PINNACLE WEST
CAPITAL CORPORATION

Investor Presentation

July 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 current economic environment and its effects, such as lower economic growth, a tight labor market, inflation, supply chain delays, increased expenses, volatile capital markets, or other unpredictable effects; 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 investment; 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; the direct or indirect effect on our facilities or business from cybersecurity threats or intrusions, data security breaches, 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, including as a result of delays in the development and application of new technologies; the cost of debt, including increased cost as a result of rising interest rates, and equity capital and the ability to access capital markets when required; environmental, economic, and other concerns surrounding coal-fired generation, including regulation of GHG 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 landowners 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, 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

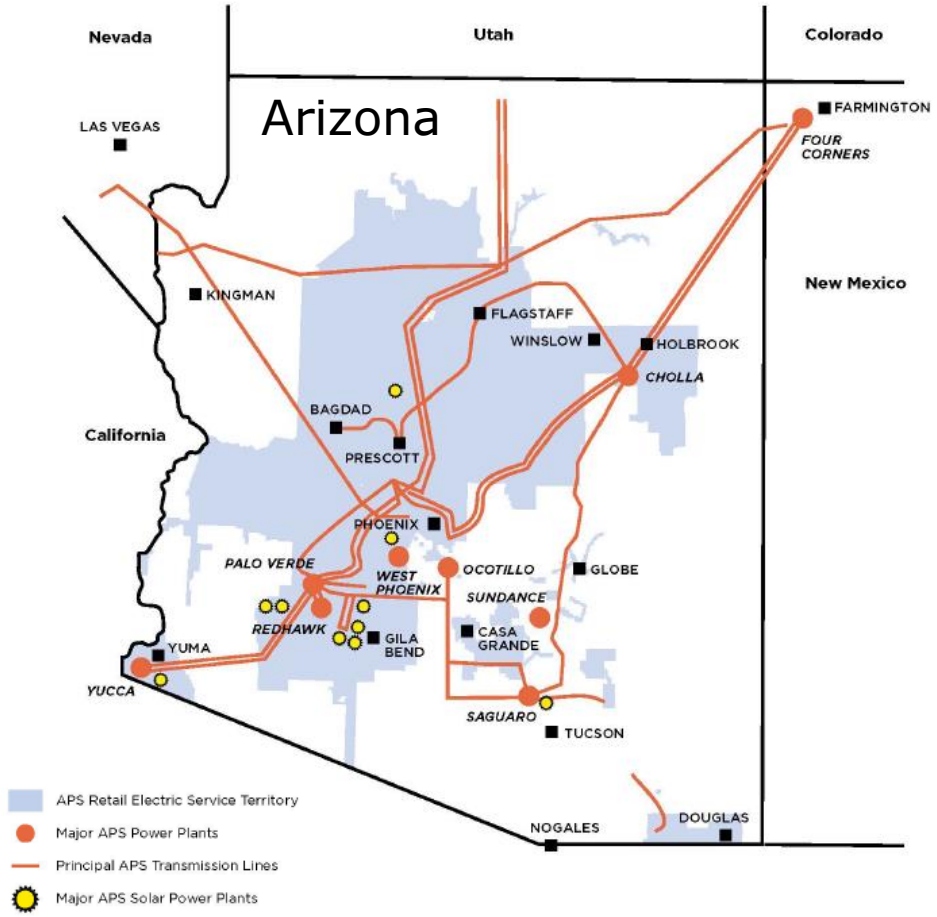
4
Financial Outlook & 2022 Rate Case



AT A GLANCE

Arizona's Largest Electric Company

Service Territory[1]



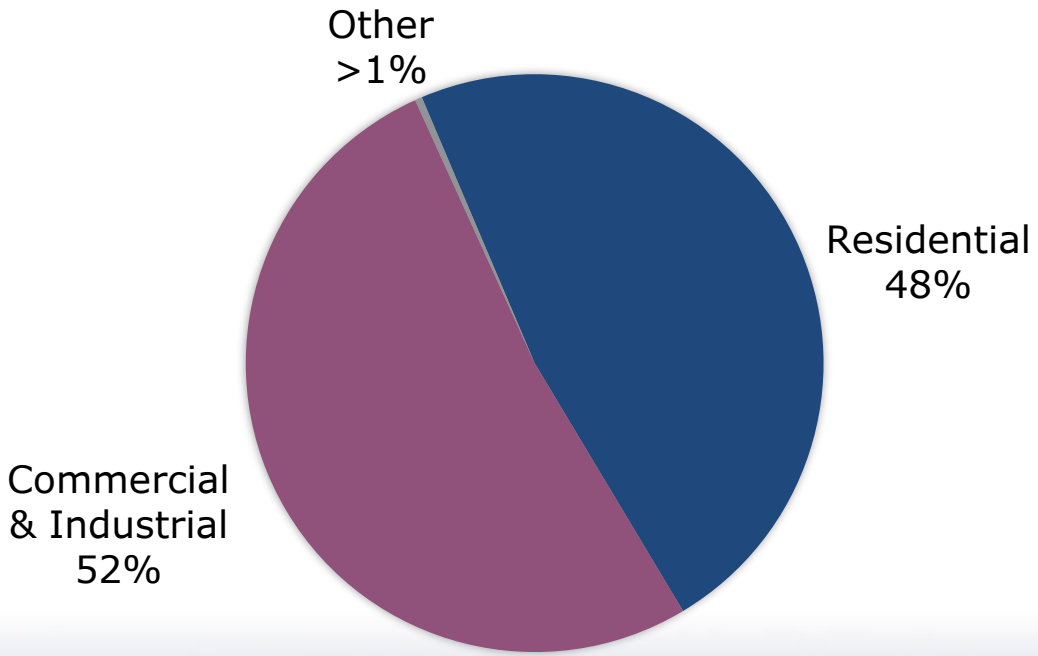
Key Facts as of Dec. 31, 2022

Consolidated assets	$22.7B
Revenues	$4.3B
Market cap	~$8.6B
Generating capacity owned or leased – year end	~6.3 GW
Customers	1.3M
Current % from clean energy	~51%
Nuclear plant in U.S.	Largest

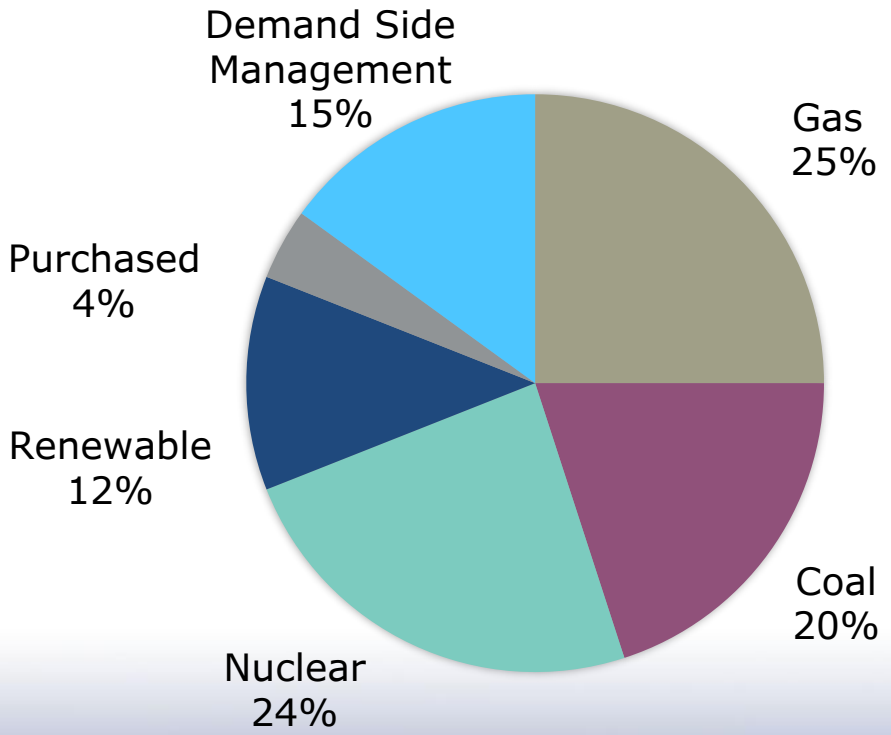
[1] As of December 31, 2022.

