PINNACLE WEST
CAPITAL CORPORATION

POWERING GROWTH

DELIVERING VALUE

Third Quarter 2022 Results

November 3, 2022



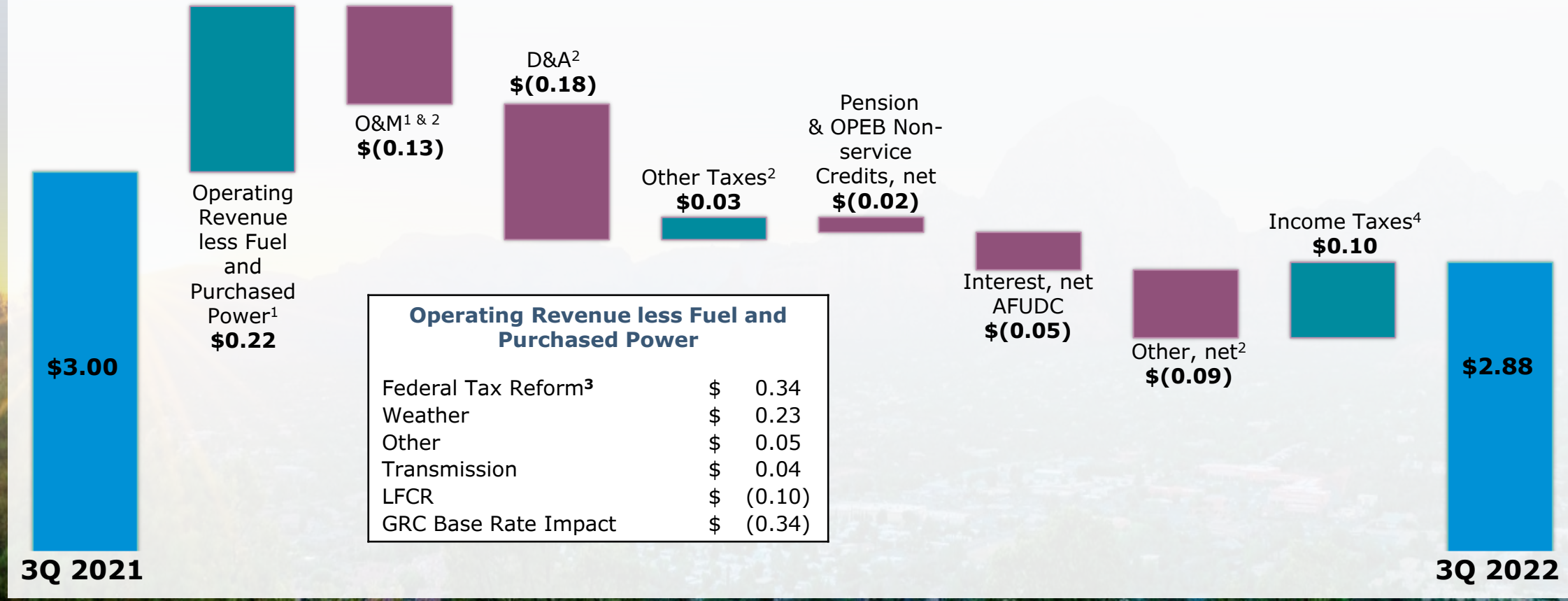
Forward Looking Statements

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.

3rd Quarter negative prior rate case impacts partially offset by weather

3rd Quarter 2022 vs. 3rd Quarter 2021



Operating Revenue less Fuel and Purchased Power

Federal Tax Reform[3]	$	0.34
Weather	$	0.23
Other	$	0.05
Transmission	$	0.04
LFCR	$	(0.10)
GRC Base Rate Impact	$	(0.34)

[1] Includes costs and offsetting operating revenues associated with renewable energy and demand side management programs, see slide 23 for more information.
[2] Includes the impacts from the absence of the Four Corners Selective Catalytic Reduction (SCR) equipment and Ocotillo Modernization Project (OMP) deferrals, and the elimination of State Equalization Tax Rate (SETR).
[3] TEAM adjuster was transferred into Base Rates upon the conclusion of APS's prior rate case.
[4] The Q3 2022 effective tax rate is impacted by a change in the timing of recognition for excess deferred taxes related to the 2017 Tax Cuts and Jobs Act. This timing difference is expected to resolve by year end.

2022 EPS guidance

Key Factors and Assumptions as of November 3, 2022	2022
Adjusted gross margin (operating revenues, net of fuel and purchased power expenses, x/RES,DSM,CCT)	$2.59 – $2.61 billion
• Retail customer growth about 1.5-2.5%	
• Weather-normalized retail electricity sales volume 2.0-3.0% higher compared to prior year ○ Includes 0.5-1.5% contribution to sales growth of new large manufacturing facilities and several large data centers	
• Assumes normal weather for full-year forecast	
Adjusted operating and maintenance (O&M x/RES,DSM,CCT)	$880 – $895 million
Other operating expenses (depreciation and amortization, and taxes other than income taxes)	$977 – $979 million
Other income (pension and other post-retirement non-service credits, other income and other expense)	$59 – $63 million
Interest expense, net of allowance for borrowed and equity funds used during construction (Total AFUDC ~$64 million)	$213 – $215 million
Net income attributable to noncontrolling interests	$17 million
Effective tax rate	13.7%
Average diluted common shares outstanding	113.4 million
EPS Guidance	$4.20 – $4.35

Key drivers for EPS guidance[1]

2022 key drivers

- Retail customer growth 1.5%-2.5%
- Weather-normalized retail electricity sales growth of 2%-3%
- Transmission revenues
- Operations and maintenance
- Depreciation and amortization
- Property Tax
- Interest expense
- AFUDC
- Pension and OPEB

Long-term guidance and key drivers

- Long-term EPS growth target of 5%-7%[2]
- Retail customer growth 1.5%-2.5%[3]
- Weather-normalized retail electricity sales growth of 3.5%-4.5%[3]



[1] As of November 3, 2022.
[2] Long-term EPS growth rate based on the Company's current weather-normalized 5-year compound annual growth rate projections from 2022-2026
[3] Forecasted guidance range from 2022-2024

