

PINNACLE WEST

CAPITAL CORPORATION

Investor Presentation

January 2023



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

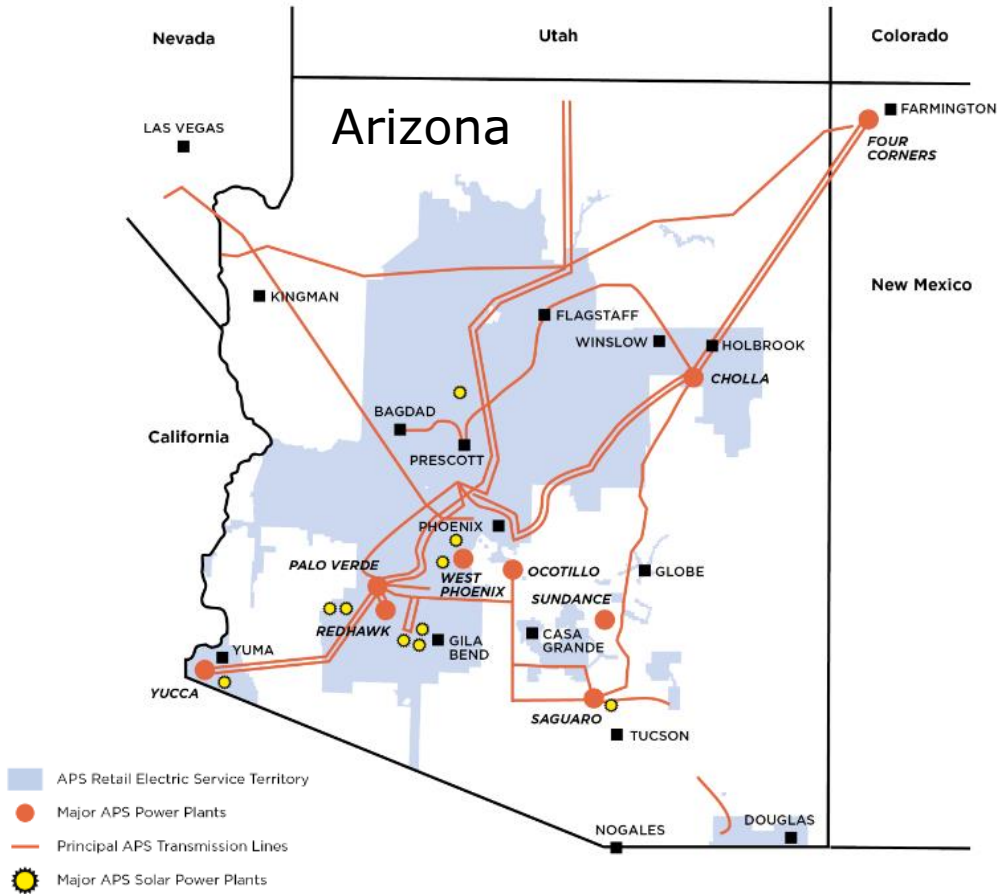
**Financial Outlook & 2022
Rate Case**



AT A GLANCE

Arizona's Largest Electric Company

Service Territory¹



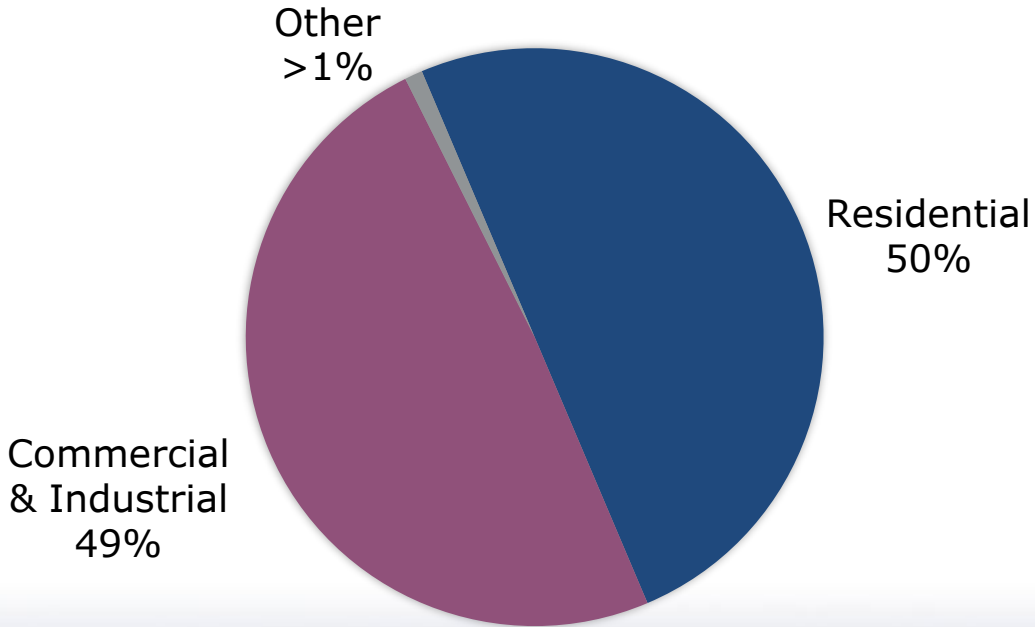
Key Facts as of Dec. 31, 2021

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

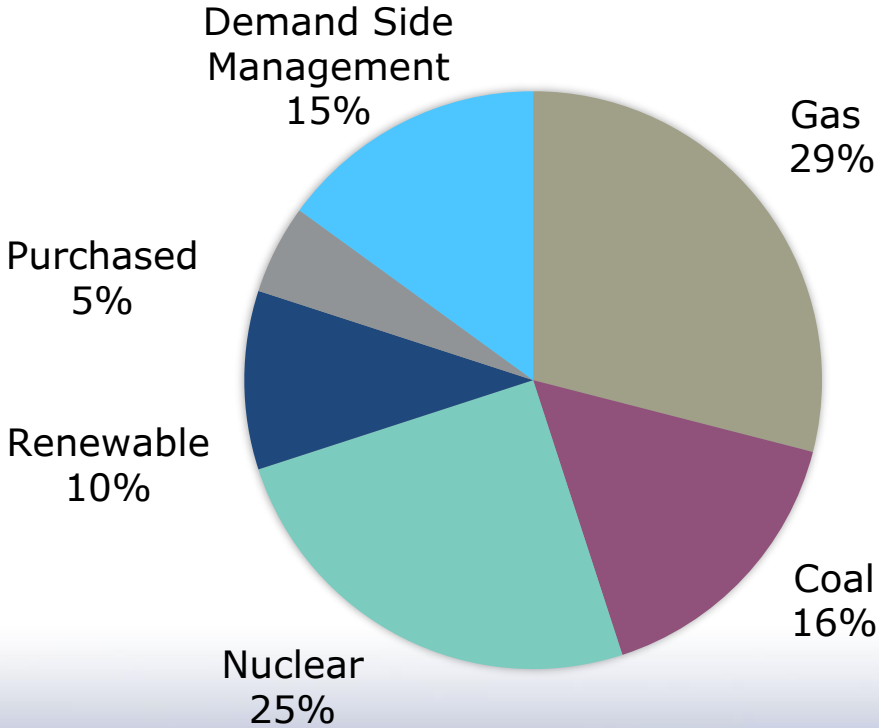
¹ As of December 31, 2021

Attractive Customer Mix and Shifting Generation Profile

Retail Sales Mix¹



Energy Mix – Will Shift Going Forward¹



¹ As of December 31, 2021.



