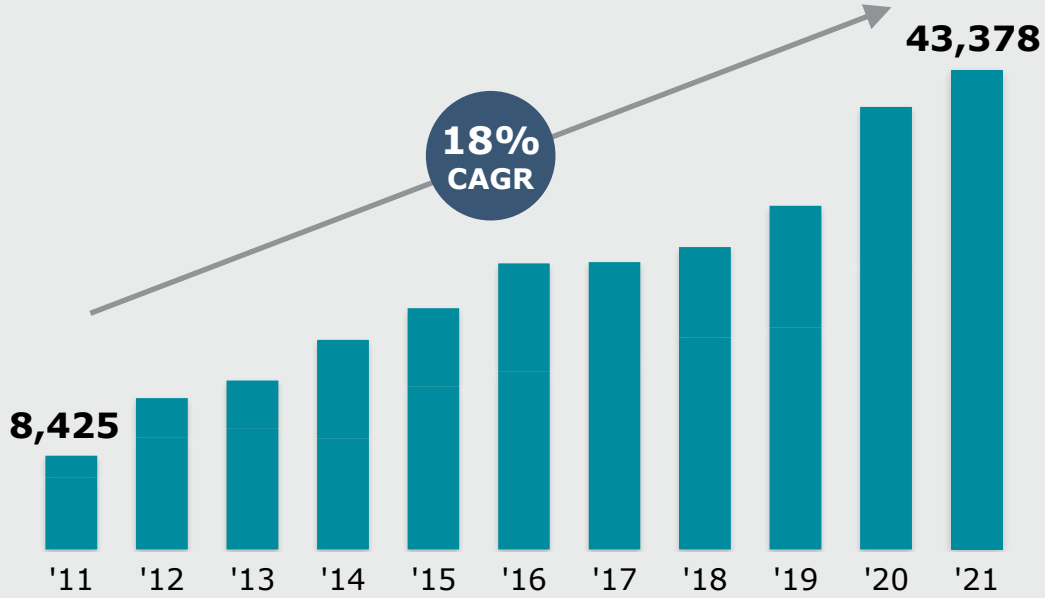
Annual Employment Growth Last Three Years[1]



[1] 2019-2021

Steady Housing Growth[2]

Single Family & Multifamily Housing Permits
Maricopa County



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

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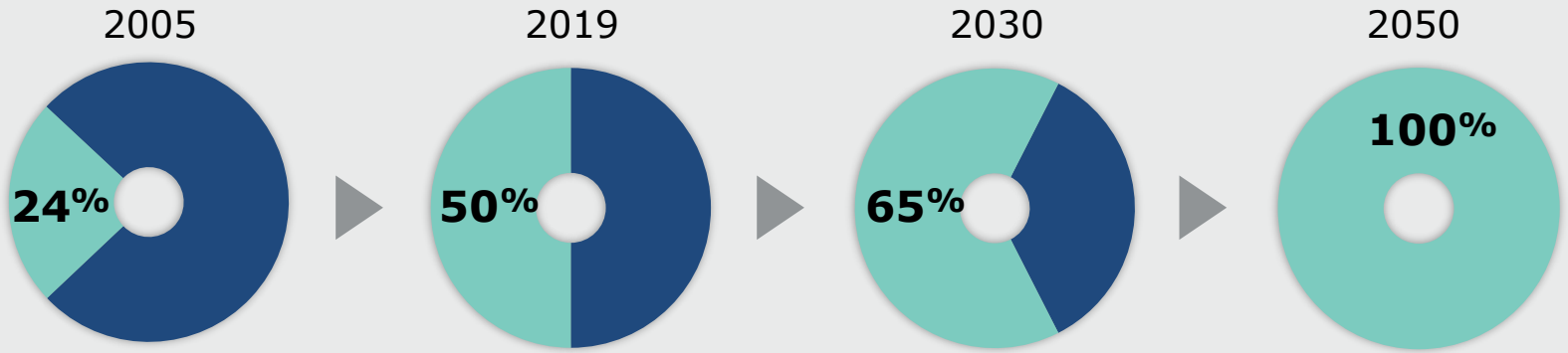
A clear plan for clean energy transition

Progress Towards Meeting Clean Energy Commitment[1]

- Contracted for nearly 1,600 MW of clean energy and storage to be in service for APS customers by end of 2024
- Issued All-Source RFP which seeks 1,000 – 1,500 MWs of resources, including up to 600 – 800 MWs of renewable resources to be in service from 2025 – 2027
- Charted course for healthy mix of APS-owned and third party-owned assets, to be continued through future planned RFPs



Pathway





[1] Since January 2020

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Best-in-class service territory supports high tech growth and economic development

Our Approach: Focus on Four Main Areas

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





Supports Influx of Manufacturing and Data Centers – Examples

- **Taiwan Semiconductor**
  Began building $12B factory
- **Chang Chun Petrochemical**
  Building 250k sq ft facility
- **Williams-Sonoma**
  Leased 1.2M sq ft facility
- **Nestle USA**
  Building 625k sq ft facility
- **KORE Power**
  Building 1M sq facility
- **Kohler Co.**
  Building 1M sq ft facility





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

We Will Pursue Improvements in the Regulatory Environment

- ✓ Appealing last rate case to clarify the prudency standard in Arizona
- ✓ Filed a new rate case to reduce regulatory lag and improve the ROE
- ✓ Working with stakeholders on common issues including reducing regulatory lag and improving customer experience
- ✓ Continue to find alignment with the regulators
- ✓ Focus on customer affordability