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

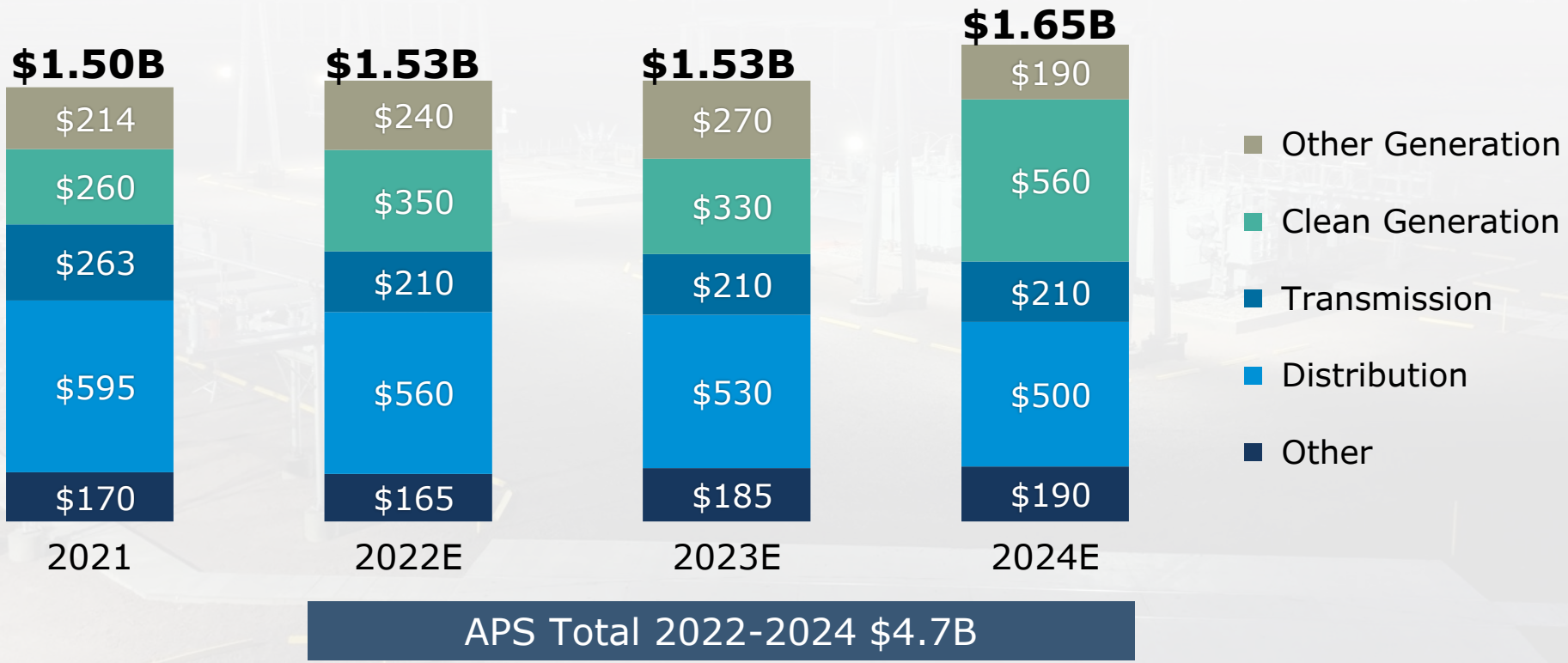
New Customer Program Proposals

- 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**

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



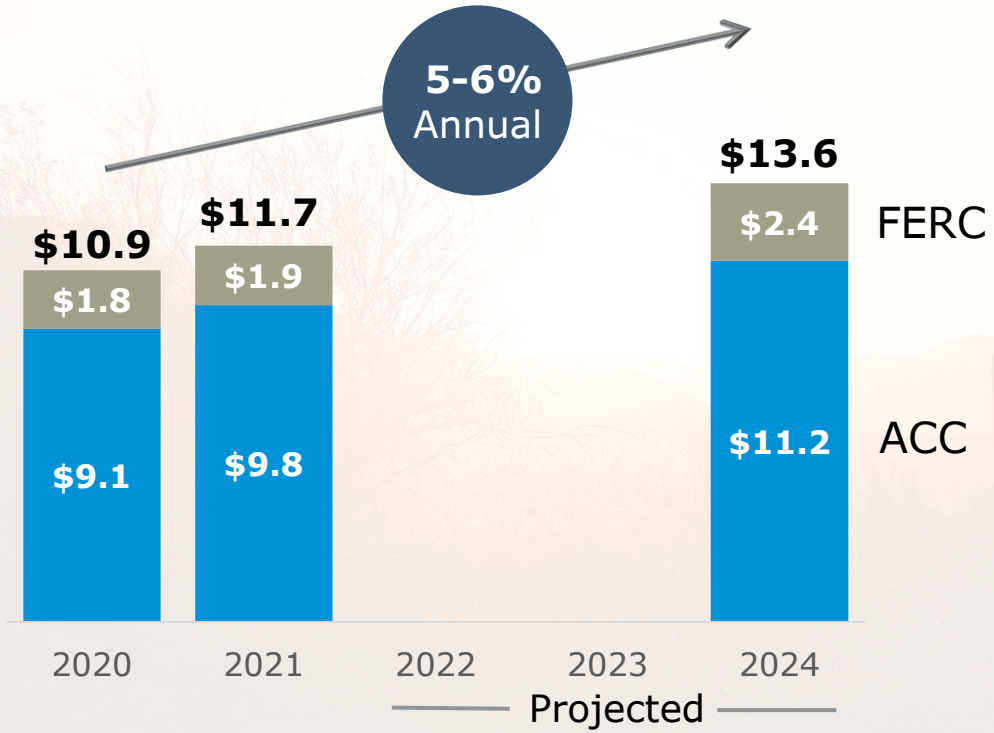
2022–2024 as disclosed in the Third Quarter 2022 Form 10-Q.