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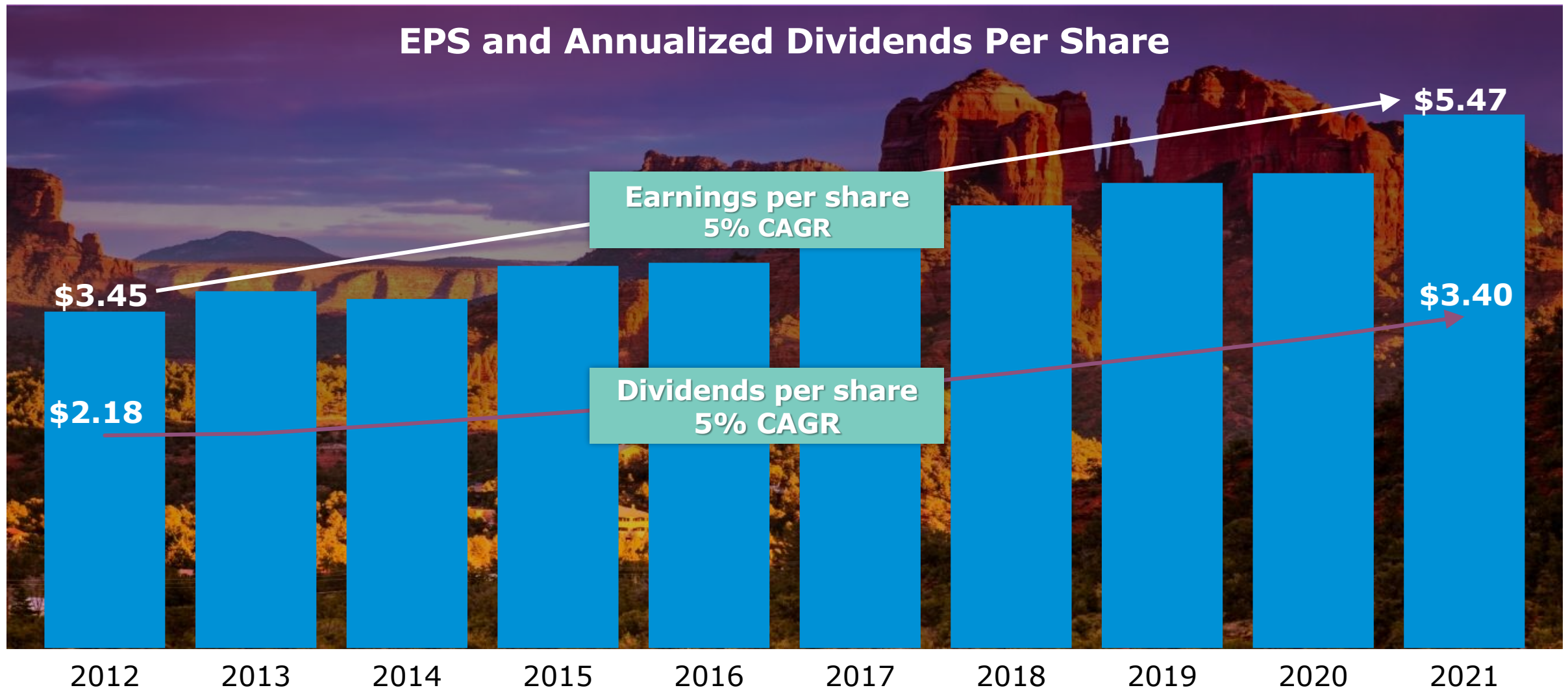
Why We Are Optimistic About the Future