We Have Embraced a Customer-Centric Strategy

Deliver exceptional customer service



Ensure superior reliability and operating performance, anchored in safety

Make intelligent and clean investments to support a growing Arizona

Preserve strong financial health while sustaining customer affordability

PINNACLE WEST CAPITAL CORPORATION

Navigating Short-Term Challenges. Longer-Term, A Powerful Growth Story

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Bringing the Residential Customer into the Advanced Economy

Initiatives

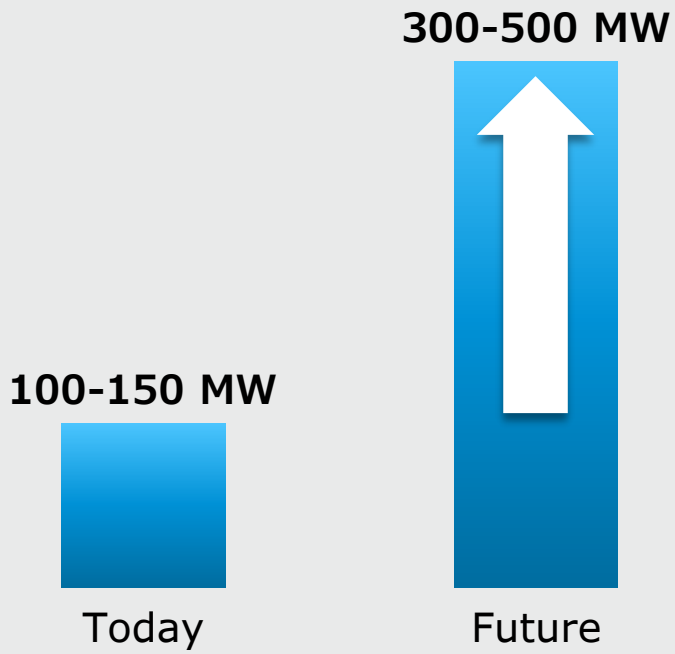
- Award-winning program to promote installation of advanced smart thermostats
  - reduces demand during peak load window
- Super off-peak electric vehicle charging rate equivalent to ~30¢ per gallon gasoline





Potential Impact

Demand Savings During Peak Afternoon Window



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Customer Driven Initiatives Underway – A Few Examples

Take Charge AZ



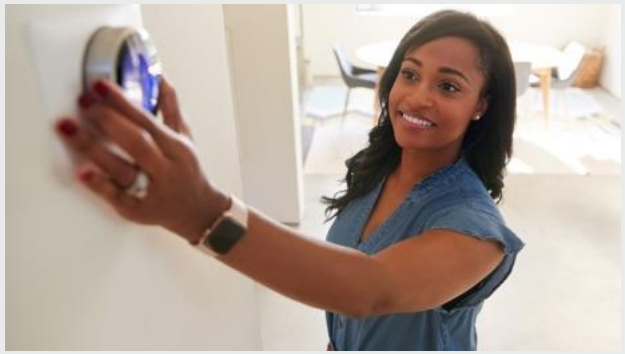
- Pilot program to encourage electric vehicle adoption by installing charging stations
- Installed more than 250 chargers in 2021

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

Leading ESG Practices Guide Our Approach – Snapshot

Environmental



- One of two North American electric utility to achieve CDP Leadership scores for Water and Climate[1]
- MSCI ESG "AA" rating[2]
- Reduced carbon by 32% since 2005 and retired over 1,000 MW of coal

Social



- Launched new diversity, equity and inclusion strategy
- 44% of new hires ethnically or racially diverse
- Commitment to support Coal Community Transition Plan