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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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Our goal continues to be declining O&M per MWh

O&M per MWh

$29/MWh



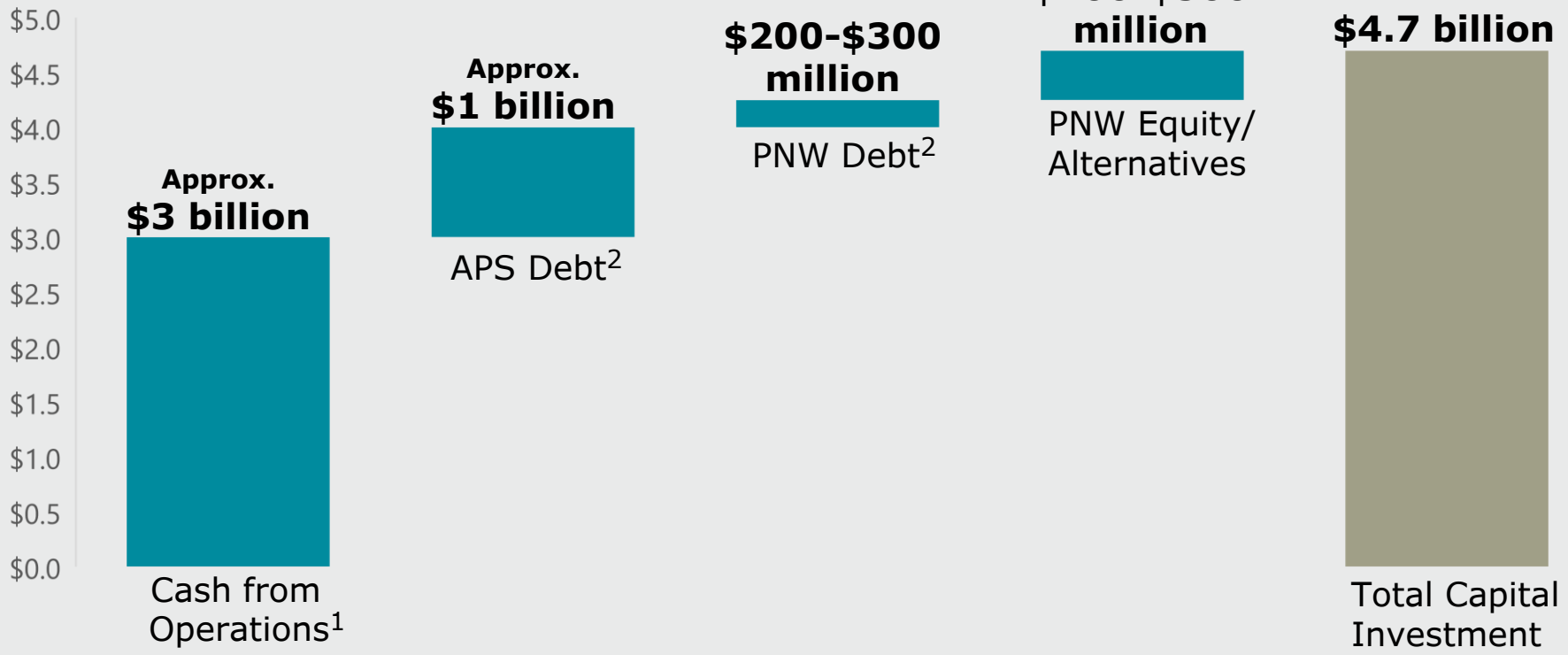
Total O&M[1]
2021: $865M
2022: $880M-$895M

[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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No plans to issue equity before end of next rate case

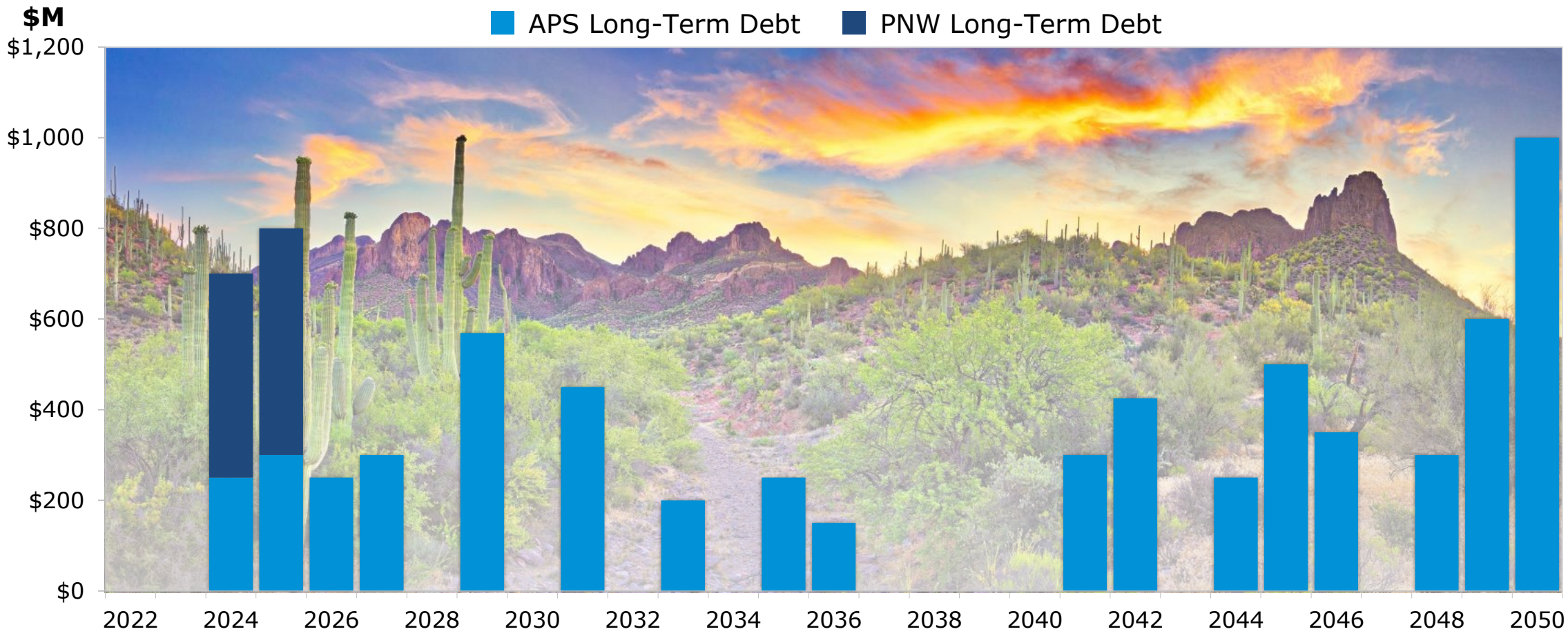
Forecasted sources of capital to fund investments through 2024



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

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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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We continue to make progress towards key deliverables