Key Reasons

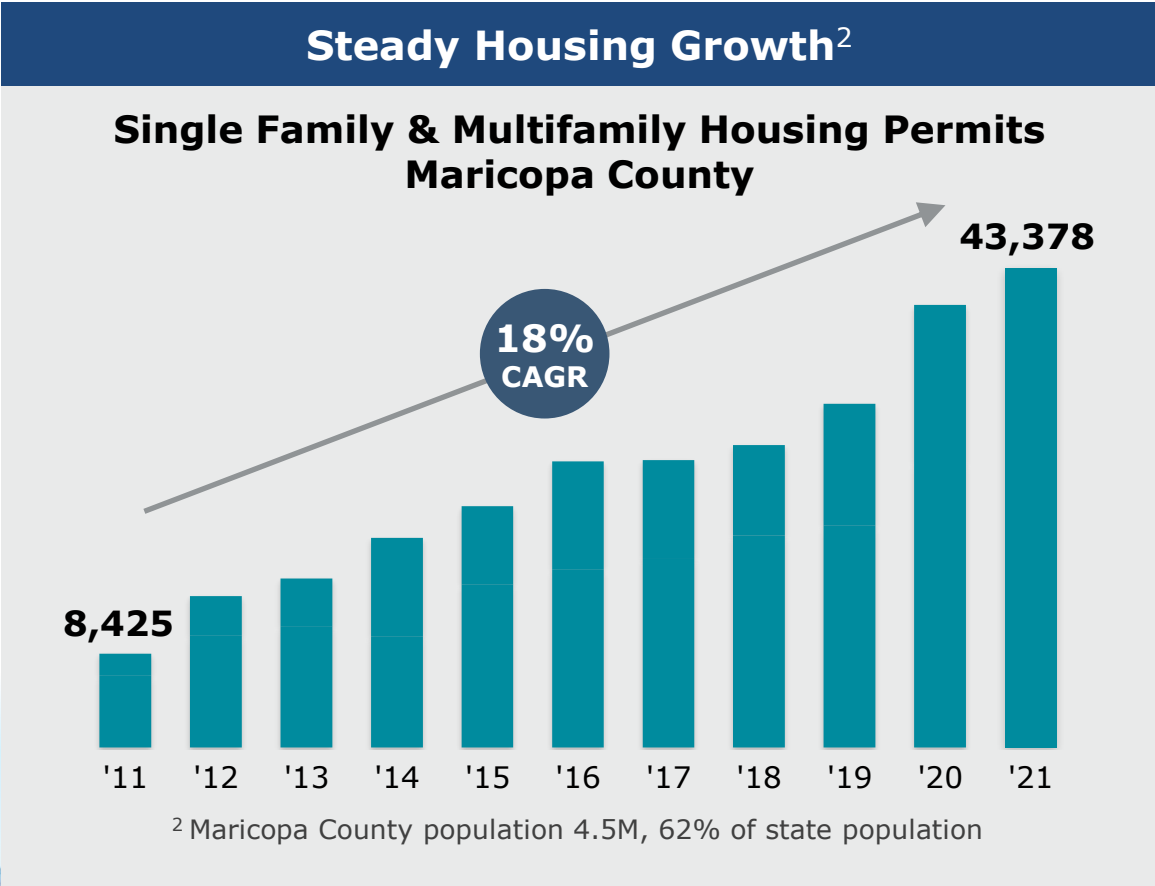
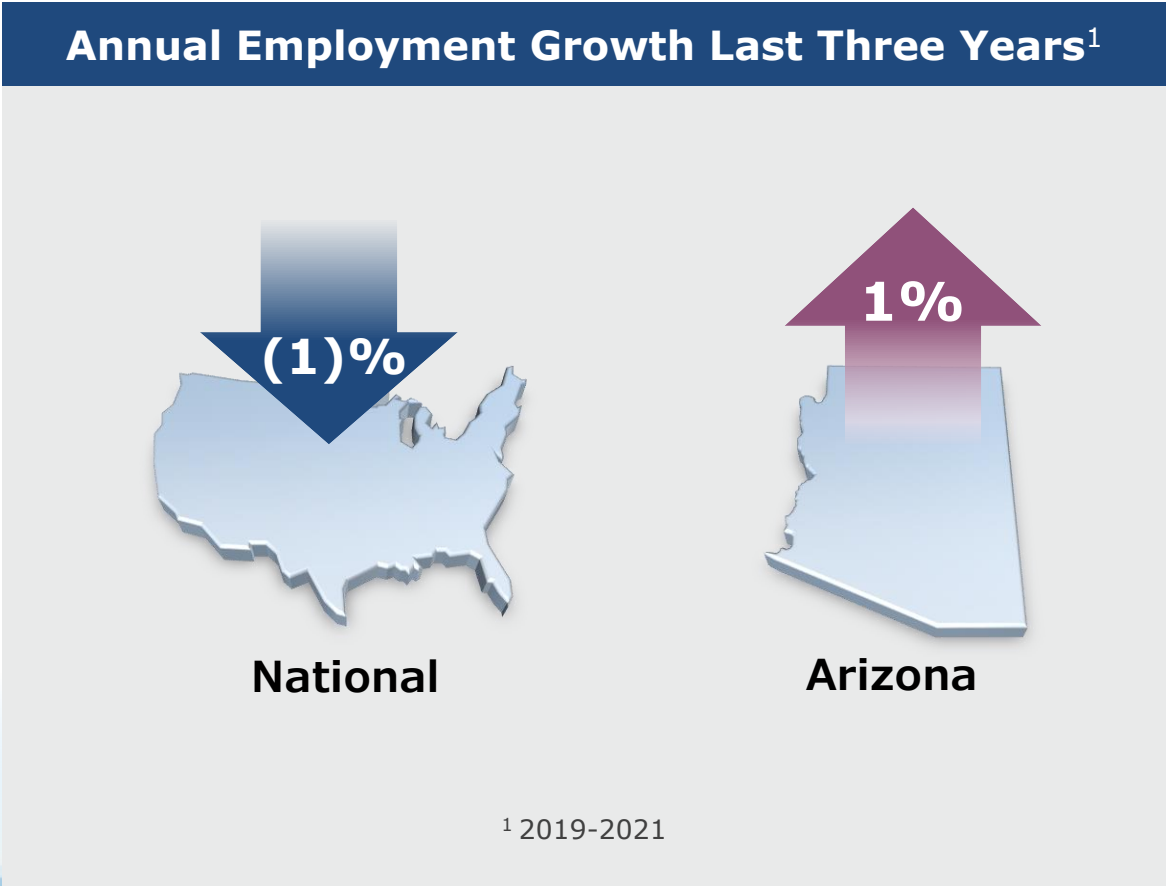
- 1** Solid long-term performance record
- 2** Robust economic growth in Arizona and our service territory
- 3** A clear plan for a clean energy transition
- 4** Ability to navigate the regulatory environment over time
- 5** Strong commitment to execute strategy

Last 10 Years: Strong Performance Track Record

EPS and Annualized Dividends Per Share



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



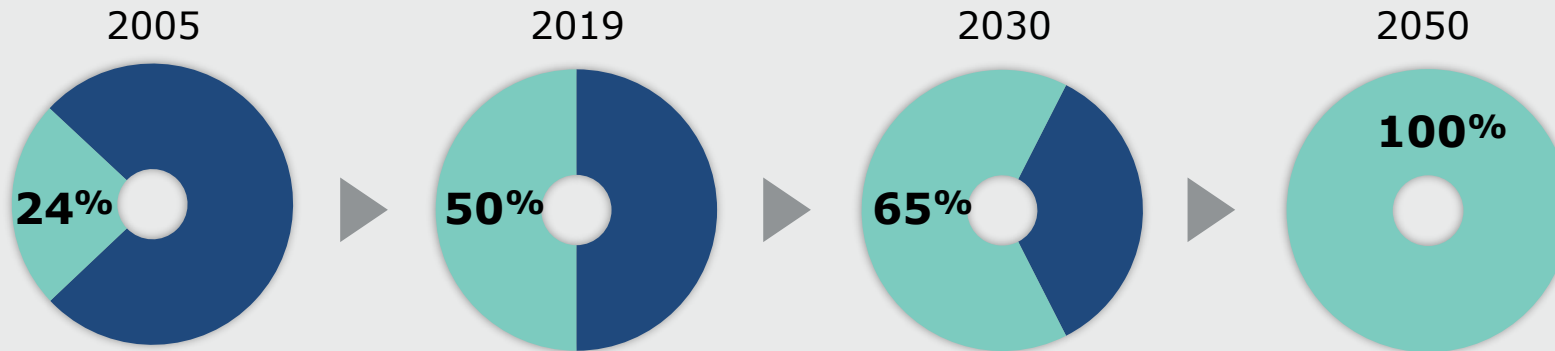
A clear plan for clean energy transition