Attractive Customer Mix and Shifting Generation Profile

Retail Sales Mix[1]



Energy Mix – Will Shift Going Forward[1]



[1] As of December 31, 2022.

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

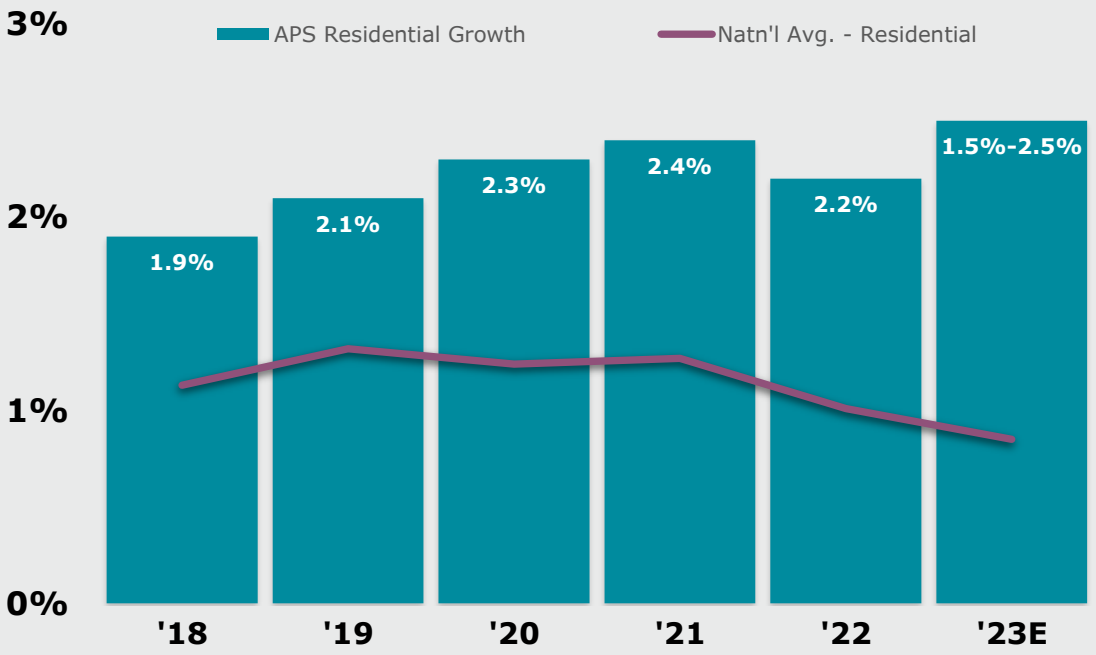
4
Financial Outlook & 2022 Rate Case



Robust economic growth in Arizona and our service territory

Consistent Residential Growth Past Five Years

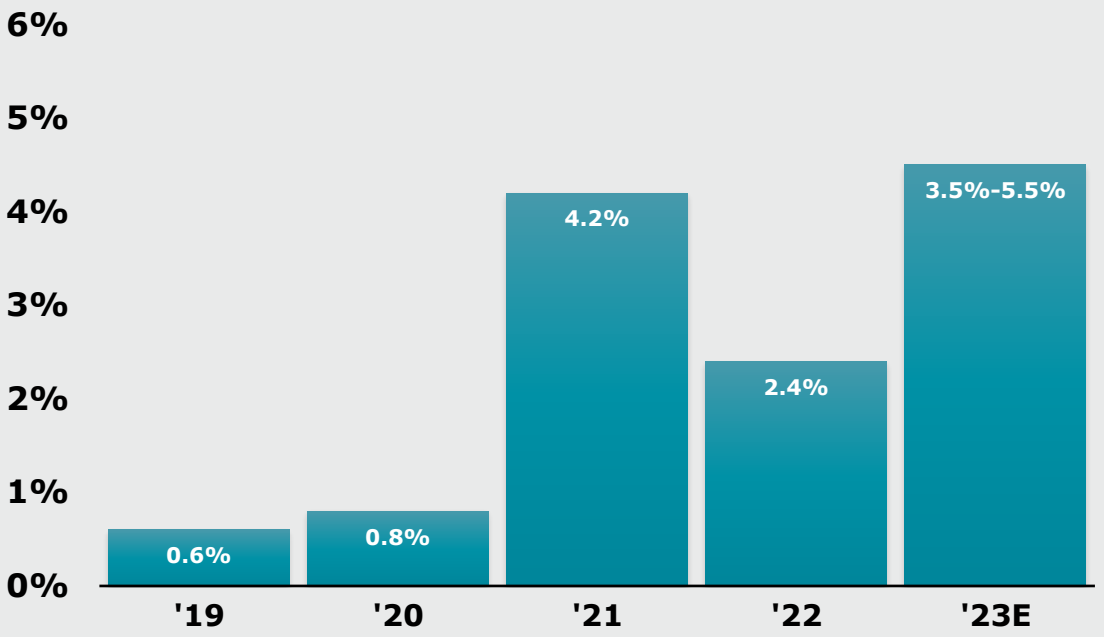
Residential Customer Growth[1]



[1]National average from 2022 Itron Annual Energy Survey Report.

Strong 2.5% Sales CAGR Past Three Years

Total Sales Growth[2,3]



[2]Weather-normalized.
[3]2019-2021 as reported in PNW Statistical Reports.