- **File appeal of last rate case**
  - ✓ Filed notice of appeal on December 17
  - ✓ Filed opening brief on April 27
  - ✓ Filed reply brief on July 27
  - ✓ Oral Arguments set for November 30
- **Make progress on financing plan**
  - ✓ Deferring equity issuance until after next rate case
- **File new rate case to recover grid investments and reduce regulatory lag**
  - ✓ Filed Notice of Intent in June
  - ✓ Filed rate case October 28, 2022 (Docket No. E-01345A-22-0144)
- **Work with stakeholders on common issues**
  - ✓ Received approval of Customer Education and Outreach Plan
- **Flat total O&M and declining O&M per MWh**
  - ✓ Declining O&M per MWh despite inflationary environment
- **Continue progress towards Clean Energy Commitment**
- **Continue support in attracting high tech growth and economic development**

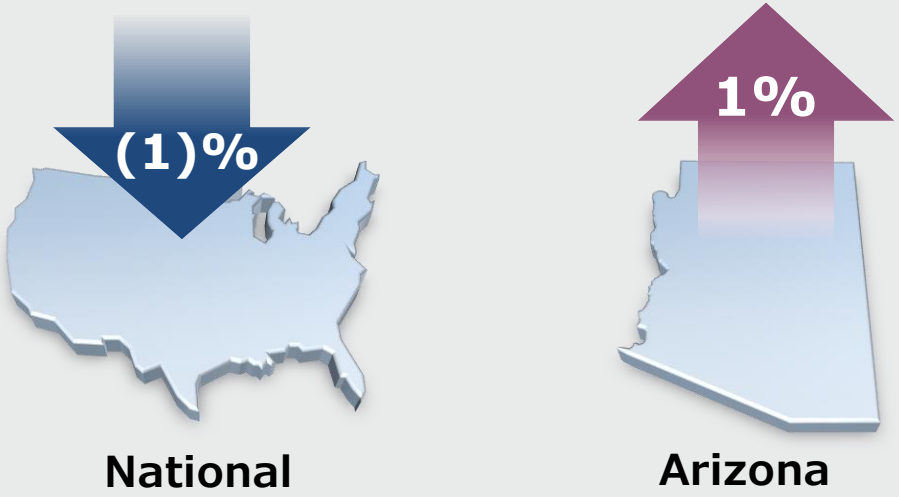
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APPENDIX



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

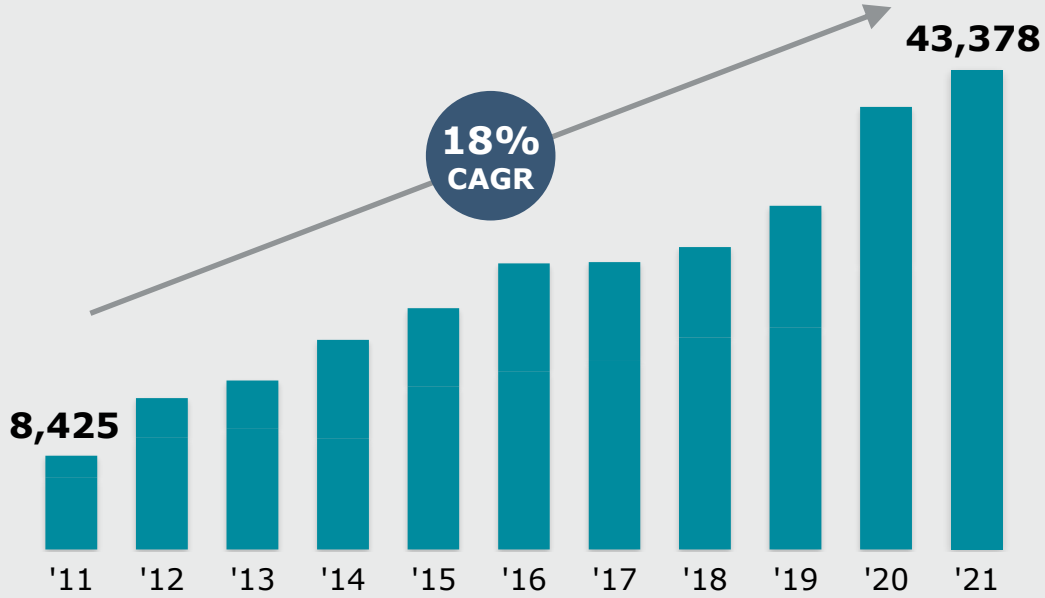
Annual Employment Growth Last Three Years[1]



[1] 2019-2021

Steady Housing Growth[2]

Single Family & Multifamily Housing Permits
Maricopa County



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

PINNACLE WEST CAPITAL CORPORATION

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

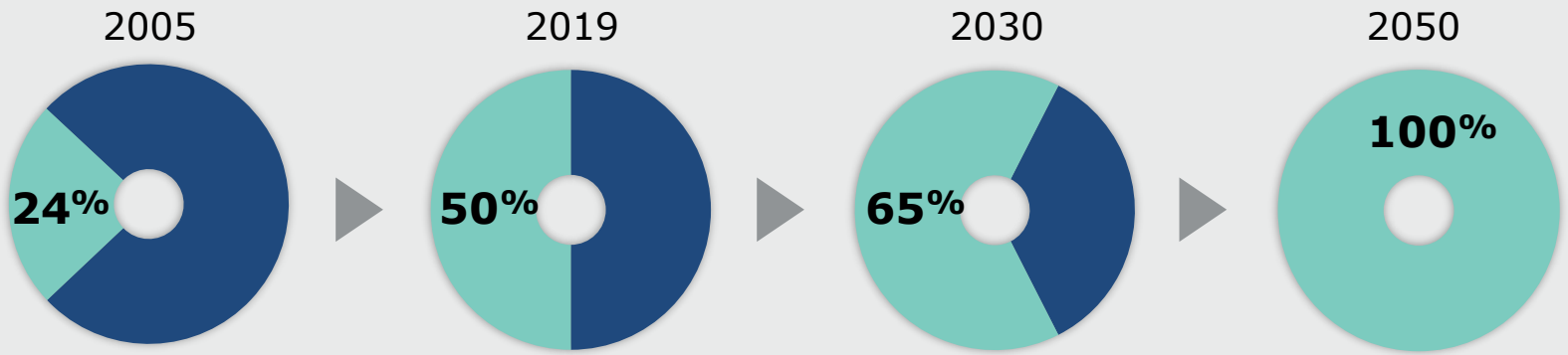
A clear plan for clean energy transition

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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Clean Energy Commitment – ~1,600MW in development since 2020