Progress Towards Meeting Clean Energy Commitment¹

- 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

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

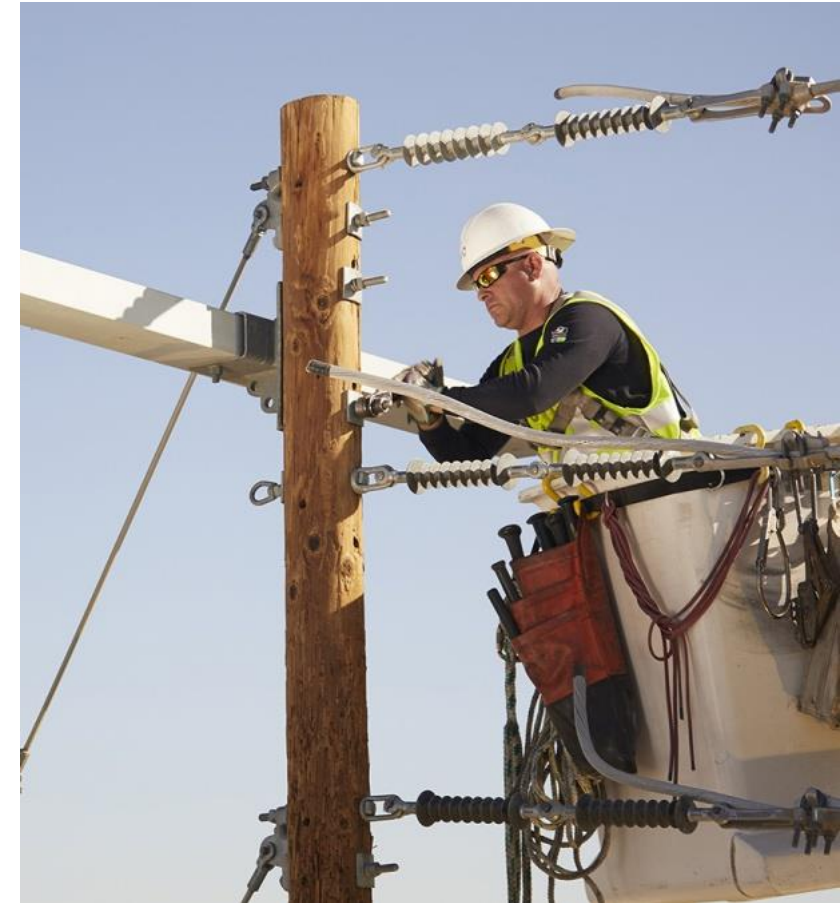
- **Taiwan Semiconductor**
Began building \$12B factory
- **Chang Chun Petrochemical**
Building 250k sq ft facility
- **Williams-Sonoma**
Leased 1.2M sq ft facility
- **Nestle USA**
Building 625k sq ft facility
- **KORE Power**
Building 1M sq ft facility
- **Kohler Co.**
Building 1M sq ft facility



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 prudence 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**

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Bringing the Residential Customer into the Advanced Economy

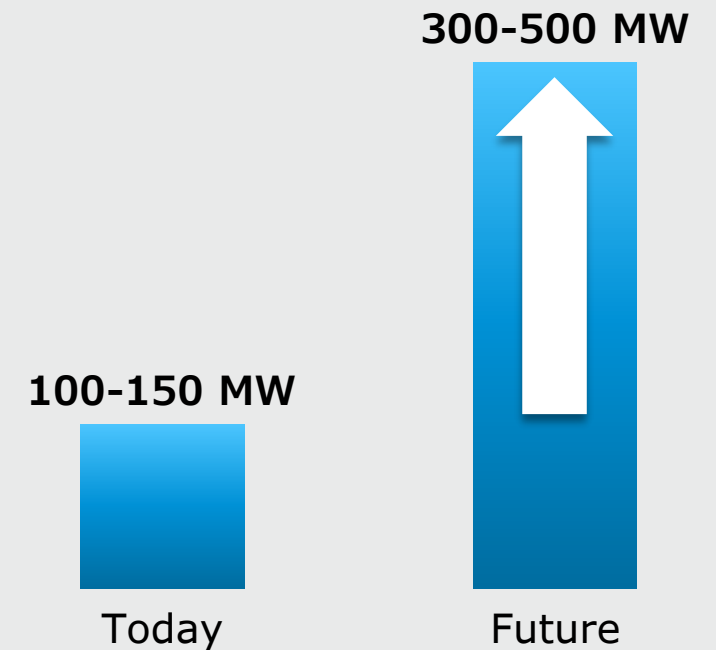
Initiatives

- 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



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



- ✓ Achieved a CDP Leadership score in Water Security four years in a row¹
- ✓ MSCI ESG “AA” rating²
- ✓ Reduced carbon by 32% since 2005 and retired over 1,000 MW of coal

Social



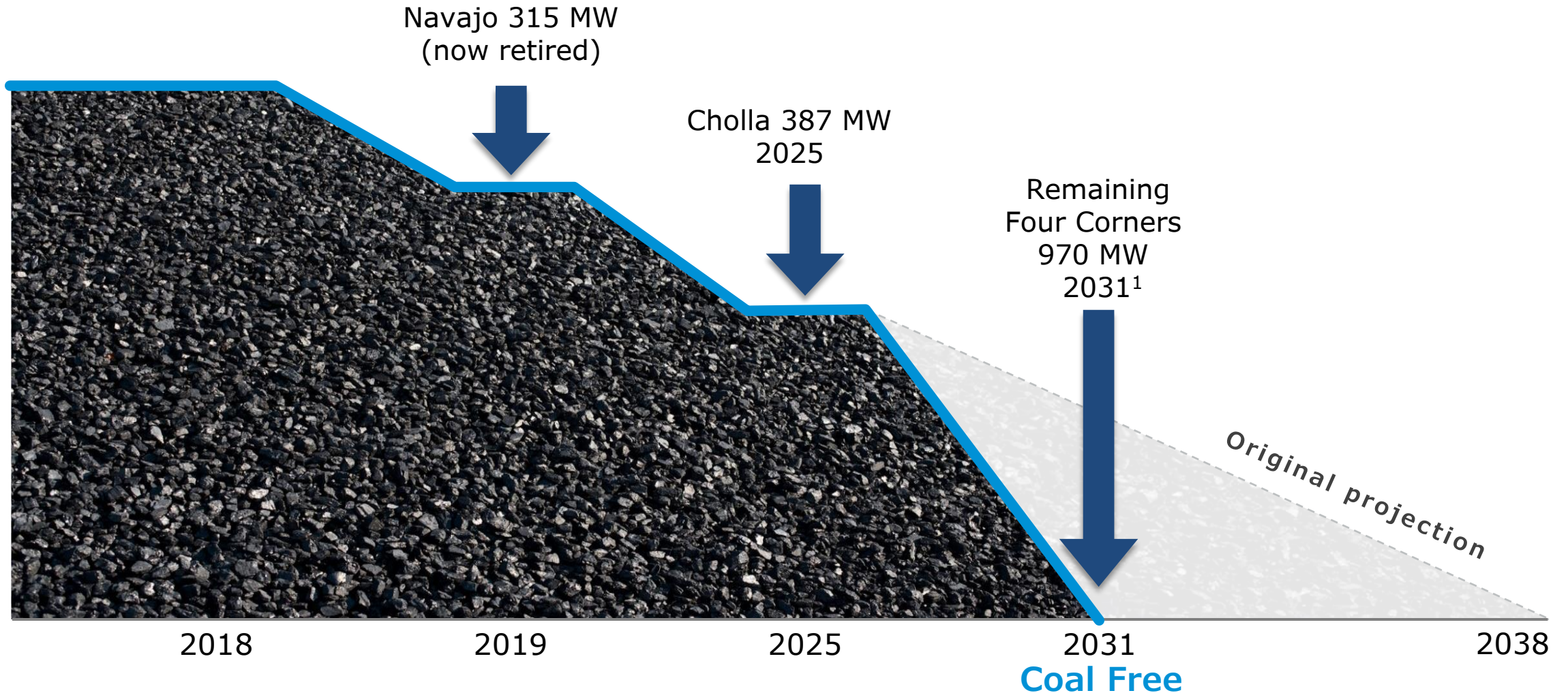
- ✓ Launched new diversity, equity and inclusion strategy
- ✓ 44% of new hires ethnically or racially diverse
- ✓ Commitment to support Coal Community Transition Plan