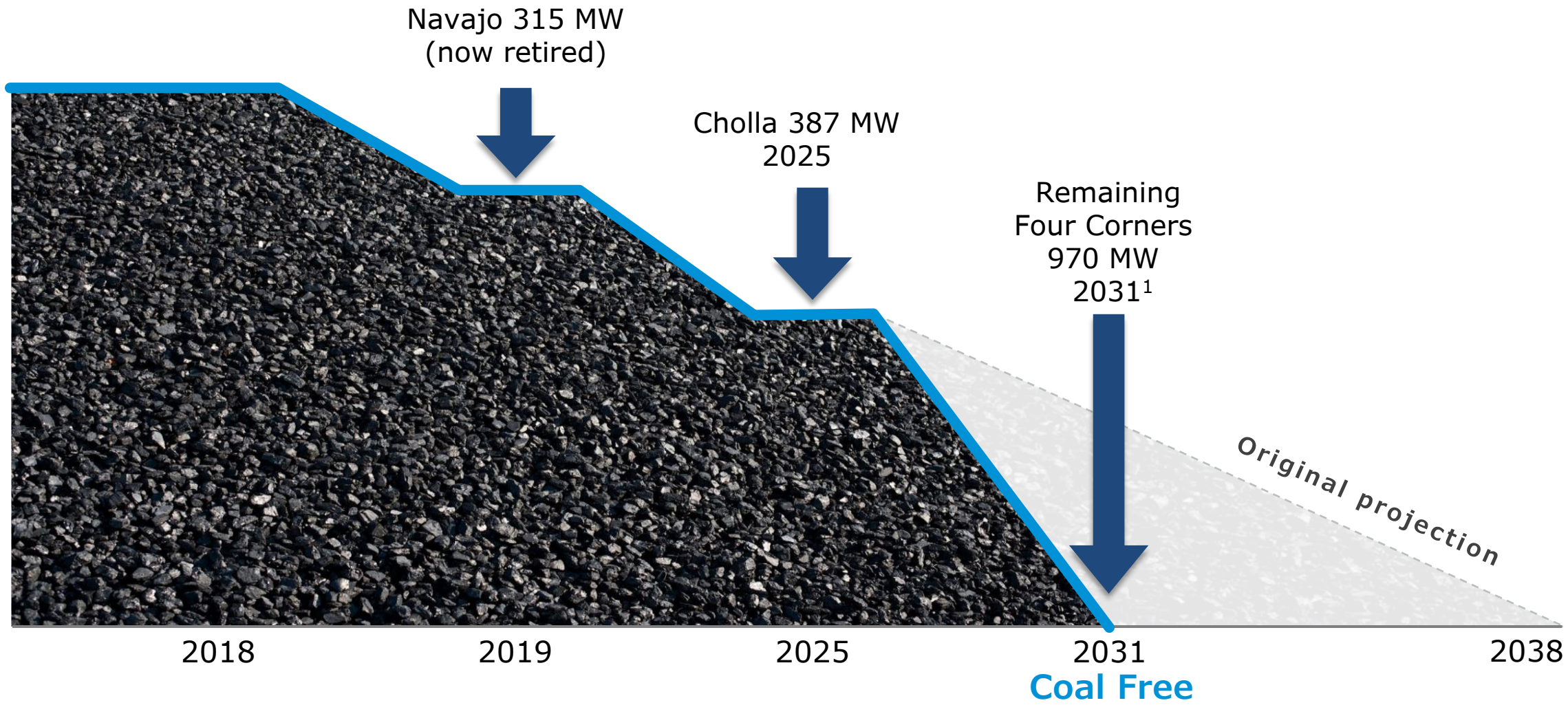
Governance



- 40% of independent directors gender or ethnically diverse
- ESG executive council
- Board oversight of strategy and risk

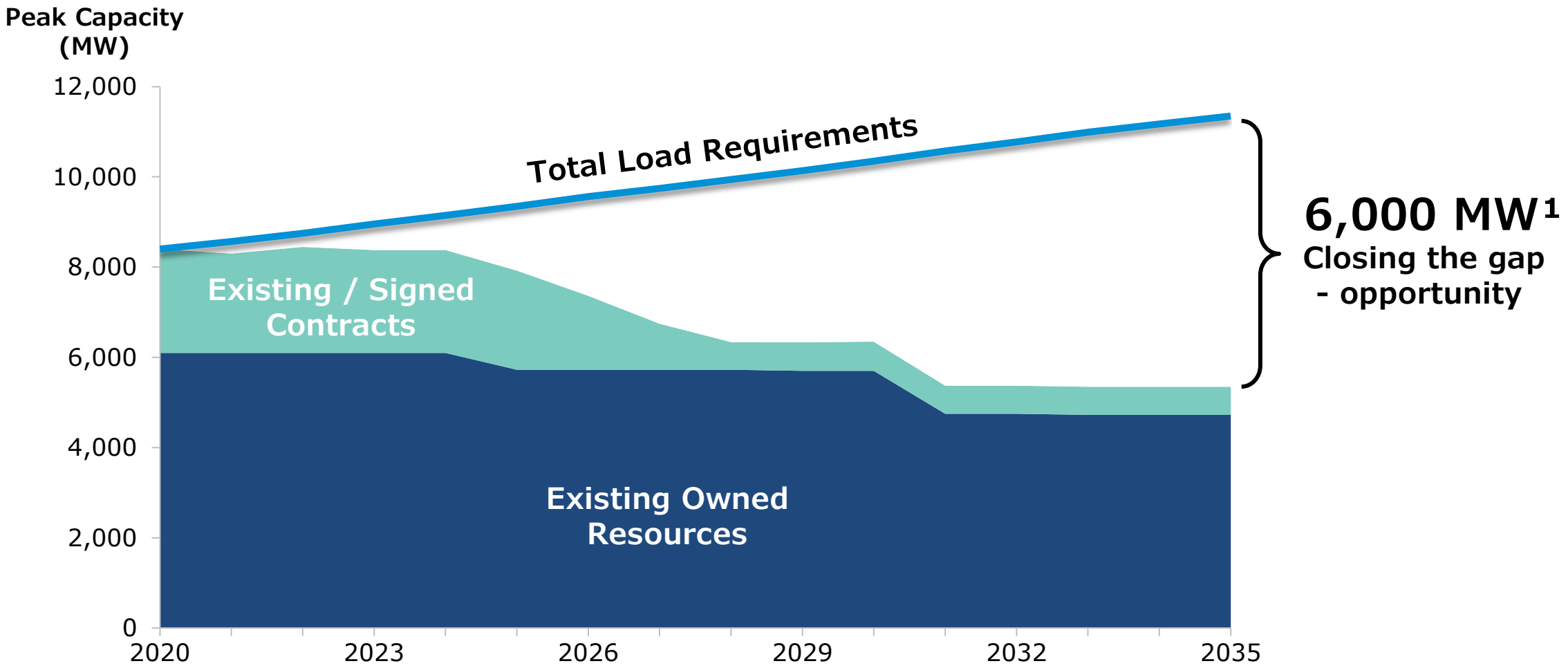
[1] Pinnacle West is only one of two North American electric utility companies to achieve leadership scores in both climate change and water security out of the 140-plus electric utilities that were scored through CDP's questionnaires in 2021, with nearly 12,000 companies being scored in total.
[2] Report dated July 29, 2022.

Coal Exit Strategy – 7 Years Earlier than Originally Projected



[1]Starting in 2023 and subject to the necessary approvals, Four Corners will have the option to move to a seasonal operating schedule that could further reduce annual carbon emissions at Four Corners by an estimated 20-25%.