Robust, Diverse Procurement Activity

Energy Storage

- 201 MW APS-owned resources to retrofit entire fleet of AZ Sun facilities
- 300 MW under two long-term PPAs
- All resources to be in service between 2022 and 2024

Solar

- 150 MW owned by APS and sited near Redhawk generating facility
- 160 MW under two long-term PPAs
- All resources to be in service in 2023

Solar + Storage

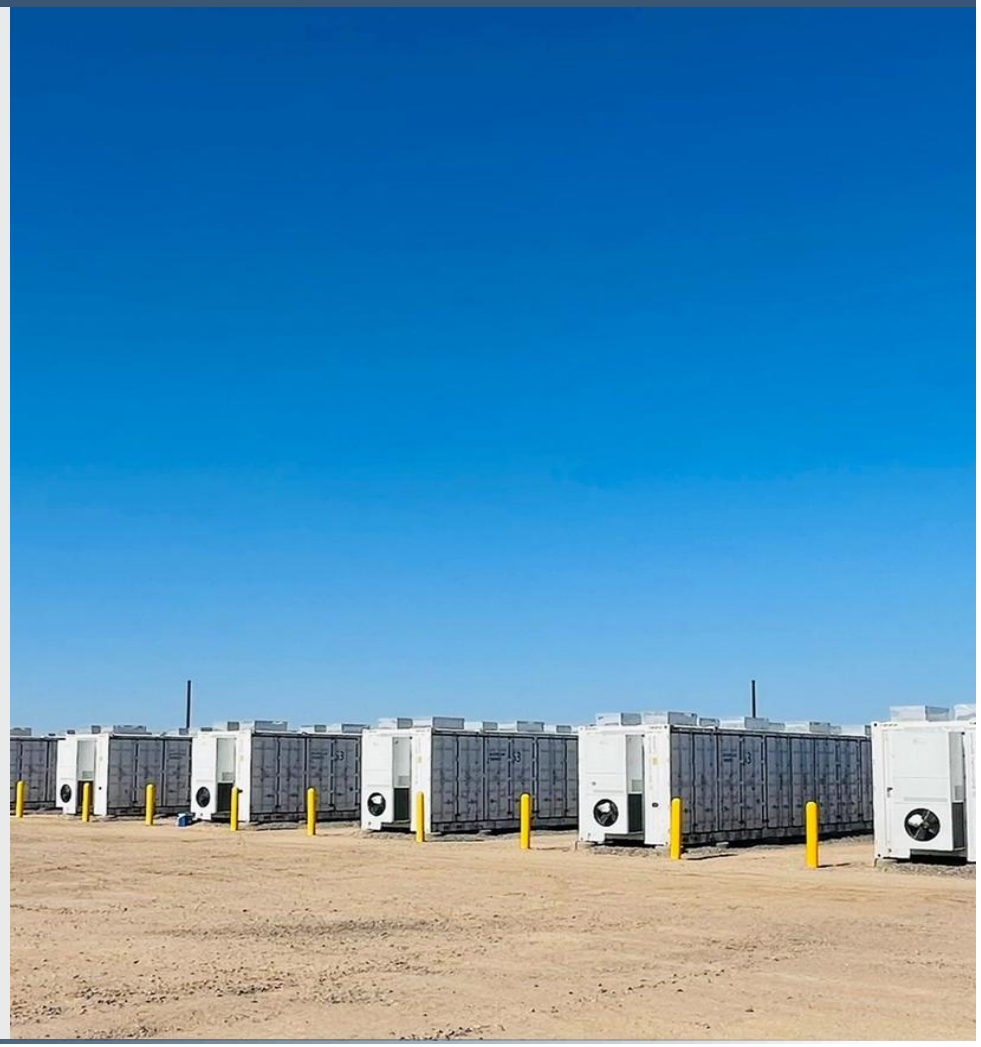
- 275 MW under two long-term innovative tolling PPAs
- Resources to be in service in 2023 and 2024

Wind

- 438 MW under two long-term PPAs
- Resources to be in service by 2023

Demand Response

- 75 MW under 5-year load management agreement; service began in 2021
- APS can call up to 18 load reduction events between June and September annually