Governance



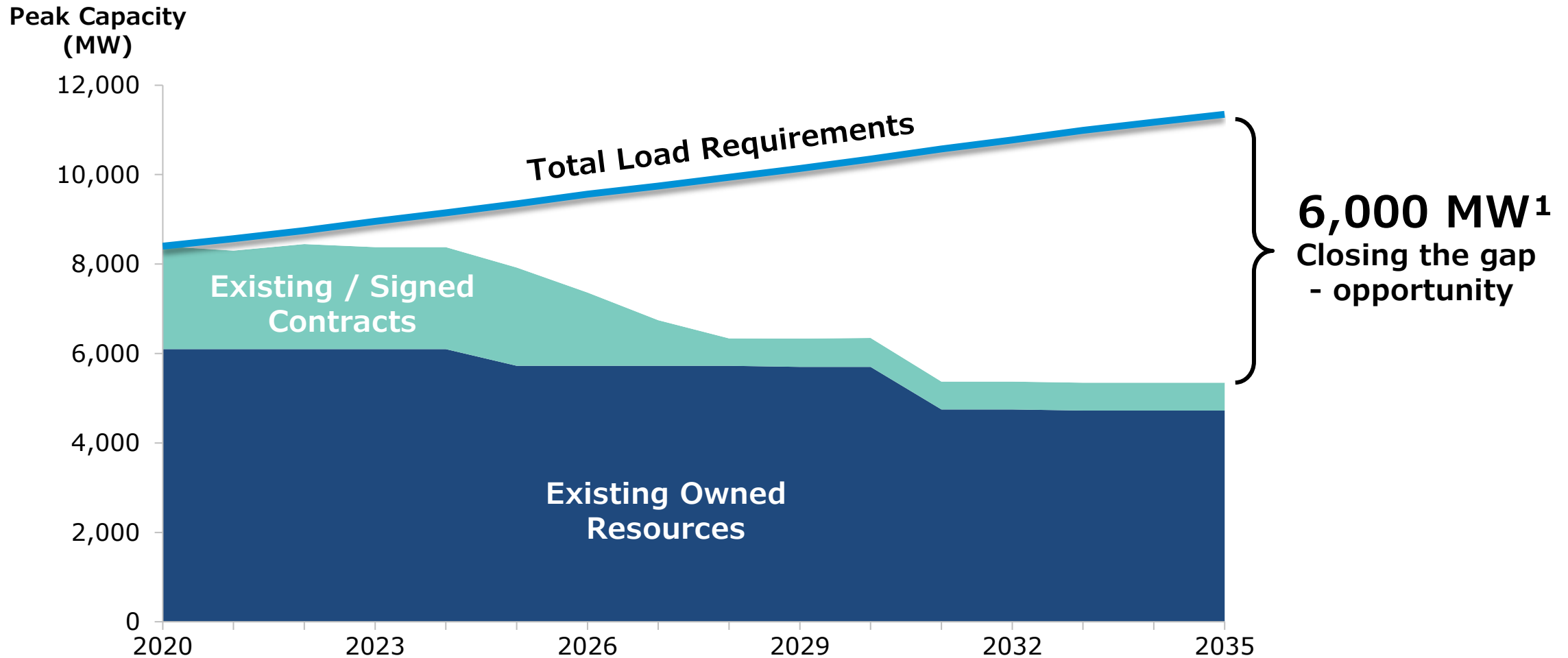
- ✓ 40% of independent directors gender or ethnically diverse
- ✓ ESG executive council
- ✓ Board oversight of strategy and risk

Coal Exit Strategy – 7 Years Earlier than Originally Projected



¹Starting 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



6,000 MW¹
Closing the gap
- opportunity

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).

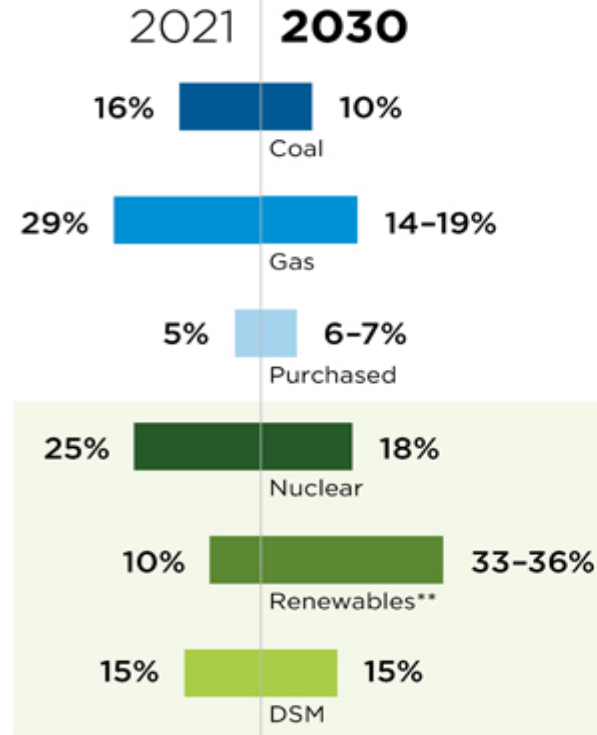
Key New Energy Sources Keeping us Tracking to our Goals

Initiatives

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



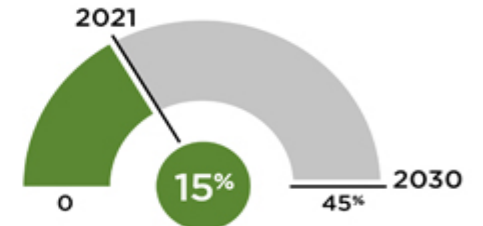
Tracking our 2030 Clean* Energy Target



*Clean energy is energy derived from zero-carbon resources; this includes grid-scale and distributed renewables, demand side management savings, nuclear and purchases of renewable energy.

**Renewables include energy from wind, solar, geothermal, biomass, distributed generations and solar purchase power agreements.

Tracking our 2030 Renewable* Energy Target



*Renewable is measured in accordance with the ACC's Renewable Energy Standard as a percent of retail sales.