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



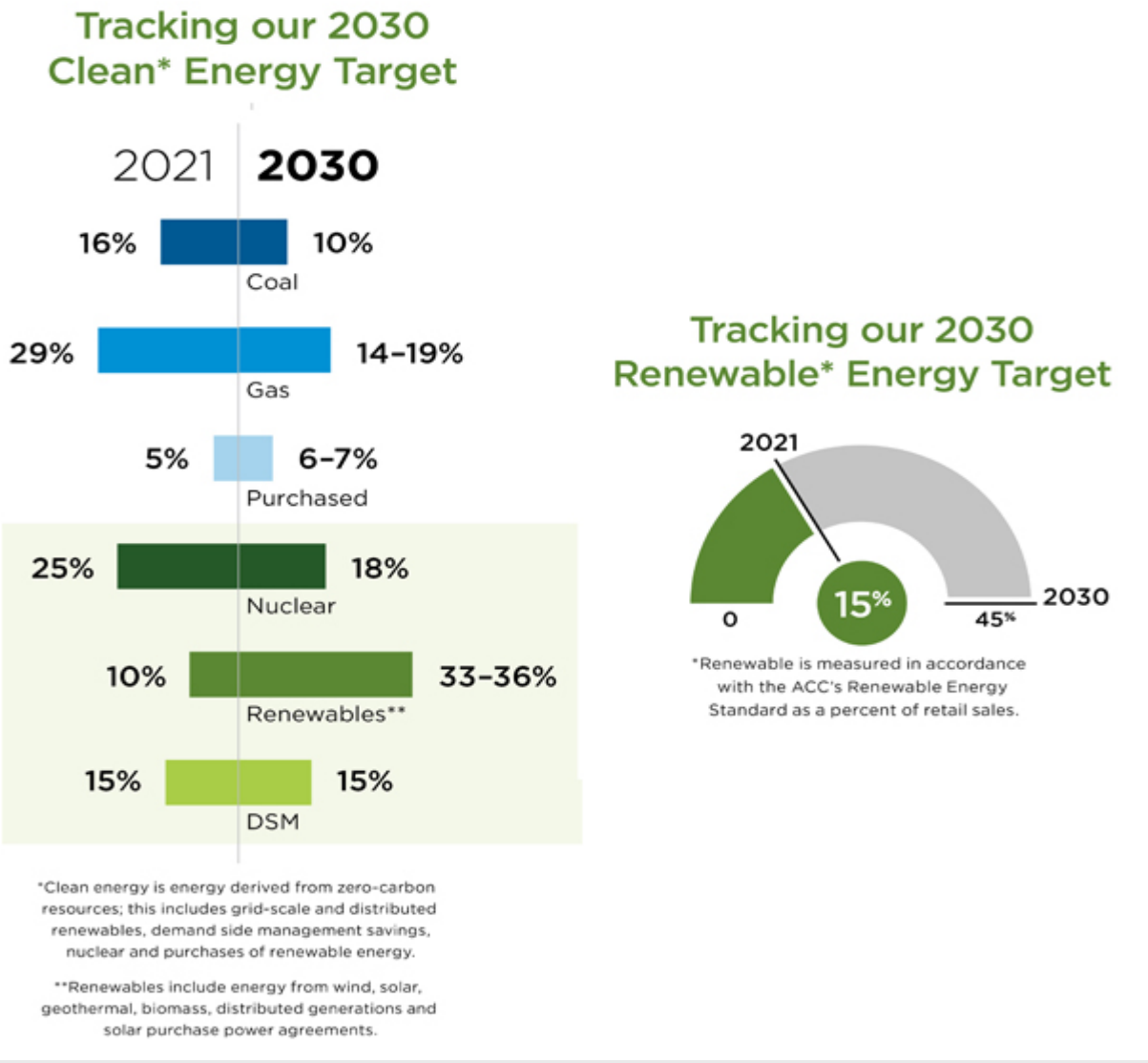
[1] Will need more additions than 6,000 MW due to new resources being paired to meet reliability requirements (i.e., solar with storage requires 100 MW solar plus 100 MW of storage).

Key New Energy Sources Keeping us Tracking to our Goals

Initiatives

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





PINNACLE WEST CAPITAL CORPORATION

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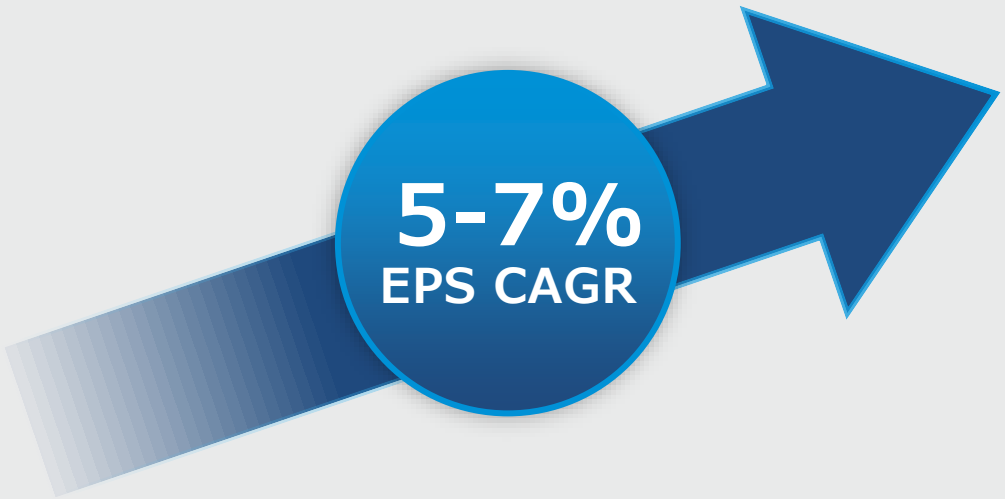


What Investors Can Expect From Us Moving Forward

1	**Strong EPS growth off 2022**
2	**Managing capital plan to support customer growth, reliability and clean transition**
3	**Steady rate base growth**
4	**Limiting equity dilution**
5	**Declining O&M per MWh**
6	**Dividend growth commitment**
7	**Optimize our balance sheet in support of investment**