2022 Planned Outage schedule

Coal, Nuclear and Large Gas Planned Outages

Q1

Plant	Unit	Duration in Days
N/A	N/A	N/A

Q2

Plant	Unit	Duration in Days
Palo Verde	1	35

Q4

Plant	Unit	Estimated Duration in Days
Palo Verde	3	35



2023 Planned Outage schedule

Coal, Nuclear and Large Gas Planned Outages

Q1

Plant	Unit	Estimated Duration in Days
N/A	N/A	N/A

Q2

Plant	Unit	Estimated Duration in Days
Palo Verde	2	35

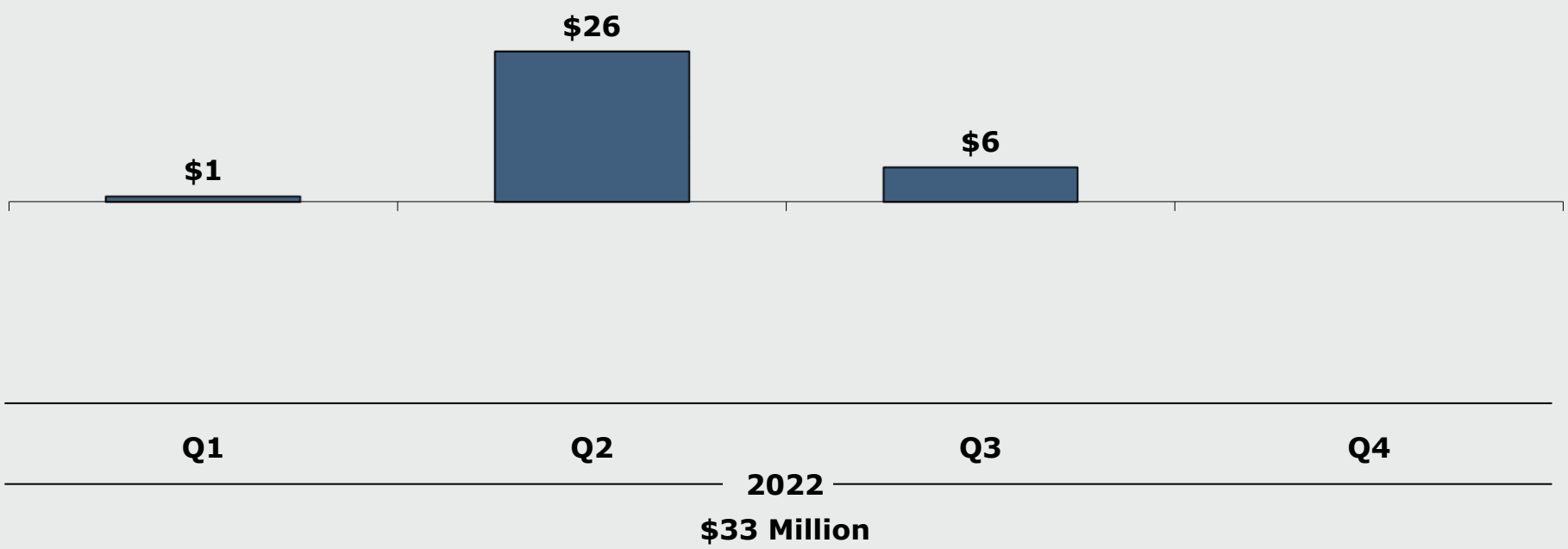
Q4

Plant	Unit	Estimated Duration in Days
Palo Verde	1	35
Redhawk	CC1	34



Gross margin effects of weather

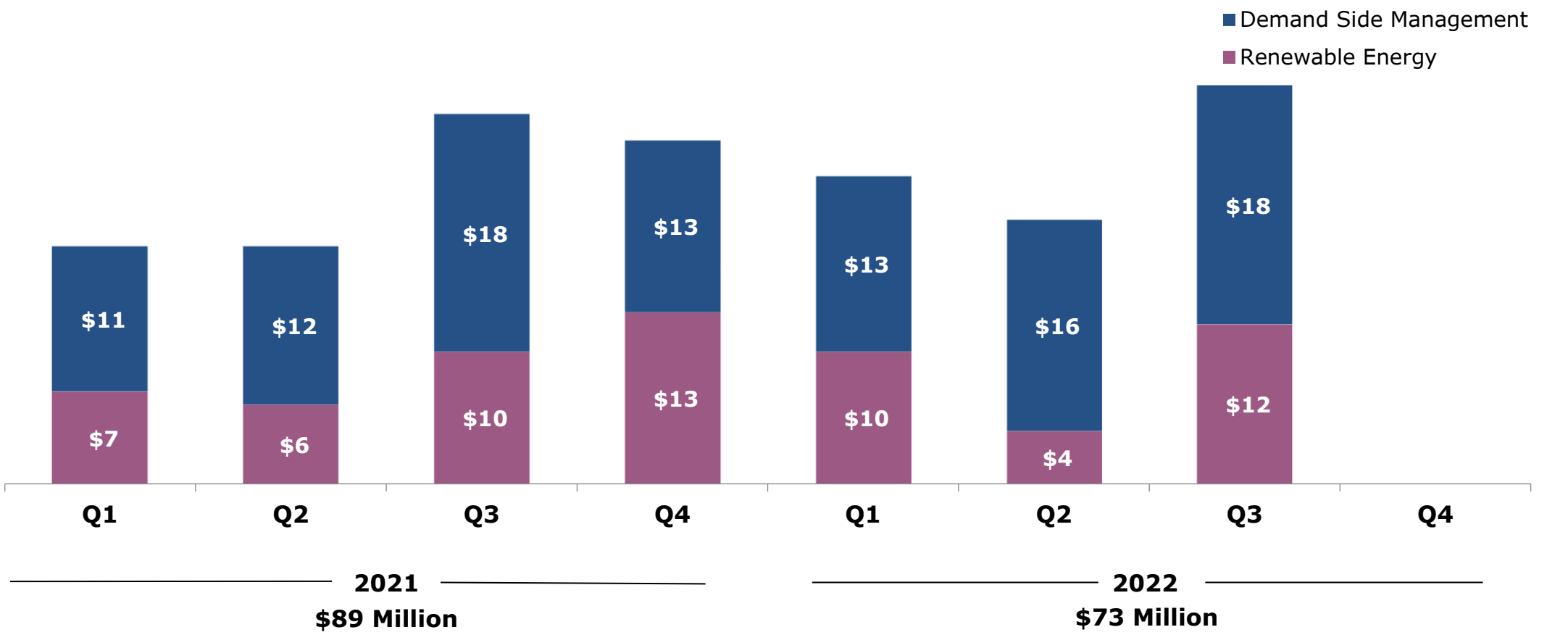
$ in millions pretax



All periods recalculated to current 10-year rolling average (2011 – 2020). Numbers may not foot due to rounding.

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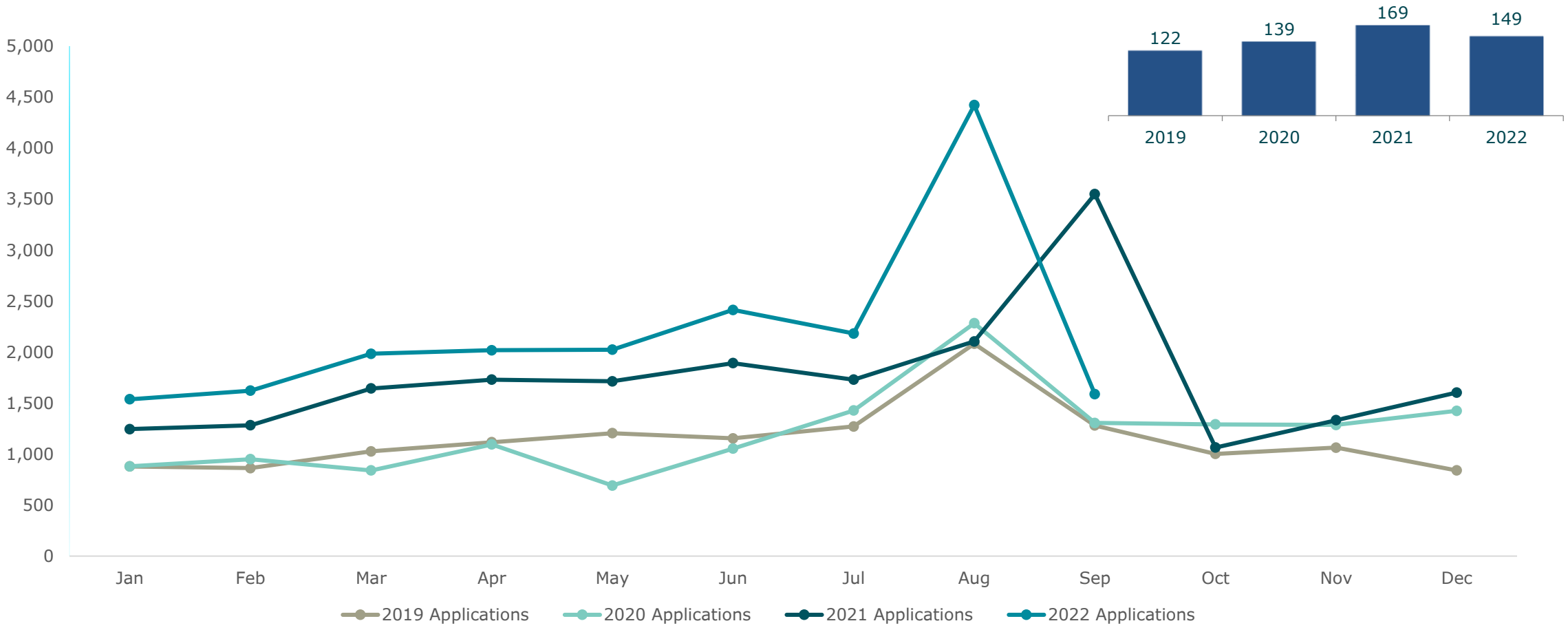
Renewable Energy & Demand Side Management expenses[1]