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

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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 2022¹

Long-Term Outlook



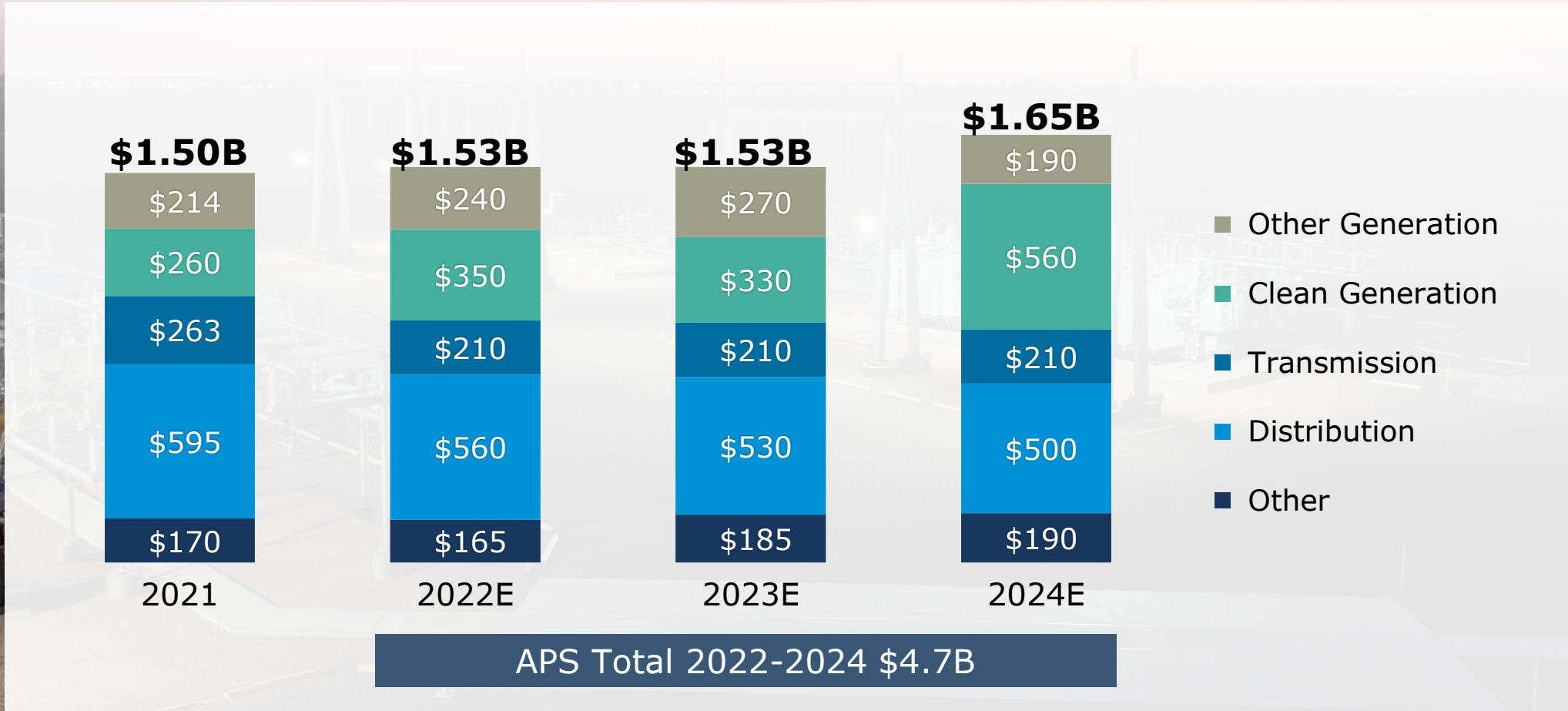
5-7%
EPS CAGR

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

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

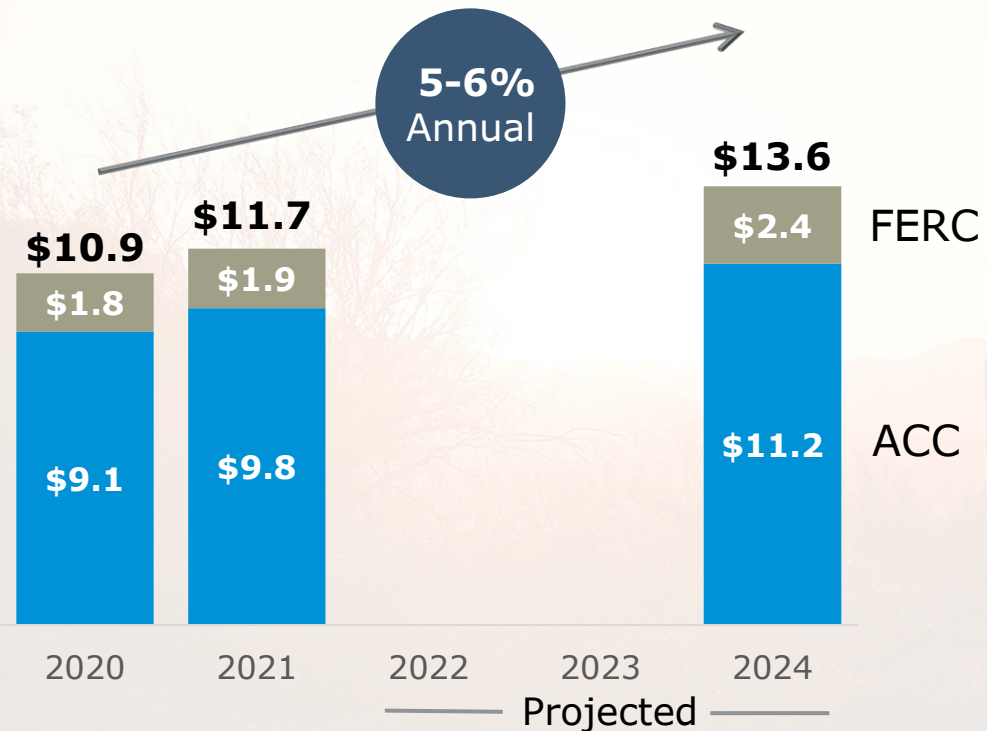
Managed capital plan to support customer growth, reliability, and clean transition