Projected 5-7% EPS Growth Off 2022[1]

Long-Term Outlook



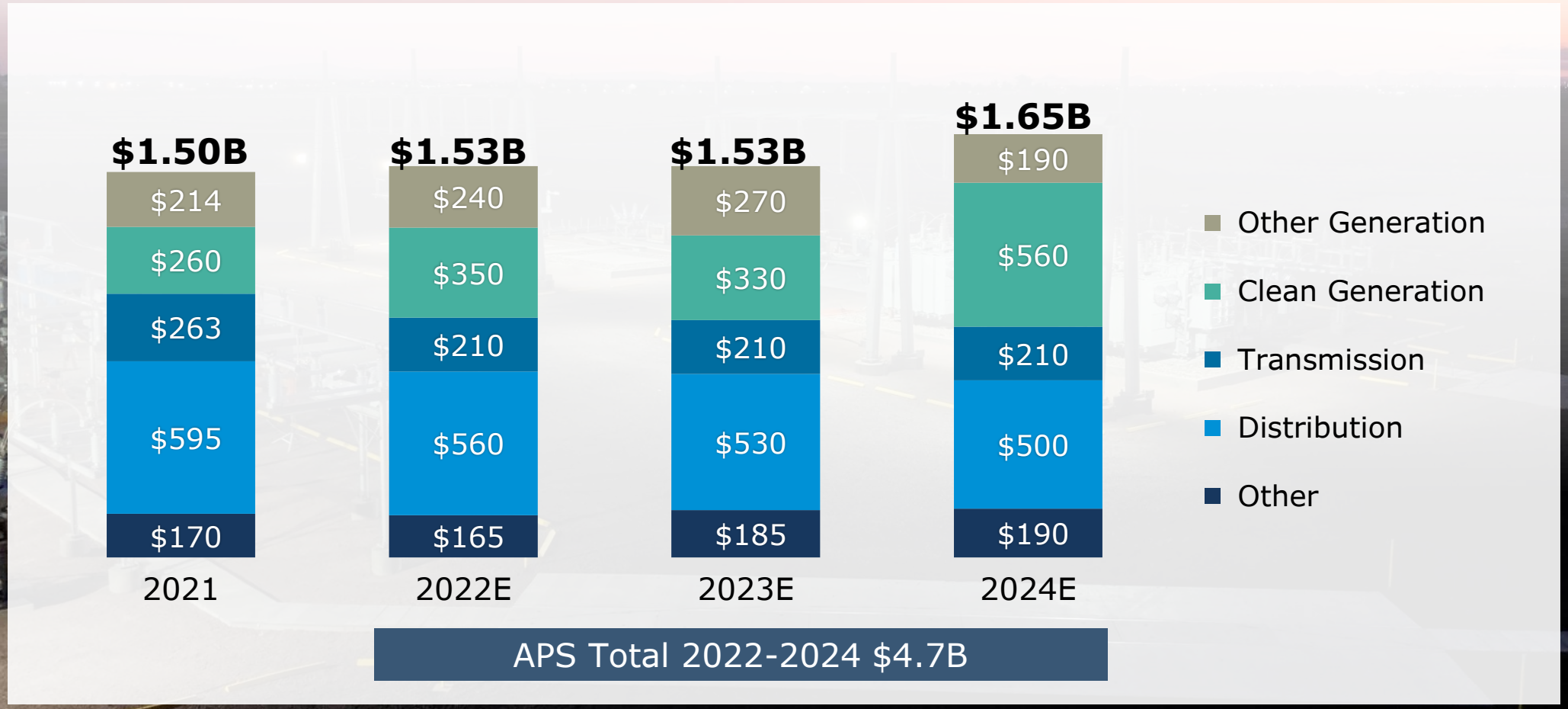
Long-Term Upside Potential

- Remainder of SCRs in rates
- Acceleration of clean energy transition
- Economic Development driving sales and customer growth
- Continued cost management
- Reduction of regulatory lag

[1] Amounts provided are the Company's current 5-year weather-normalized compound annual growth rate projections from 2022-2026.

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Managed capital plan to support customer growth, reliability, and clean transition



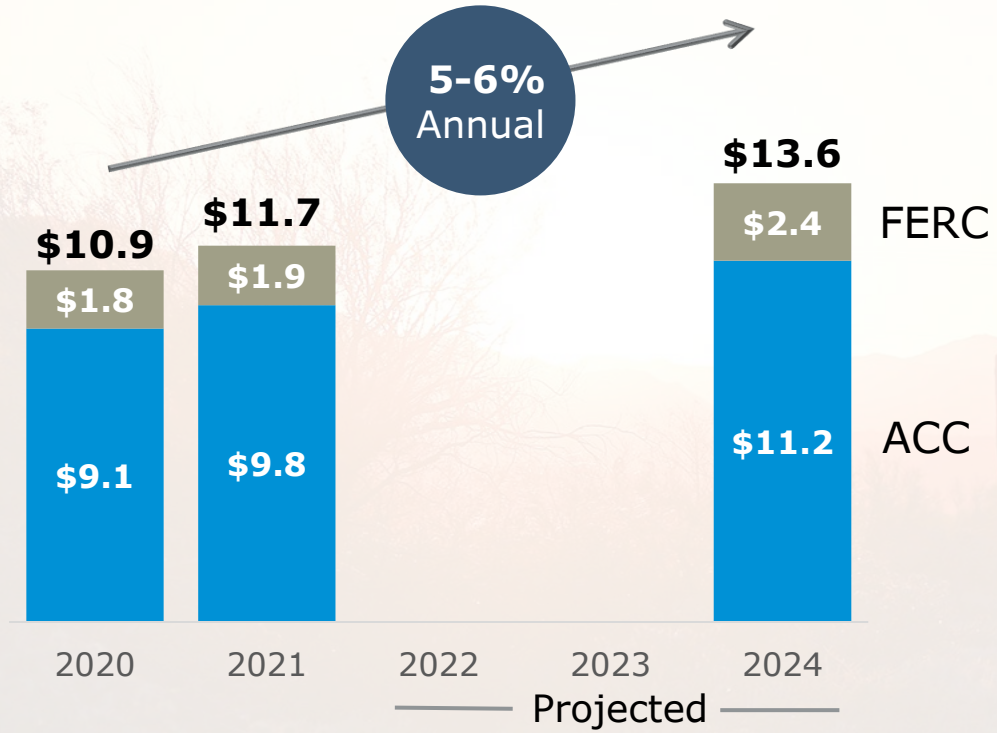
2022–2024 as disclosed in the Third Quarter 2022 Form 10-Q.