[1] Renewable energy and demand side management expenses are offset by adjustment mechanisms.

Numbers may not foot due to rounding.

Residential PV applications[1]



[1]Monthly data equals applications received minus cancelled applications. As of September 30, 2022 approximately 147,466 residential grid-tied solar photovoltaic (PV) systems have been installed in APS's service territory, totaling approximately 1,273 MWdc of installed capacity. Excludes APS Solar Partner Program, APS Solar Communities, and Flagstaff Community Partnership Program.

Note: www.arizonagoessolar.org logs total residential application volume, including cancellations.

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%



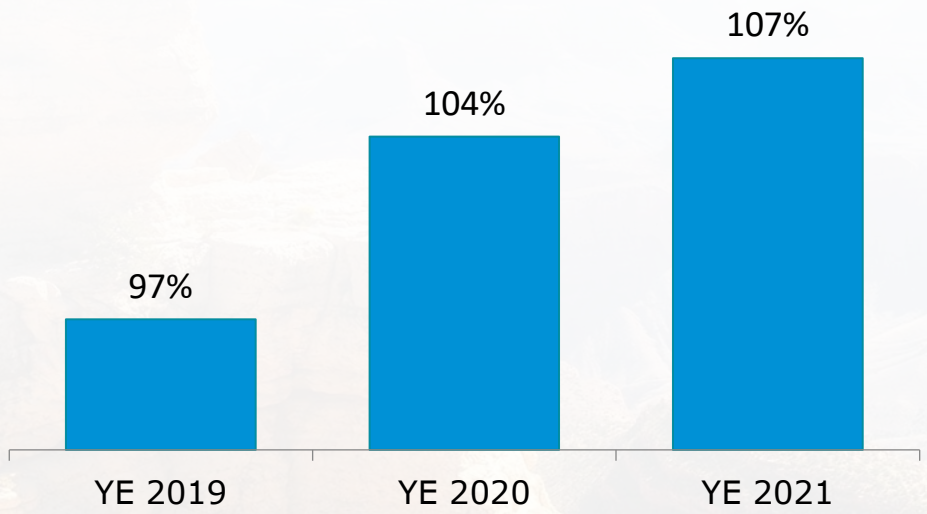
[1] We are disclosing credit ratings to enhance understanding of our sources of liquidity and the effects of our ratings on our costs of funds. Ratings are as of November 3, 2022.

Regulatory 2022 key dates

ACC Key Dates / Docket #	Q1	Q2	Q3	Q4
Power Supply Adjustor (PSA): **E-01345A-19-0236**	Effective Feb 1			
Lost Fixed Cost Recovery: **E-01345A-22-0042**	Filed Feb 15	Approved May 18 and effective Jun 1		
Transmission Cost Adjustor: **E-01345A-19-0236**		Effective Jun 1		
2022 DSM/EE Implementation Plan: **E-01345A-21-0087**				
2022 RES Implementation Plan: **E-01345A-21-0240**		Approved May 18 and effective Jun 1		
2019 Rate Case: **E-01345A-19-0236**	Court of Appeals in process; filed opening brief		Filed reply brief at Court of Appeals New TOU hours implemented: Sep 1	Court of Appeals oral arguments Nov 30
Resource Planning and Procurement: **E-00000V-19-0034**	IRP acknowledged Feb 10			
Resource Comparison Proxy (RCP): **E-01345A-22-0105**			Approved July 12 and effective Sep 1	
2022 Rate Case: **E-01345A-22-0144**				Application filed Oct 28
2022 Financing Application: **E-01345A-22-0083**		Application filed April 6		

Pension & Other Post Retirement Benefits ("OPEB")

Pension Funded Status[1]



- Liability driven investment strategy helps to minimize the impact of market volatility on funded status
- Pension portfolio has an 80% target allocation to fixed income assets
- Hedge 100% of interest rate volatility using a combination of fixed income portfolio assets and U.S. Treasury Futures contracts

[1] Excludes supplemental excess benefit retirement plan calculated on a PBO basis.