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

Steady rate base growth

APS Rate Base Growth Guidance Year-End

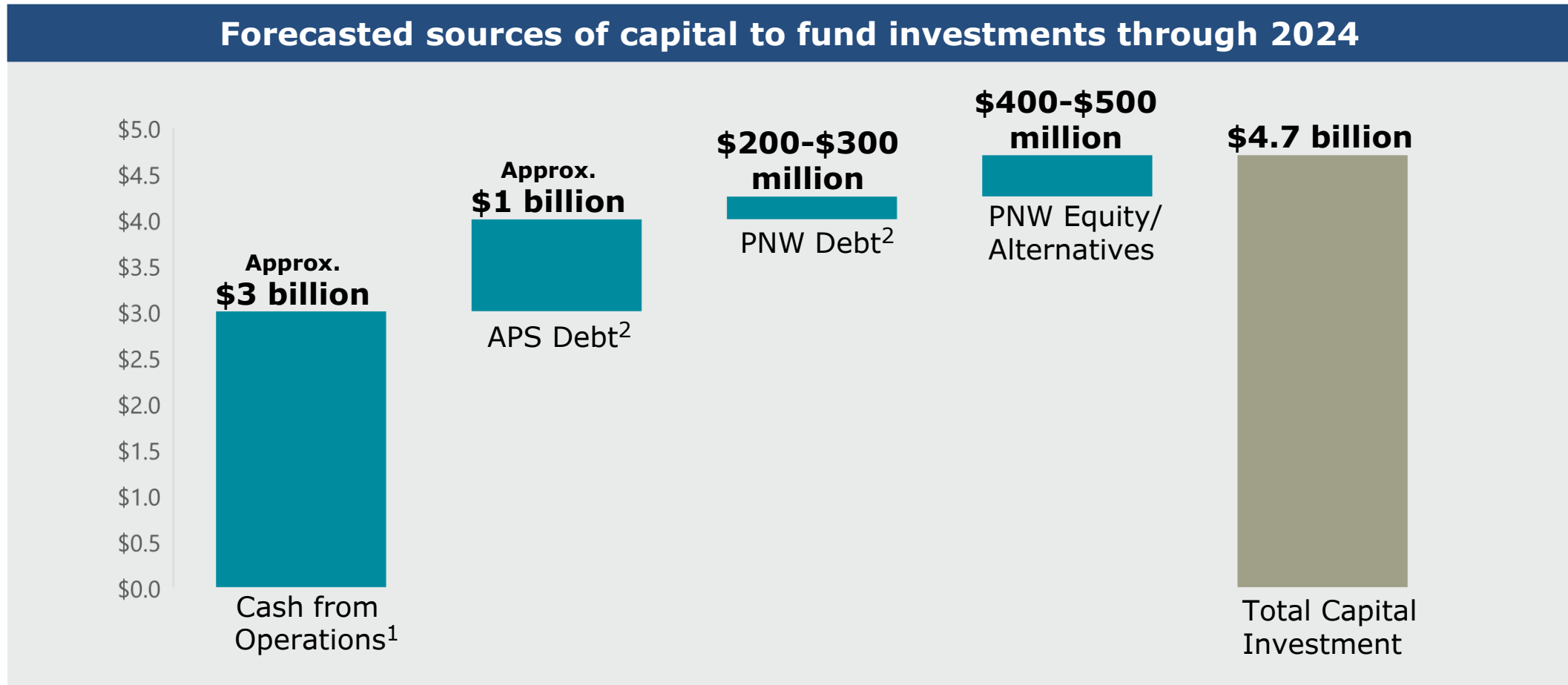


Total Approved Rate Base

	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

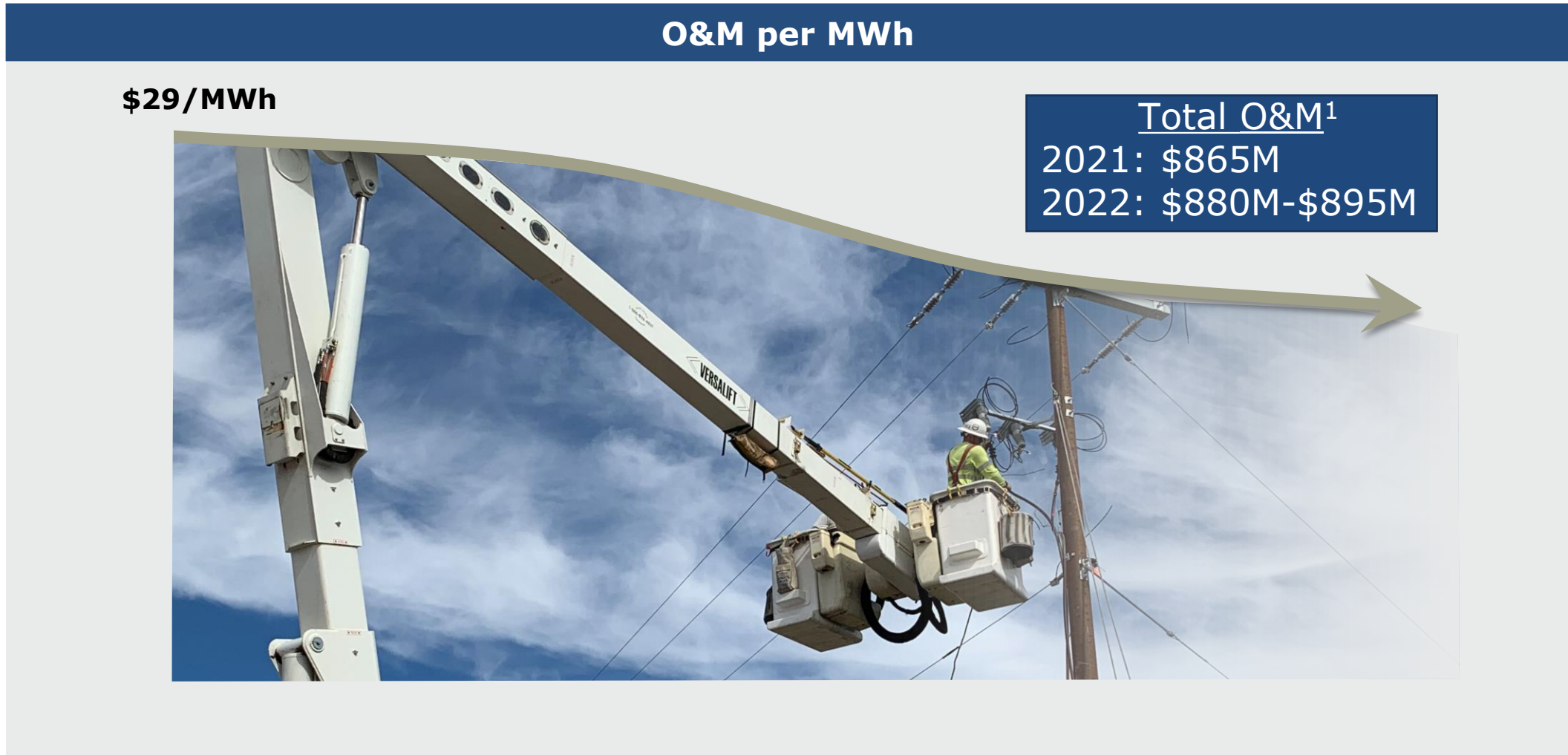
No plans to issue equity before end of next rate case



¹ Cash from operations is net of shareholder dividends.