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Steady rate base growth

APS Rate Base Growth Guidance

Year-End



Rate base $ in billions, rounded

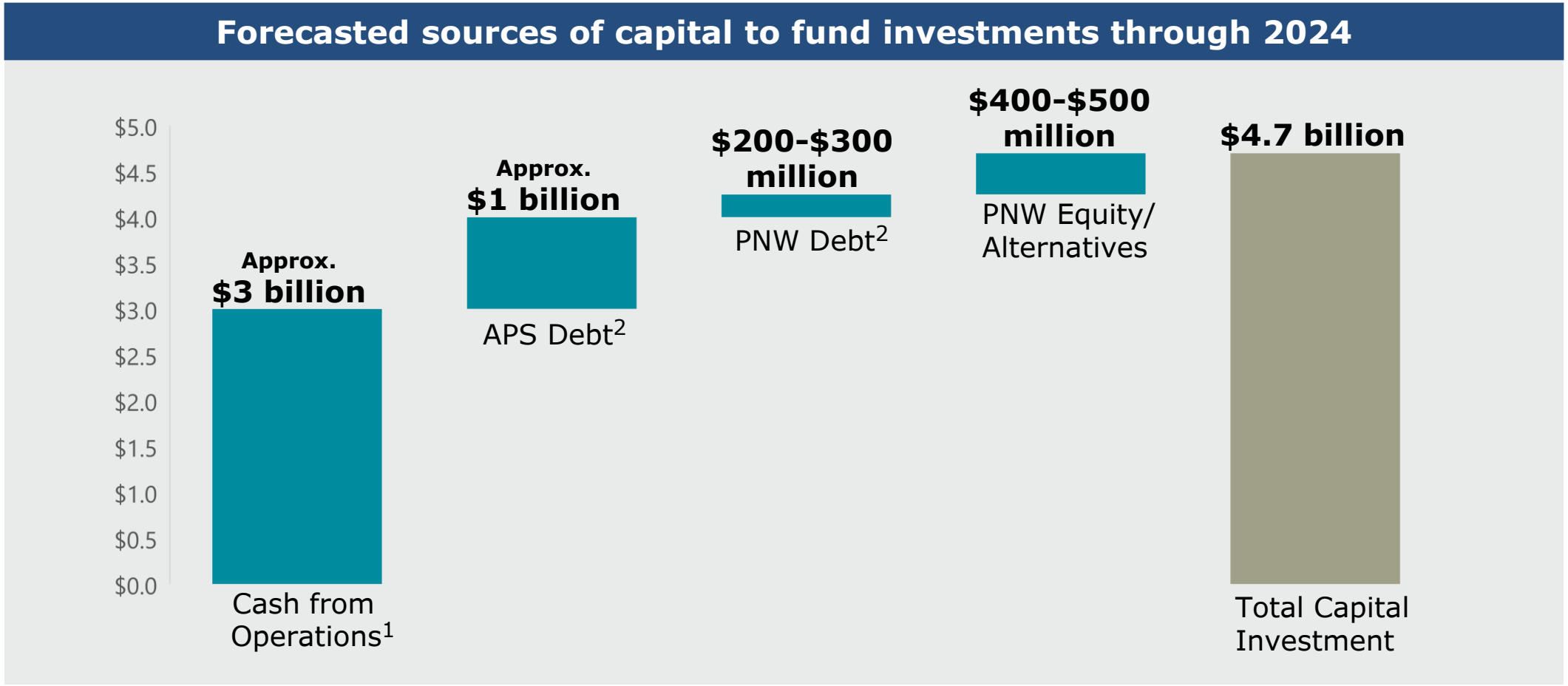
Total Approved Rate Base

	ACC	FERC
Rate Effective Date	12/01/2021	6/1/2022
Test Year Ended	06/30/2019[1]	12/31/2021
Rate Base	$8.6B	$1.9B
Equity Layer	54.7%	51.3%
Allowed ROE	8.7%	10.75%

[1] Adjusted to include post test-year plant in service through 06/30/2020

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No plans to issue equity before end of next rate case



[1] Cash from operations is net of shareholder dividends.
[2] APS and PNW debt issuance is net of maturities.