($ in millions)

Contributions	2021A	2022E	2023E	2024E
Pension	$100	$0	$0	$0
OPEB	$0	$0	$0	$0

Benefit Expense Notes

- Using the corridor accounting approach, gains and losses outside of the established corridor are amortized to benefit expense over the average service life
- Gains and losses within the corridor do not impact benefit expense
- Application of the corridor approach is a GAAP prescribed accounting method that is commonly utilized throughout the utility industry
- Consistent with liability driven investing, at a higher funded status more historically-volatile assets are removed from the portfolio and replaced with fixed income securities, which is expected to reduce benefit cost volatility
- Once fixed income assets in the portfolio are valued at year-end and any gains/losses are recognized, the future year expected return on fixed income assets changes with the then-prevailing level of fixed income yields

Components and Key Drivers of Benefit Costs[1]

Service Cost (a cost that increases Benefit Cost):

- When discount rates decrease Service Cost increases and Benefit Cost increases (and vice versa)
- Not impacted by asset assumptions

Interest Cost (a cost that increases Benefit Cost):

- When discount rates increase Interest Cost increases and Benefit Cost increases (and vice versa)
- Not impacted by asset assumptions

Expected Return on Plan Assets (an offset that decreases Benefit Cost):

- Expected Return on Plan Assets increases and lowers Benefit Cost when (and vice versa):
  - Future year beginning assets increase (e.g., fixed income assets increase when interest rates / yields decrease)
  - The future year expected return on assets percentage increases (e.g., when interest rates / yields increase the future expected return percentage on fixed income assets increases)

Amortization of Prior Service Credit (an offset that decreases Benefit Cost):

- Not impacted by changes in discount rates or asset assumptions

Amortization of Actuarial Losses (a cost that increases Benefit Cost; the opposite would be true for Actuarial Gains):

- Increases when (and vice versa):
  - Actual dollar return on plan assets is less than the expected return on plan assets (e.g., when fixed income assets decrease due to an increase in interest rates / yields)
  - Liability increases (e.g., when discount rates decrease)
- Note that only the net actuarial cumulative gain or loss is applied to the corridor

[1] Represents some of the primary components of benefit cost, being disclosed to enhance the understanding of key drivers; however, these components and drivers may not exhaustively account for all factors that comprise benefit cost in a given period. Benefit cost components are sensitive to changes in interest rates and market returns, often with offsetting impacts from various drivers. The sensitivity of benefit costs to changing interest rates and market returns can not necessarily be extrapolated. While increases in discount rates impact benefit costs, these impacts are less sensitive and impactful to benefit costs the further from 0% the discount rate moves.

Consolidated statistics[1]

	3 Months Ended September 30,			9 Months Ended September 30,		
	2022	2021	Incr (Decr)	2022	2021	Incr (Decr)
ELECTRIC OPERATING REVENUES (Dollars in Millions)						
Retail						
Residential	$ 743	$ 682	61	$ 1,648	$ 1,554	$ 94
Business	548	481	67	1,370	1,216	154
Total Retail	1,291	1,163	128	3,018	2,771	247
Sales for Resale (Wholesale)	140	108	31	198	144	54
Transmission for Others	36	36	0	91	78	14
Other Miscellaneous Services	3	1	1	7	13	(5)
Total Electric Operating Revenues	$ 1,470	$ 1,308	162	$ 3,315	$ 3,005	$ 310
ELECTRIC SALES (GWH)						
Retail						
Residential	5,389	5,188	201	11,824	11,569	256
Business	4,768	4,478	290	12,101	11,442	658
Total Retail	10,157	9,666	491	23,925	23,011	914
Sales for Resale (Wholesale)	1,376	1,701	(326)	2,603	2,810	(207)
Total Electric Sales	11,532	11,368	165	26,528	25,821	707
RETAIL SALES (GWH) - WEATHER NORMALIZED						
Residential	5,326	5,416	(90)	11,539	11,517	22
Business	4,763	4,542	221	12,047	11,454	593
Total Retail Sales	10,088	9,958	131	23,587	22,972	615
Retail sales (GWH) (% over prior year)	1.3%	4.0%		2.7%	3.5%	
AVERAGE ELECTRIC CUSTOMERS						
Retail Customers						
Residential	1,202,870	1,178,117	24,753	1,199,245	1,173,646	25,599
Business	141,619	140,013	1,606	141,169	139,845	1,324
Total Retail	1,344,489	1,318,130	26,360	1,340,414	1,313,491	26,923
Wholesale Customers	56	50	6	54	45	9
Total Customers	1,344,545	1,318,179	26,366	1,340,469	1,313,536	26,932
Total Customer Growth (% over prior year)	2.0%	2.3%		2.1%	2.2%	
RETAIL USAGE - WEATHER NORMALIZED (KWh/Average Customer)						
Residential	4,428	4,597	(170)	9,622	9,813	(191)
Business	33,630	32,437	1,193	85,340	81,908	3,432

[1] Retail electricity sales in kWh, adjusted to exclude the effects of weather variations, for the year ended December 31, 2021 compared with the prior-year period increased 4.2%, which reflects a correction to 2020 commercial and industrial customer sales volumes of 111 GWh.

Numbers may not foot due to rounding.

Consolidated statistics

	3 Months Ended September 30,			9 Months Ended September 30,		
	2022	2021	Incr (Decr)	2022	2021	Incr (Decr)
ENERGY SOURCES (GWH)						
Generation Production						
Nuclear	2,532	2,488	44	7,121	7,026	94
Coal	2,591	2,349	242	6,252	4,884	1,369
Gas, Oil and Other	2,814	3,096	(282)	6,451	7,684	(1,233)
Renewables	155	169	(14)	452	506	(54)
Total Generation Production	8,092	8,102	(10)	20,276	20,100	176
Purchased Power			-			-
Conventional	2,389	3,083	(693)	4,294	5,079	(785)
Resales	1,091	1,041	49	1,281	1,187	95
Renewables	493	468	25	1,866	1,660	206
Total Purchased Power	3,973	4,592	(619)	7,441	7,925	(484)
Total Energy Sources	12,066	12,695	(629)	27,717	28,026	(308)
POWER PLANT PERFORMANCE						
Capacity Factors - Owned						
Nuclear	100%	98%	2%	95%	94%	1%
Coal	86%	78%	8%	70%	55%	15%
Gas, Oil and Other	36%	39%	(4)%	27%	33%	(5)%
Solar	31%	34%	(3)%	30%	34%	(4)%
System Average	58%	58%	(0)%	49%	49%	0%

	3 Months Ended September 30,			9 Months Ended September 30,		
	2022	2021	Incr (Decr)	2022	2021	Incr (Decr)
WEATHER INDICATORS - RESIDENTIAL						
Actual						
Cooling Degree-Days	1,266	1,105	161	1,836	1,680	156
Heating Degree-Days	Not Applic.	Not Applic.		454	506	(52)
Average Humidity	35%	38%	(3)%	28%	29%	(1)%
10-Year Averages (2011 - 2020)						
Cooling Degree-Days	1,256	1,256	-	1,761	1,761	-
Heating Degree-Days	Not Applic.	Not Applic.		448	448	-
Average Humidity	30%	30%	-	25%	25%	-

Numbers may not foot due to rounding.