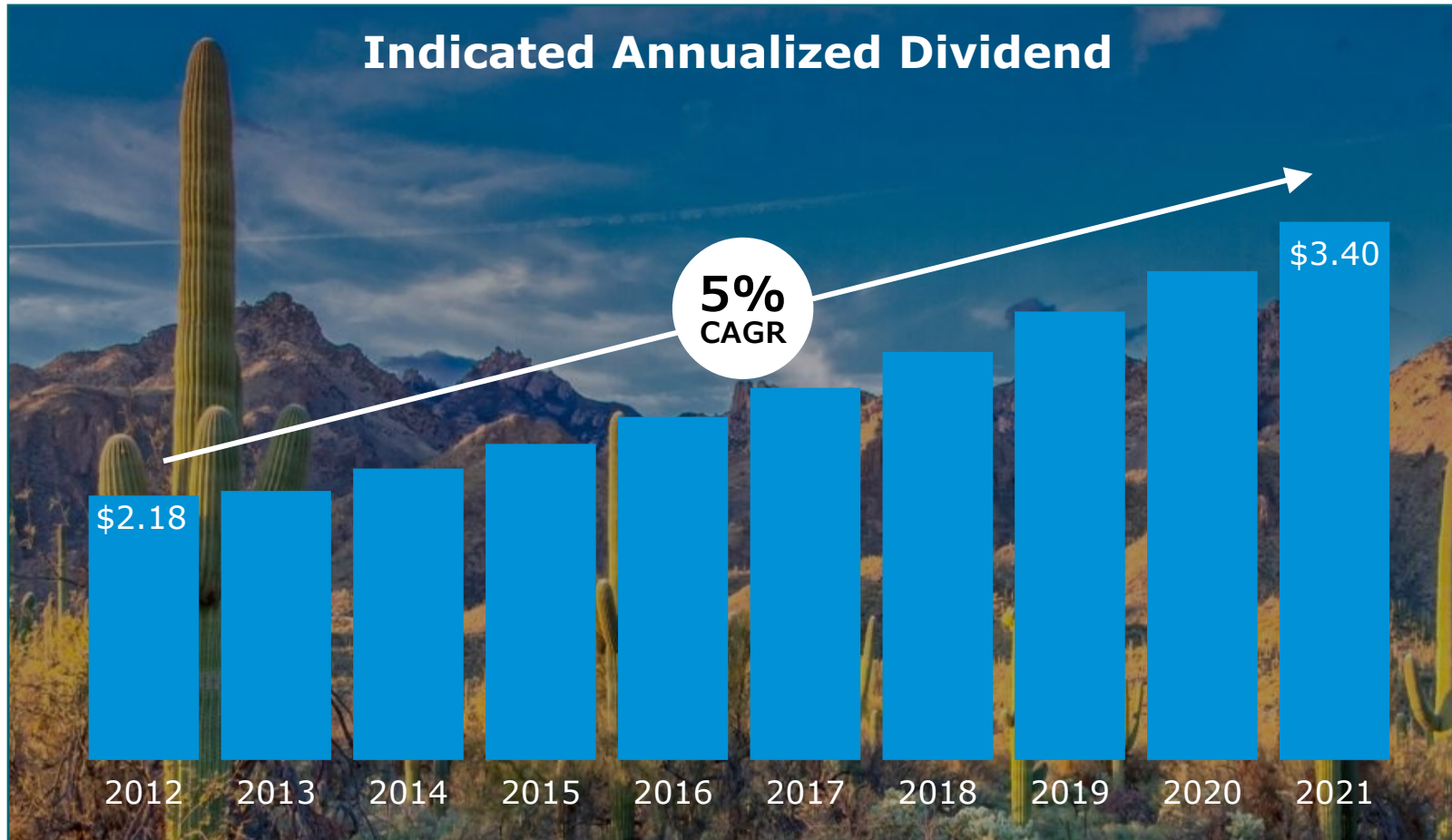
² APS and PNW debt issuance is net of maturities.

Our goal continues to be declining O&M per MWh



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

Continue Our Track Record of Consistent Dividend Growth¹



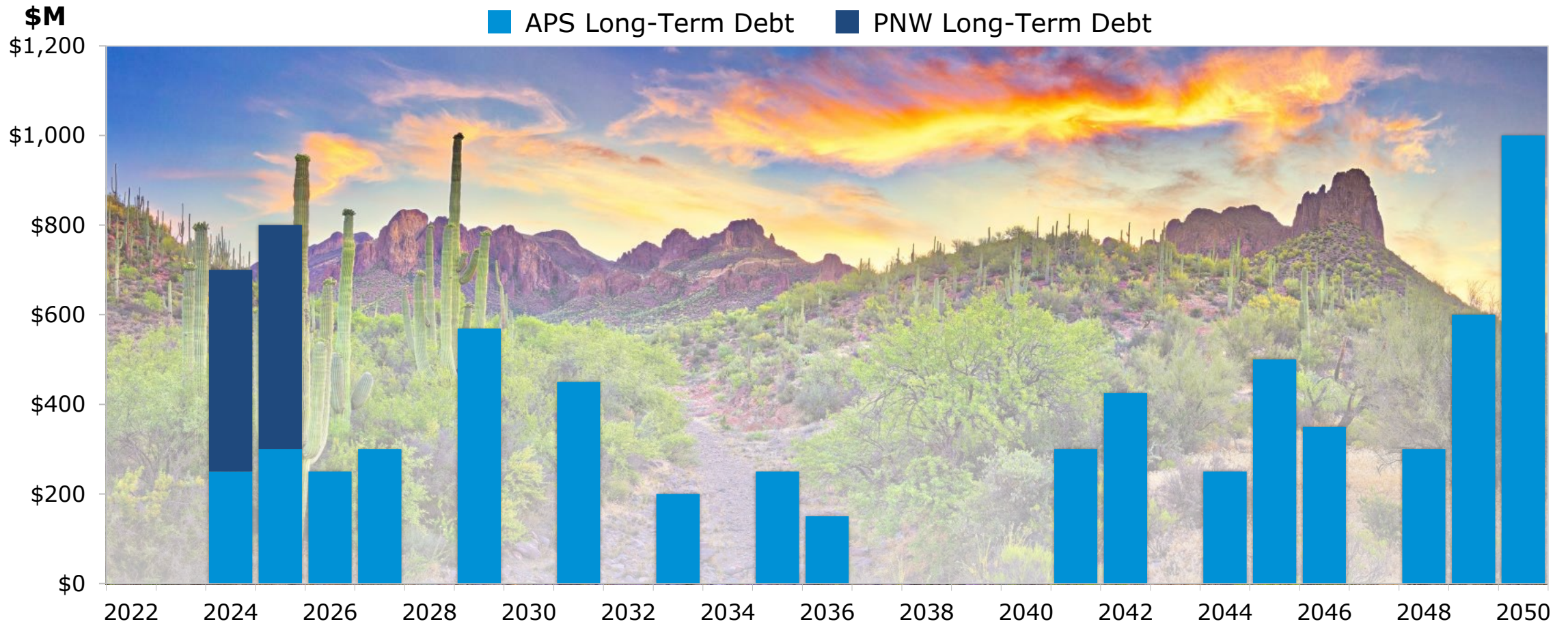
Dividend Targets

- 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.

Strong Balance Sheet with Attractive Long-Term Debt Maturity Profile¹



As of September 30, 2022

¹ Does not include debt at Bright Canyon Energy.

Our Credit Ratings Support Growth Opportunities

	Corporate Ratings	Senior Unsecured Ratings	Short-Term Ratings	Outlook
APS¹				
Moody's	A3	A3	P-2	Negative
S&P	BBB+	BBB+	A-2	Negative
Fitch	BBB+	A-	F2	Negative
Pinnacle West¹				
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 Components¹

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	<u>34</u>
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>

¹Numbers 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 Schedule¹

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	June 5, 2023
APS Rebuttal Testimony Due	June 28, 2023
Staff/Intervenor Surrebuttal Testimony Due	July 18, 2023
APS Rejoinder Testimony Due	July 26, 2023
Pre-Hearing Conference	July 27, 2023
Hearing Commences	August 2, 2023

¹As of December 14, 2022

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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CAPITAL CORPORATION

APPENDIX



ESG Leadership – 2021 Recognitions



A- Score for Water Security

MSCI
ESG RATINGS



CCC B BB BBB A **AA** AAA

Pinnacle West's ESG Rating AA¹



Training Magazine

2021 Top 100 Learning and Development Organization



DIVERSITY
LEADERSHIP + ALLIANCE

2021 Inclusive Workplace Award

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



US Women in Nuclear Leadership Award