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 Distribution – Examples

- **Taiwan Semiconductor**
  Increased investment from $12B to $40B factory
- **Proctor & Gamble**
  $500M capital investment in manufacturing facility
- **Jacuzzi**
  $30M investment in 143k sq ft facility
- **Rehrig Pacific Company**
  $80M investment in manufacturing facility
- **Air Products & Chemicals**
  $160M investment in manufacturing facility





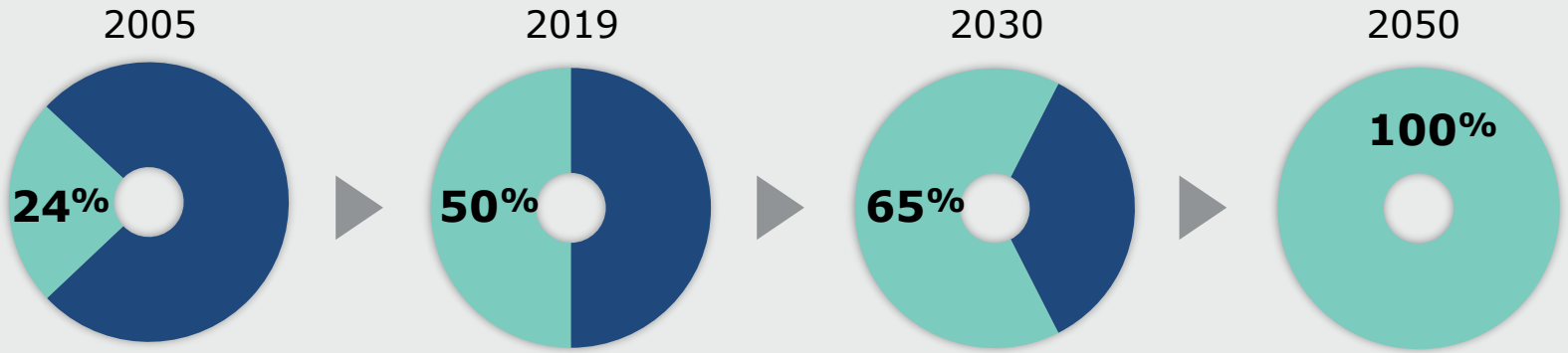
A clear plan for clean energy transition

Progress Towards Meeting Clean Energy Commitment

- Since 2020, have contracted over 4,300 MW of clean energy and storage to be in service for APS customers by end of 2025
- Successfully installed 141 MWs of APS owned batteries at our AZ Sun sites and 150 MWs of solar at the Agave Solar Facility
- Charted course for healthy mix of APS-owned and third party-owned assets, to be continued through future planned RFPs



Pathway to Clean Energy





PINNACLE WEST CAPITAL CORPORATION

We Will Pursue Improvements in the Regulatory Environment

- ✓ Successfully appealed 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

1
Company Profile - Solid Foundation

2
Growth Outlook Remains Strong

3
Customer Initiatives and ESG Leadership

4
Financial Outlook & 2022 Rate Case



Bringing the Residential Customer into the Advanced Economy

Initiatives

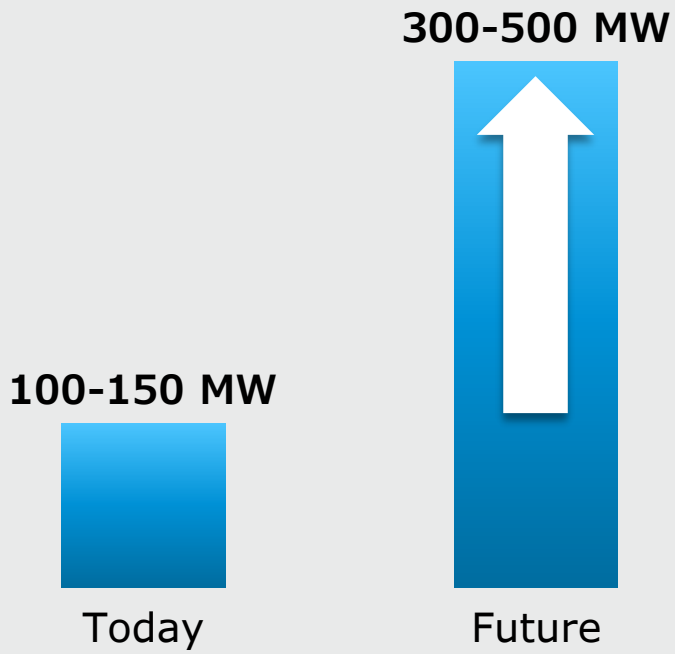
- Award-winning program to promote installation of advanced smart thermostats
  - reduces demand during peak load window
- Super off-peak electric vehicle charging rate equivalent to ~25¢ per gallon gasoline





Potential Impact

Demand Savings During Peak Afternoon Window



PINNACLE WEST CAPITAL CORPORATION

Customer Driven Initiatives Underway – A Few Examples

Take Charge AZ



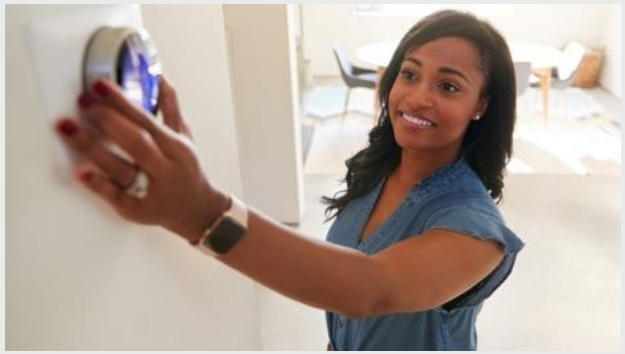
- Pilot program to encourage electric vehicle adoption by installing charging stations
- As of February 2023, installed 684 L2 charging ports

Customer Advisory Board



- Gathers direct insight from residential customers
- Identifies customer concerns to shape solutions

Energy Management



- Demand response programs reward customers who shift energy use to low-cost times
  - smart thermostats
  - residential battery systems
  - connected water heaters

Leading ESG Practices Guide Our Approach – Snapshot

Environmental



- Achieved a CDP Leadership score in Water Security four years in a row[1]
- MSCI ESG "AA" rating[2]
- Reduced carbon by 24% since 2005 and retired over 1,000 MW of coal