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Our goal continues to be declining O&M per MWh

O&M per MWh

$29/MWh

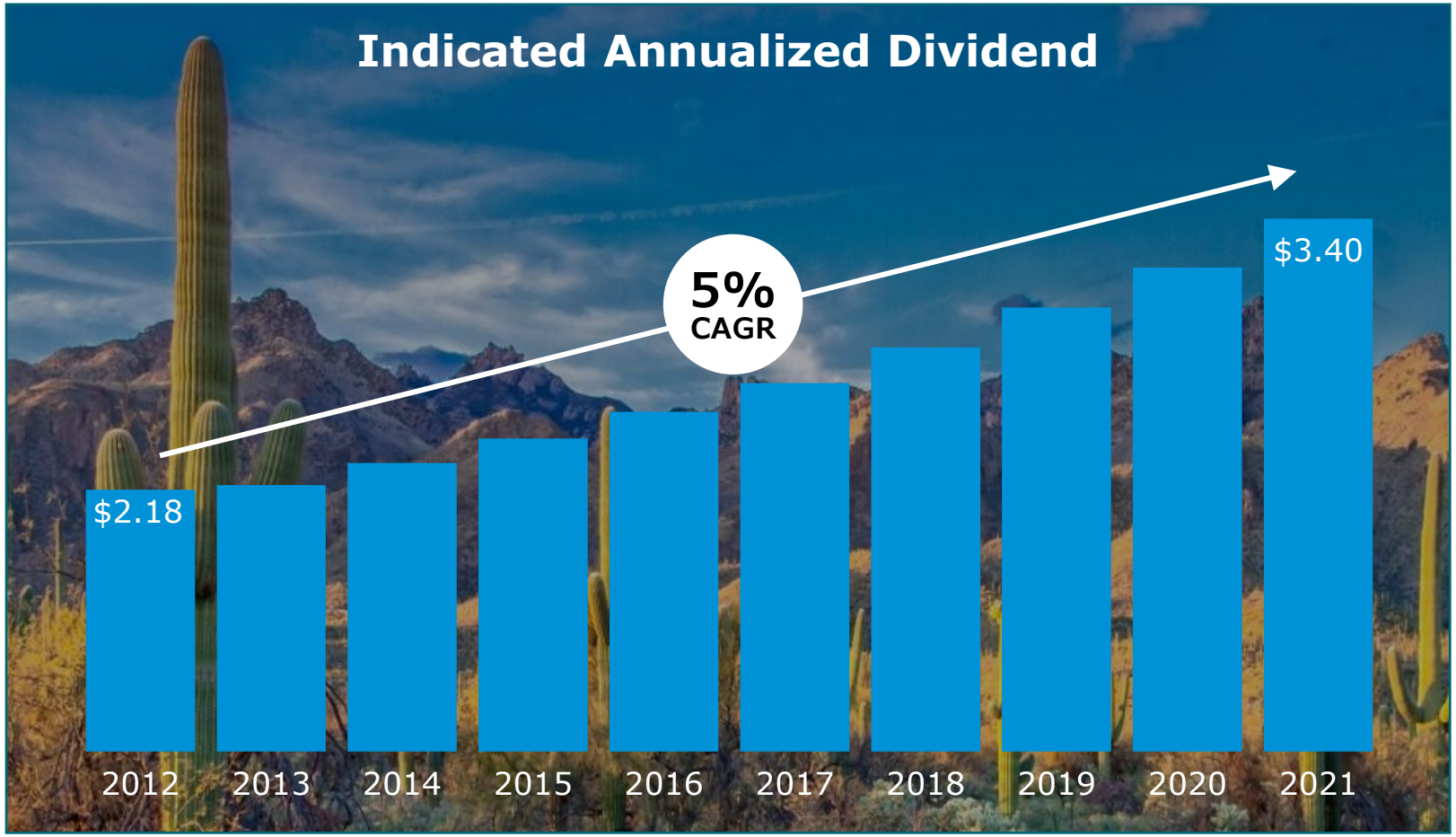


Total O&M[1]
2021: $865M
2022: $880M-$895M

[1] Total O&M amounts exclude RES/DSM, and include planned outage amounts of $54M in 2021 and $40M-$50M in 2022.

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Continue Our Track Record of Consistent Dividend Growth[1]



Dividend Targets

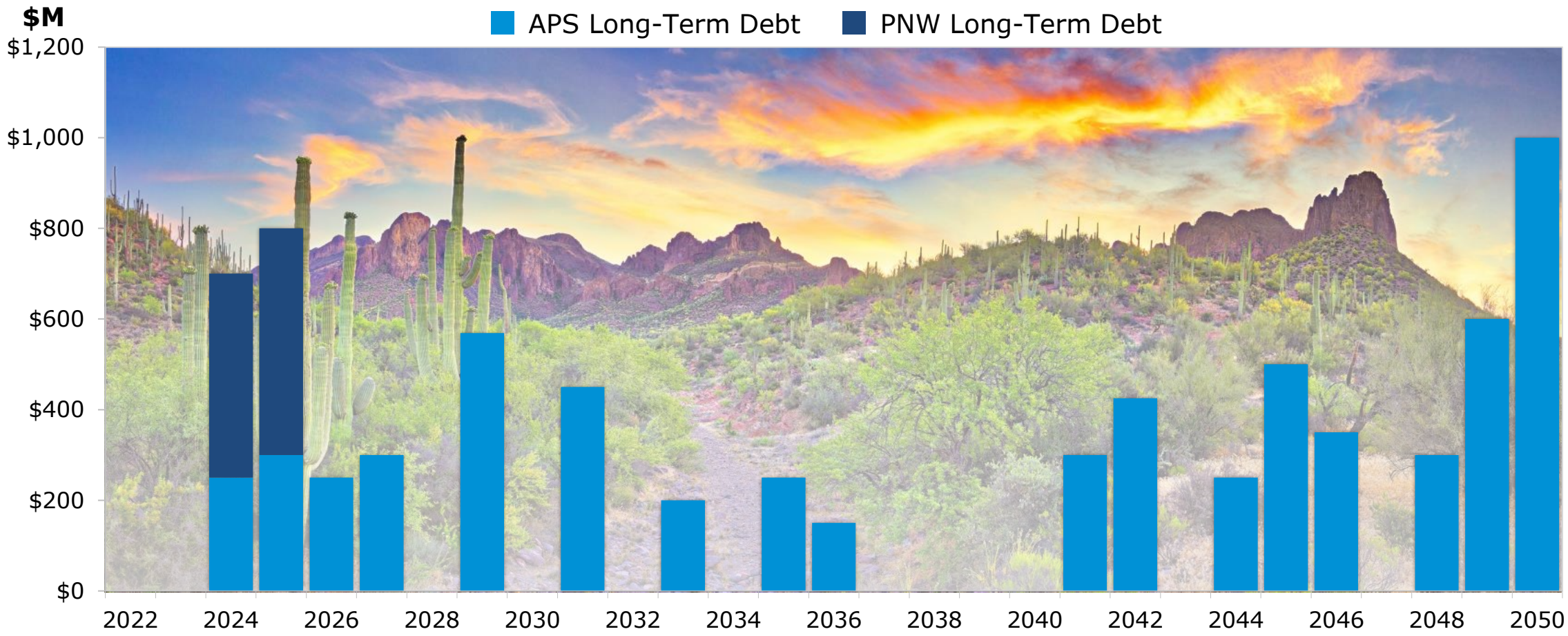
- Committed to long-term dividend growth
- Attractive dividend yield
- Managing long term dividend payout ratio to 65-75%