Social



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

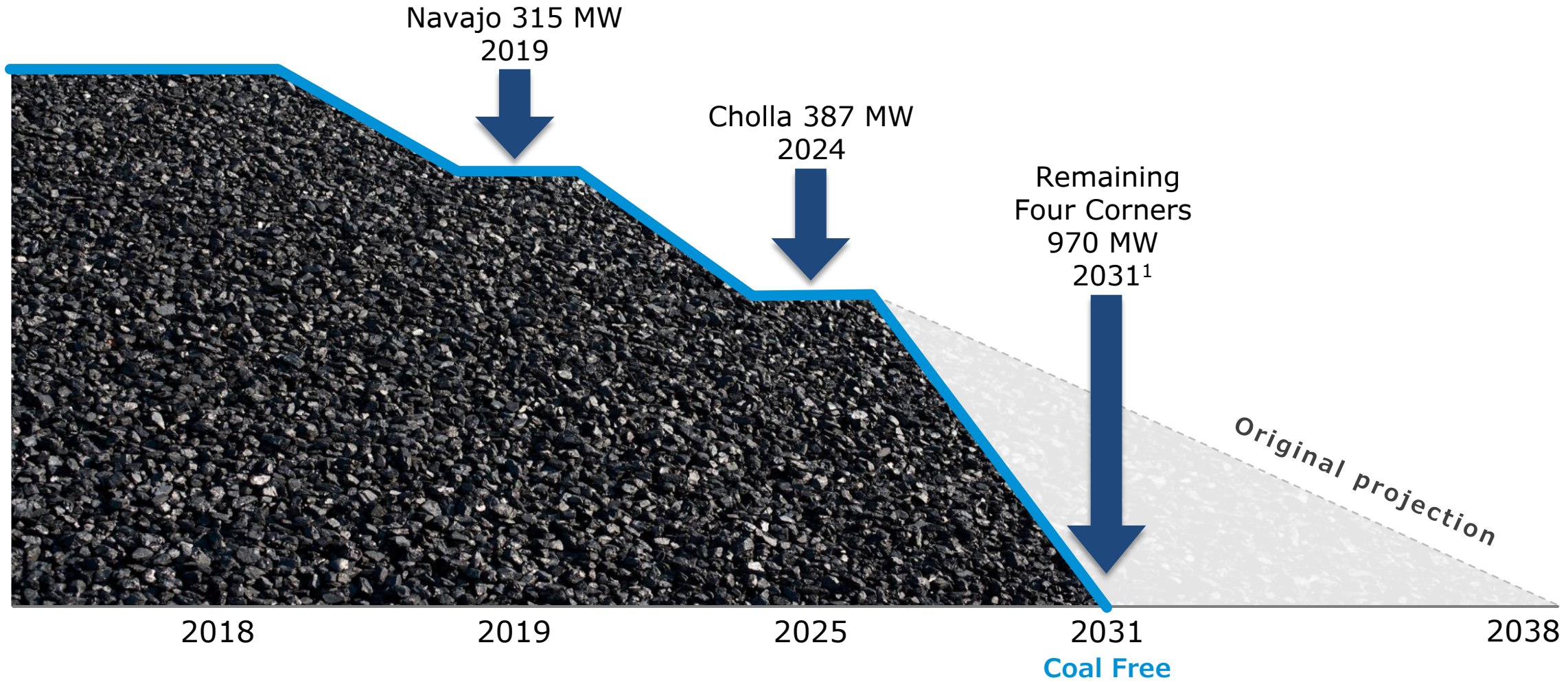
Governance



- 45% of independent directors gender or ethnically diverse
- ESG Executive Council
- Board oversight of strategy, risk, and ESG trends

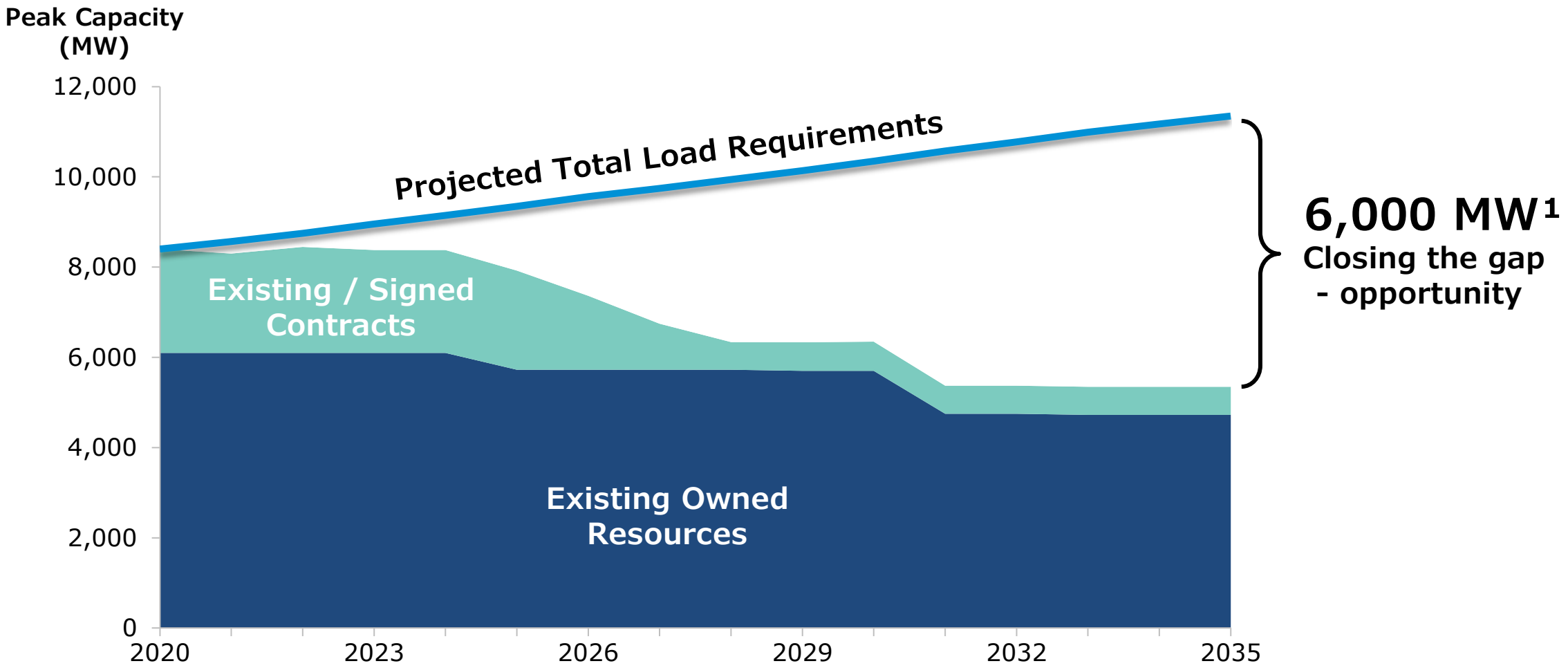
[1] CDP scores 2019-2022.
[2] Report dated February 14, 2023.

Coal Exit Strategy – 7 Years Earlier than Originally Projected



[1]Beginning in Fall 2023, Four Corners has the option to begin seasonal operation if deemed to be in the best interest of APS customers, and subject to the necessary approvals. Seasonal operation could 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