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

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Strong Balance Sheet with Attractive Long-Term Debt Maturity Profile[1]



As of September 30, 2022

[1] Does not include debt at Bright Canyon Energy.

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Our Credit Ratings Support Growth Opportunities

	Corporate Ratings	Senior Unsecured Ratings	Short-Term Ratings	Outlook
APS[1]				
Moody's	A3	A3	P-2	Negative
S&P	BBB+	BBB+	A-2	Negative
Fitch	BBB+	A-	F2	Negative
Pinnacle West[1]				
Moody's	Baa1	Baa1	P-2	Negative
S&P	BBB+	BBB	A-2	Negative
Fitch	BBB+	BBB+	F2	Negative

Balance Sheet Targets

- Strong investment grade credit ratings
- APS equity layer >50%
- FFO/Debt range of 16%-18%



[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. Ratings are as of November 3, 2022.

2022 APS Rate Case Application

Overview of Rate Increase Request ($ in Millions) Key Components[1]	
Rate Base Growth	$130
12 Months Post Test Year Plant	140
Weighted Average Cost of Capital of 7.17%	78
1% Fair Value Increment	78
New Customer Programs, Coal Community Transition and Other	34
Total Revenue Request	**$460**
Customer Net Bill Impact on Day 1	**13.6%**

Additional Details

- Filed October 28, 2022
- APS has requested rates become effective December 1, 2023
- Docket Number: E-01345A-22-0144
- Additional details, including filing, can be found at http://www.pinnaclewest.com/investors

[1]Numbers may not foot due to rounding

2022 APS Rate Case Application

Adjustment Mechanisms Overview

- Eliminate the Environmental Improvement Surcharge and collect costs through base rates
- Eliminate the Lost Fixed Cost Recovery Mechanism and collect costs through base rates and the Demand Side Management Adjustor Charge
- Modify the Renewable Energy Adjustor Charge to include recovery of capital carrying costs of APS owned renewable and storage resources
- Modify the performance incentive in the Demand Side Management Adjustor Charge
- Maintain the Power Supply Adjustor to ensure timely recovery of fuel and purchase power costs
- Maintain as inactive the Tax Expense Adjustor Mechanism
- Maintain the Transmission Cost Adjustment mechanism

New Customer Program Proposals

- Enhance the current limited income program to include a second tier to provide an additional discount for customers with a greater need
- Waiver of credit card and payment fees

2022 APS Rate Case Application

Key Financials	
Test year ended June 30, 2022	
Total Rate Base - Adjusted	**$13.1 Billion**
ACC Rate Base - Adjusted	$10.5 Billion
Embedded Long-Term Cost of Debt	**3.85%**
Allowed Return on Equity	**10.25%**
Capital Structure	
Long-term debt	48.07%
Common equity	51.93%
Base Fuel Rate (¢/kWh)	**3.8321**
Post-test year plant period	**12 months**

Current 2022 APS Rate Case Procedural Schedule[1]

Arizona Public Service Company Docket # E-01345A-22-0144	
Application Filed	**October 28, 2022**
Staff/Intervenor Direct Testimony Due	**May 22, 2023**
Staff/Intervenor Direct Testimony (Rate Design) Due	**May 30, 2023**
APS Rebuttal Testimony Due	**June 23, 2023**
Staff/Intervenor Surrebuttal Testimony Due	**July 14, 2023**
APS Rejoinder Testimony Due	**July 24, 2023**
Pre-Hearing Conference	**July 27, 2023**
Hearing Commences	**July 31, 2023**

[1]As of December 2, 2022

IN SUMMARY

We are Optimistic for the Future: The Growth Story Remains Intact

- Building on proven long-term, 10-year track record
- Working to improve regulatory environment over time
- Service territory is among the fastest growing in the U.S.
- Executing on clear growth strategy including transition to clean energy
- Attractive financial profile building from 2022

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APPENDIX



ESG Leadership – 2021 Recognitions

A- Score for Climate Change and Water Security

Pinnacle West's ESG Rating AA[1]

Training Magazine

2021 Top 100 Learning and Development Organization

2021 Inclusive Workplace Award

Named to the annual ranking of the world's **Top 100 Green Utilities** by Energy Intelligence

US Women in Nuclear Leadership Award

[1] As of July 29, 2022