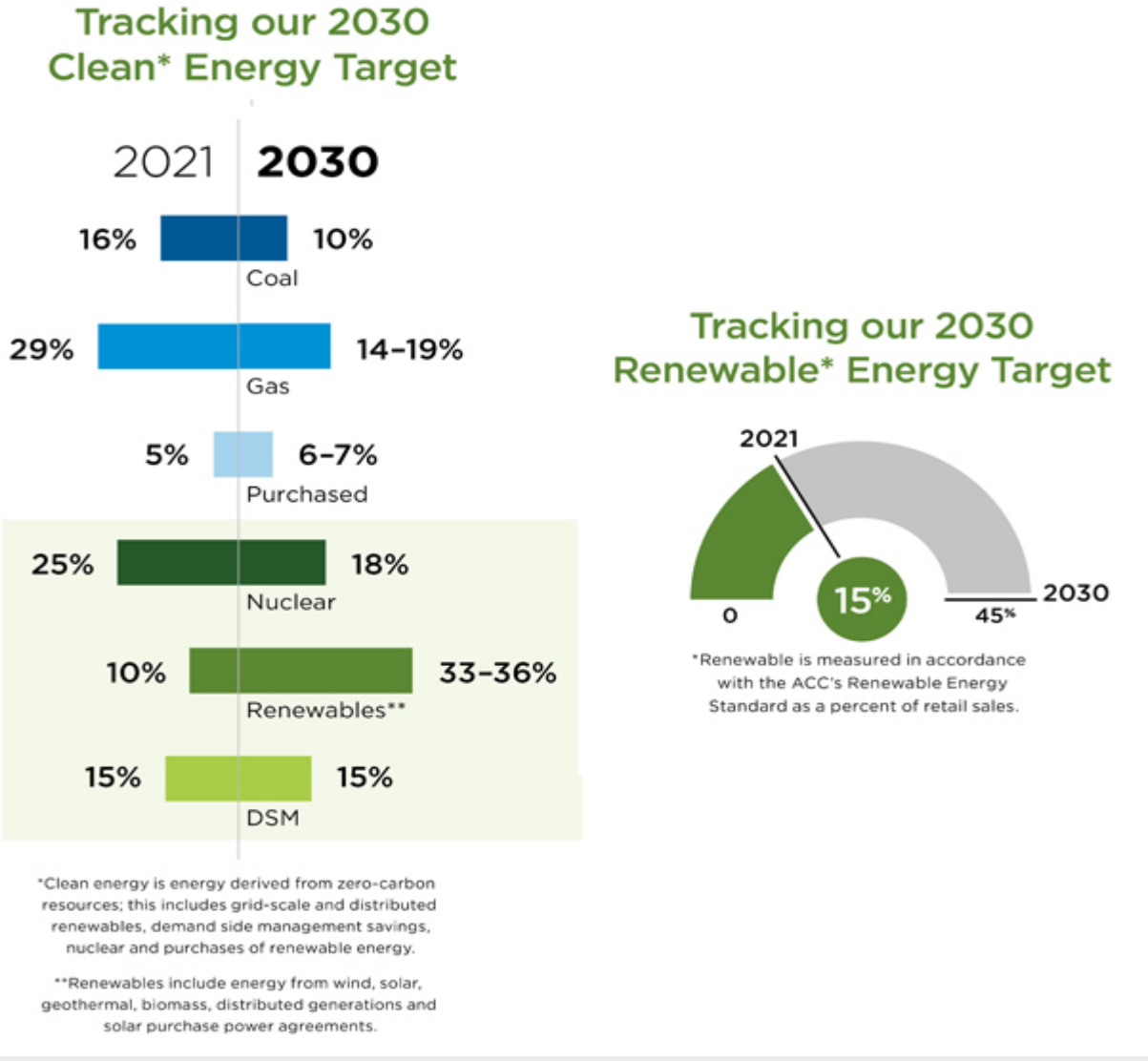
[1] Source of data: 2020 IRP. It is important to note that more than 6,000 MW of additions will be required, due to new resources being paired to meet reliability requirements (i.e., solar with storage requires 100 MW solar plus 100 MW of storage).

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

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

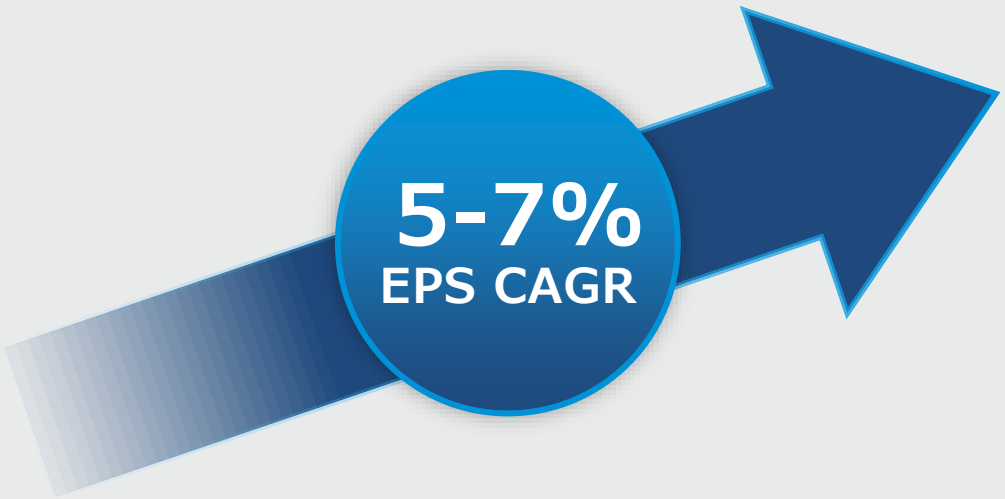


What Investors Can Expect From Us Moving Forward

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	**Attractive dividend yield**
7	**Optimize our balance sheet in support of investment**

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

Long-Term Outlook



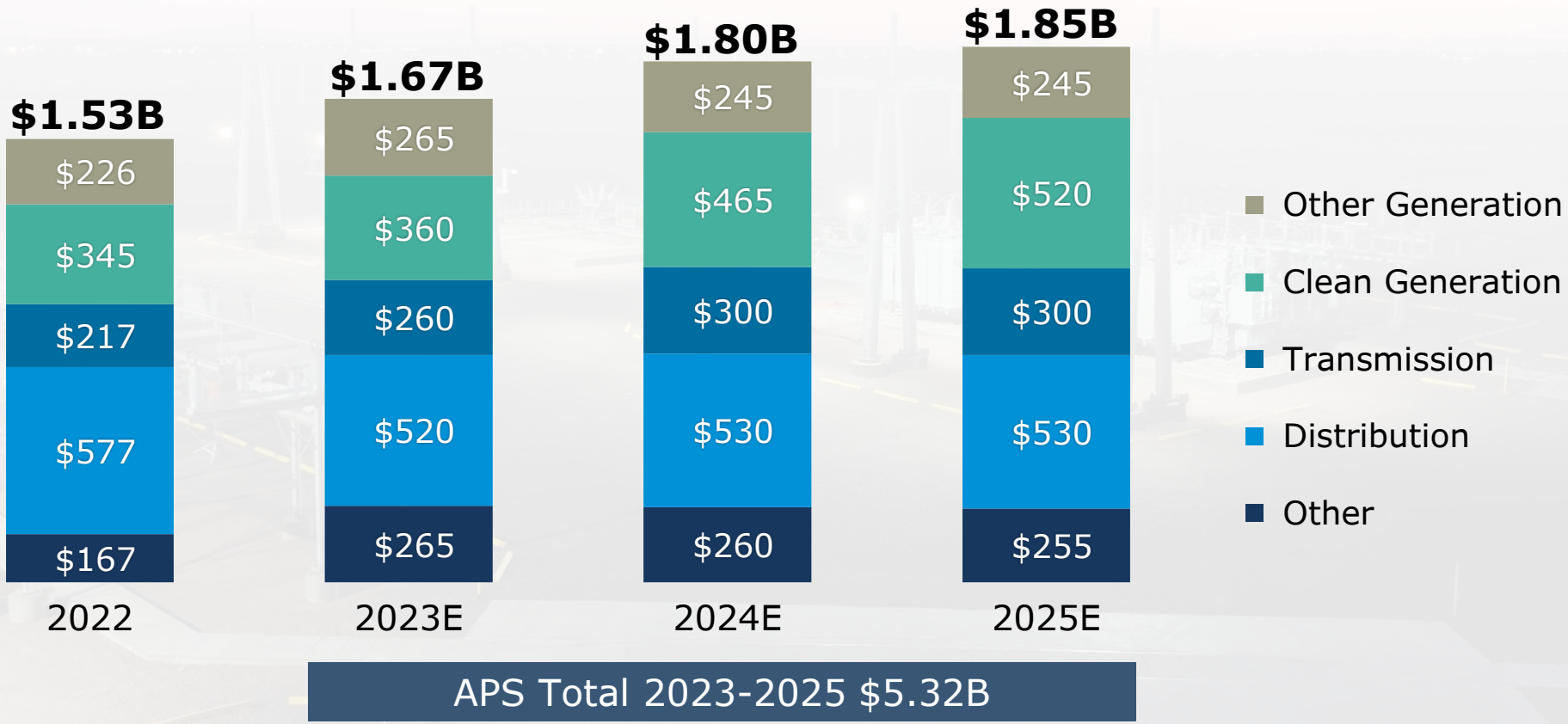
Long-Term Upside Potential

- 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.

PINNACLE WEST CAPITAL CORPORATION

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



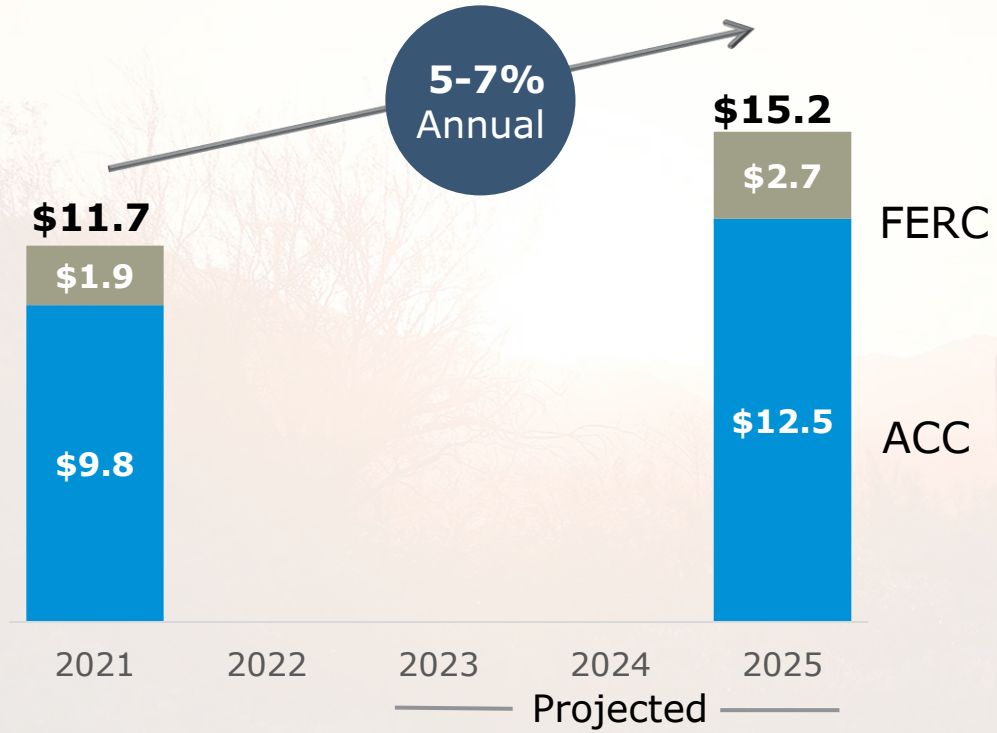
2023–2025 as disclosed in the First Quarter 2023 Form 10-Q.

PINNACLE WEST CAPITAL CORPORATION

Steady rate base growth

Total APS Rate Base Growth Guidance

Year-End



Rate base $ in billions, rounded

Approved Rate Base

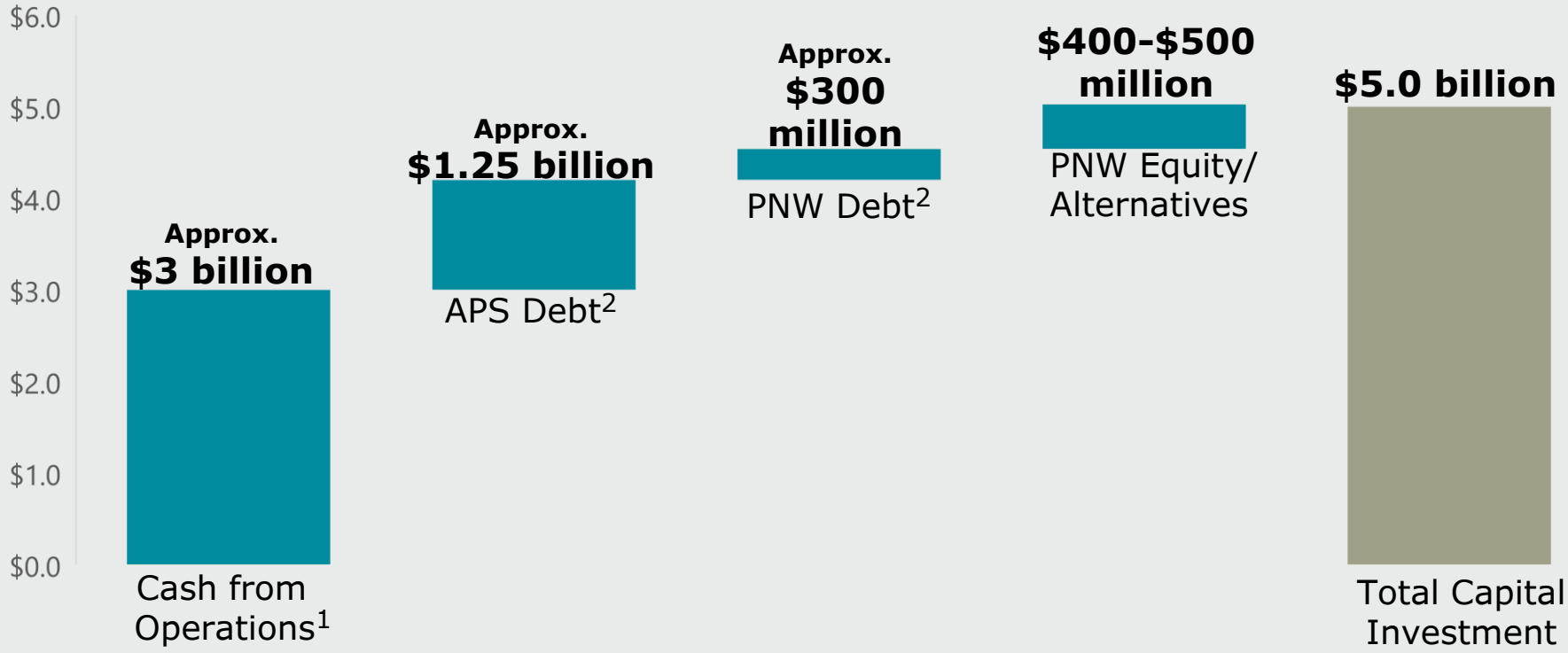
	ACC	FERC
Rate Effective Date	12/01/2021	6/1/2023
Test Year Ended	06/30/2019[1]	12/31/2022
Rate Base	$8.6B[2]	$2.0B
Equity Layer	54.7%	50.3%
Allowed ROE	8.9%[3]	10.75%

[1] Adjusted to include post test-year plant in service through 06/30/2020
[2] Rate Base excludes $215M approved through Joint Stipulation in Case No. E-01345A-19-0236.
[3] ROE adjusted to reflect ROE approved through Joint Stipulation in Case No. E-01345A-19-0236.

PINNACLE WEST CAPITAL CORPORATION

No plans to issue equity before end of next rate case

Forecasted sources of capital to fund investments from 2022-2024



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

PINNACLE WEST CAPITAL CORPORATION

Our goal continues to be declining O&M (as adjusted) per MWh

O&M (as adjusted) per MWh

$29.60/MWh



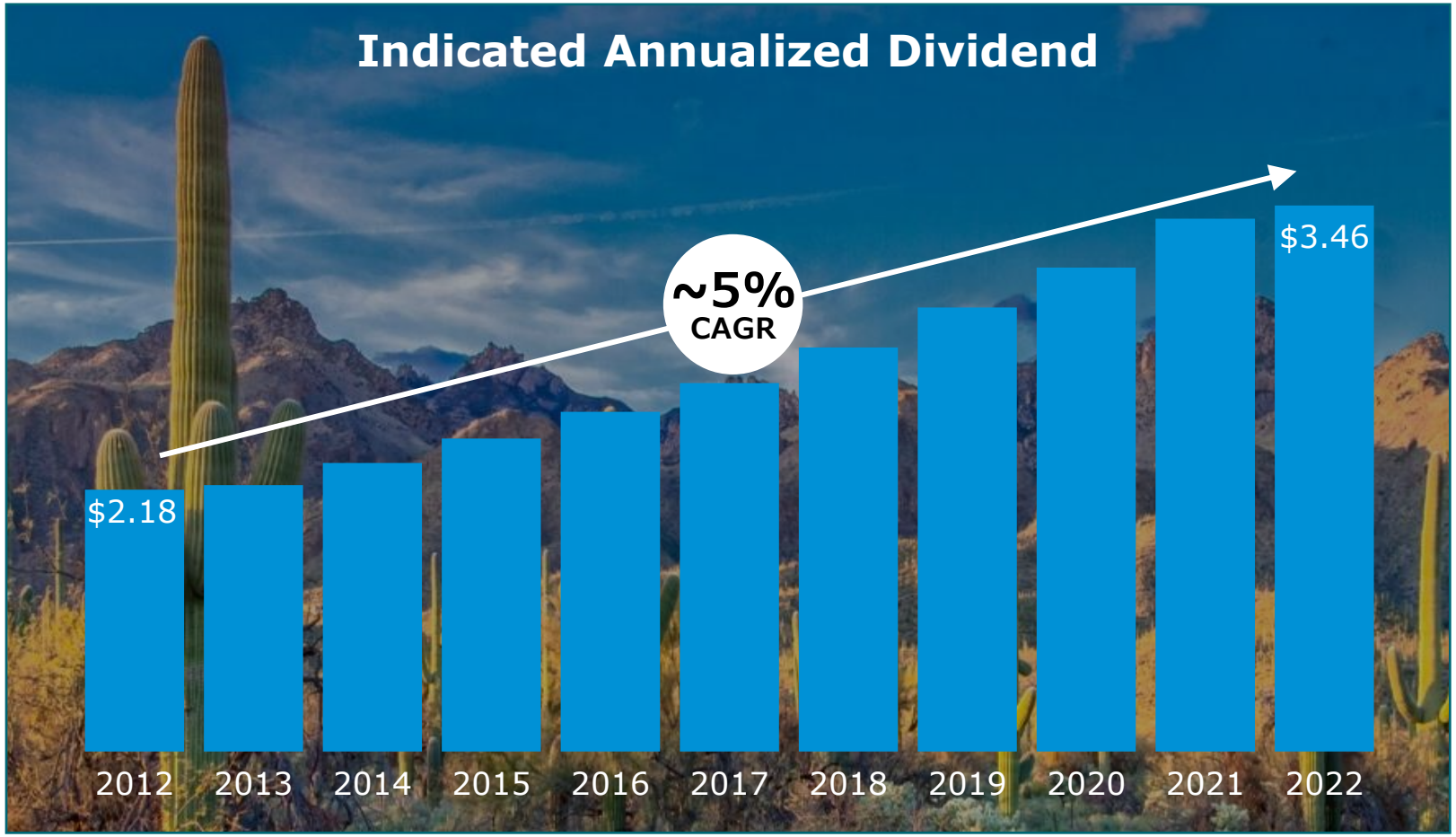
2022

Total O&M (as adjusted)[1]
2022: $892M
2023: $885M-$905M

[1] O&M amounts, as adjusted, exclude RES/DSM amounts of $95M in 2022 and $110M-$120M in 2023. Planned outage amounts included in O&M are $43M in 2022 and a projected $45M-$55M in 2023. For reconciliation, see slide 38.

PINNACLE WEST CAPITAL CORPORATION

Continue Our Track Record of Consistent Dividend Growth[1]



Dividend Targets

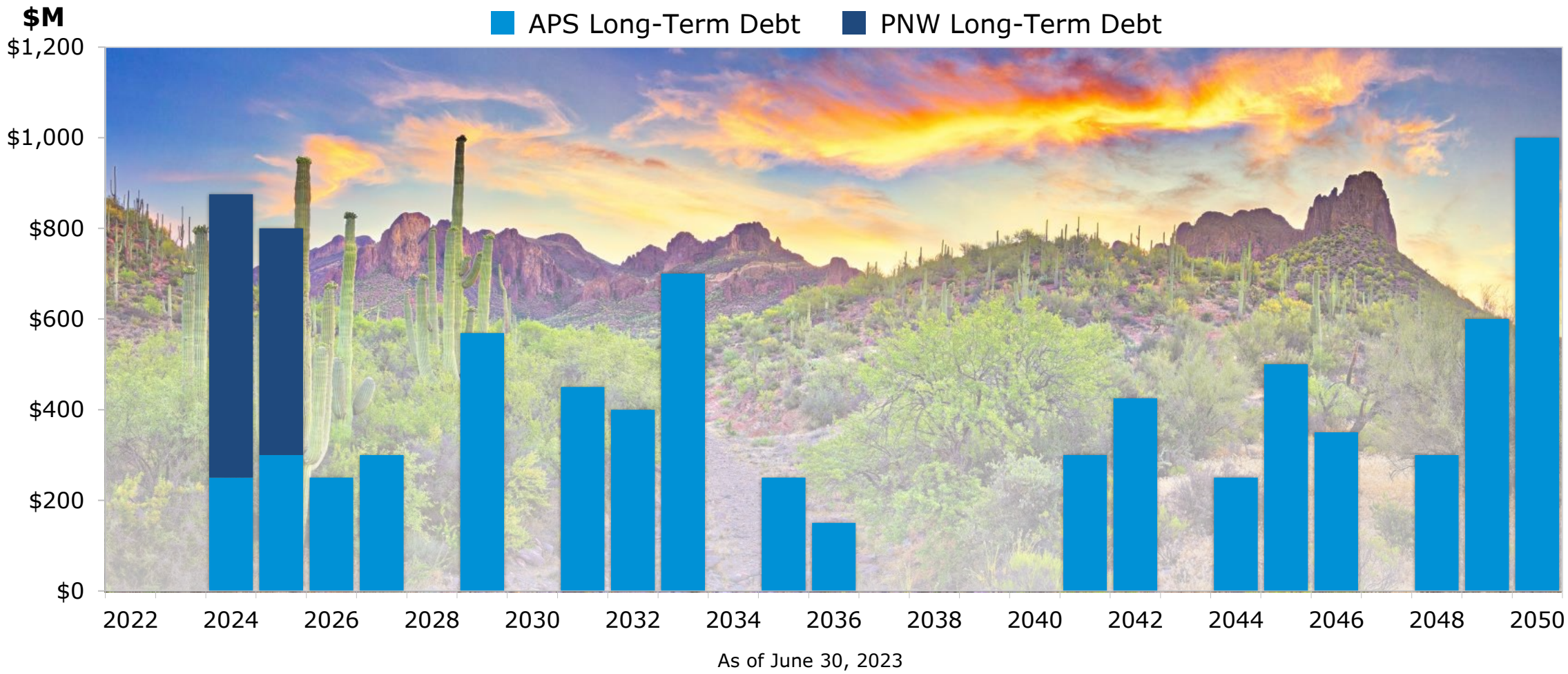
- Long-term dividend growth
- Attractive dividend yield
- Managing long term dividend payout ratio to 65-75%



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

PINNACLE WEST CAPITAL CORPORATION

Strong balance sheet with attractive long-term debt maturity profile[1]



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

PINNACLE WEST CAPITAL CORPORATION

Credit Ratings Summary

	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 July 18, 2023.

2022 APS Rate Case Application – Rebuttal Testimony

Key Financials	
Test year ended June 30, 2022	
Total Rate Base - Adjusted	**$13.0 Billion**
ACC Rate Base - Adjusted	$10.4 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**

2022 APS Rate Case Application – Rebuttal Testimony

Adjustment Mechanisms Overview

- Eliminate the Environmental Improvement Surcharge and collect costs through base rates
- Maintain the Lost Fixed Cost Recovery Mechanism and Demand Side Management Adjustor Charge as separate mechanisms
- Adopt a System Reliability Benefit recovery mechanism and maintain REAC in its current state
- Modify the performance incentive in the Demand Side Management Adjustor Charge
- Increase the Power Supply Adjustor Annual Cap from $0.004/kWh to $0.006/kWh 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

2022 APS Rate Case Application – Rebuttal Testimony

Overview of Rate Increase Rebuttal Request ($ in Millions) Key Components[1]	
Rate Base Growth	$130
Revenue Impact of 12 Months Post Test Year Plant and Four Corners ELG	120
Weighted Average Cost of Capital of 7.17%	78
0.5% Fair Value Increment	34
New Customer Programs, Coal Community Transition and Other	21
Total Revenue Request	**$383**
Customer Net Base Rate Impact on Day 1	**11.3%**

Additional Details

- Initial Application Filed October 28, 2022; Rebuttal Filed July 12, 2023
- 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 - Testimony Summary[1]

	APS Application	ACC Staff Direct Testimony	RUCO Direct Testimony	APS Rebuttal
Return on Equity	10.25%	9.6%	8.2%[2]	10.25%
Fair Value Increment	1.0%	0.75%	0.0%	0.5%
Post Test-Year Plant	12 months	12 months	6 months	12mos. + Four Corners ELG
New Capital Tracking Mechanism	Modified REAC for recovery of capital carrying cost of clean investments	Modified REAC- No All Source Capital- Not yet addressed	Modified REAC- No All Source Capital- Not yet addressed	All-Source Capital Recovery Mechanism (System Reliability Benefit or SRB)
Existing Adjustors	• Eliminate EIS surcharge and collect through base rates • Eliminate LFCR and collect through DSM surcharge • Modify performance incentive in DSM surcharge	• Maintain LFCR and DSM as separate adjustors	• Eliminate LFCR; increase DSM recovery through base rates	• Keep current suite of adjustors with minor changes • Maintain LFCR and DSM as separate adjustors
Additional items	• 100% D&O • 100% Incentive comp.	• 50% D&O • 50% Incentive Comp	• 50% D&O • 25% Incentive comp.	• Updated Pension expense • 50% D&O • 50% Incentive comp.
Total Revenue Requirement Increase	$460M	$313M	$84.9M	$383.1M
Customer Net Base Rate Impact on Day 1	13.6%	9.3%	2.5%	11.3%

[1]As of July 18, 2023. Numbers may not foot due to rounding.
[2]Alternatively, RUCO recommends a ROE of 8.7% if the Commission imputes a hypothetical capital structure with 54% equity layer.

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	**June 5, 2023**
Staff/Intervenor Direct Testimony (Rate Design) Due	**June 15, 2023**
APS Rebuttal Testimony Due	**July 12, 2023**
Staff/Intervenor Surrebuttal Testimony Due	**July 26, 2023**
APS Rejoinder Testimony Due	**August 4, 2023**
Pre-Hearing Conference	**August 7, 2023**
Hearing Commences	**August 10, 2023**

[1]As of July 18, 2023

Regulatory 2023 key dates[1]

ACC Key Dates / Docket #	Q1	Q2	Q3	Q4
2022 Rate Case: **E-01345A-22-0144**			APS Rebuttal Filed July 12. Hearing to begin August 10	
Power Supply Adjustor (PSA) **E-01345A-19-0236**:	Effective March 1			2024 PSA Rate to be filed Nov 30
Transmission Cost Adjustor **E-01345A-19-0236**:		Filed May 15; effective June 1		
Environmental Improvement Surcharge **E-01345A-19-0236**:	Filed Feb. 1	Effective April 1		
Lost Fixed Cost Recovery (New docket):			Filed July 31	Effective November 1
Resource Planning and Procurement: **E-99999A-22-0046**				2023 IRP to be filed November 1
2023 DSM/EE Implementation Plan **E-01345A-22-0066**:				2024 Plan to be filed November 30
2023 RES Implementation Plan **E-01345A-22-0181**:			2024 Plan filed June 30	
Resource Comparison Proxy (New docket):		Filed May 1	Effective Sep 1	
Battery Storage PPAs through the PSA (New dockets):		4 Applications approved so far in 2023	2 pending applications; and 3 additional ones expected by July 31	

[1]Dates are estimated and subject to change.

IN SUMMARY

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

- Building on proven long-term performance 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

PINNACLE WEST
CAPITAL CORPORATION

APPENDIX



ESG Leadership – Recognitions

2022 A- Score for Water Security

Pinnacle West's ESG Rating AA[1]

Training Magazine

2023 Ranked as a Top Employee and Development Organization

Forbes Best Employer in Arizona

Named to the annual ranking of the world's **2022 Top 100 Green Utilities** by Energy Intelligence

2021 US Women in Nuclear Leadership Award

[1] As of February 14, 2023

Non-GAAP Measure Reconciliation

	2022 Actuals[4]	2023 Guidance[4]
Operating revenues[1]	$4.32 billion	$4.43 - $4.52 billion
Fuel and purchased power expenses[1]	**$1.63 billion**	**$1.64 - $1.67 billion**
Gross Margin	**$2.69 billion**	**$2.79 - $2.85 billion**
Adjustments:		
Renewable energy and demand side management programs[2]	$100 million	$115 - $125 million
Adjusted gross margin	**$2.59 billion**	**$2.67 - $2.72 billion**
Operations and maintenance[1,3]	**$987 million**	**$1.00 - $1.02 billion**
Adjustments:		
Renewable energy and demand side management programs[2]	$95 million	$110 - $120 million
Adjusted operations and maintenance	**$892 million**	**$885 - $905 million**

[1]Line items from Consolidated Statements of Income.
[2]Includes $5M for CCT (Coal Community Transition) in 2022 and $3M in 2023 which is recovered through REAC (Renewable Energy Adjustment Charge)
[3]O&M per MWh was $33/MWh in 2022.
[4]Numbers may not foot due to rounding.