# Renewed, Reliable and Resilient

May Investor Meetings

PINNACLE WEST
CAPITAL CORPORATION



# 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: uncertainties associated with the current and future economic environment, including economic growth rates, labor market conditions, 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 our 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; our 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 the most recent Pinnacle West/APS Form 10-K along with other public filings with the Securities and Exchange Commission, 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.

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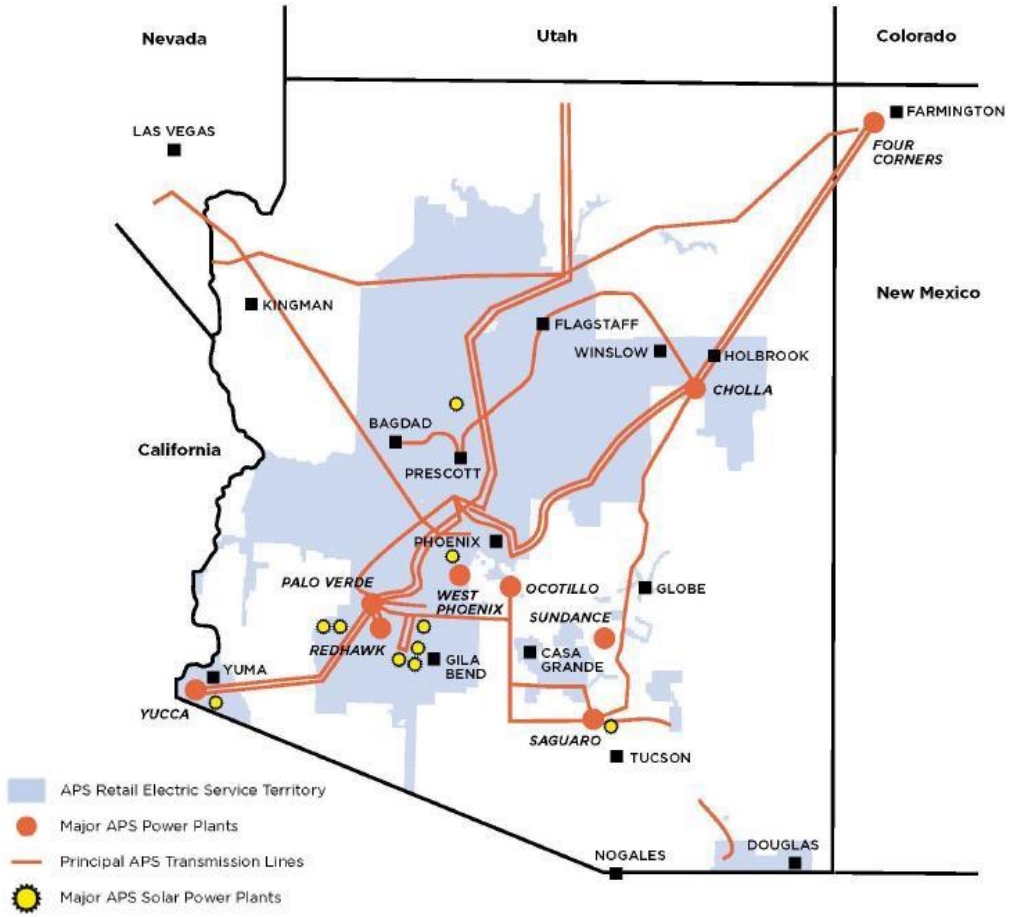



# Company Profile

PINNACLE WEST
CAPITAL CORPORATION

# Arizona's Largest Electric Company

## Service Territory




| Key Facts as of Dec. 31, 2023 | |
|---|---|
| Consolidated assets | $25B |
| Market cap | $8.15B |
| Generating capacity owned or leased (year end) | 6.5GW |
| Customers | 1.4M |
| Current % from clean energy | 51% |
| Total Revenue Mix (Non-Residential & Other/Residential) | 51%/49% |



PINNACLE WEST CAPITAL CORPORATION

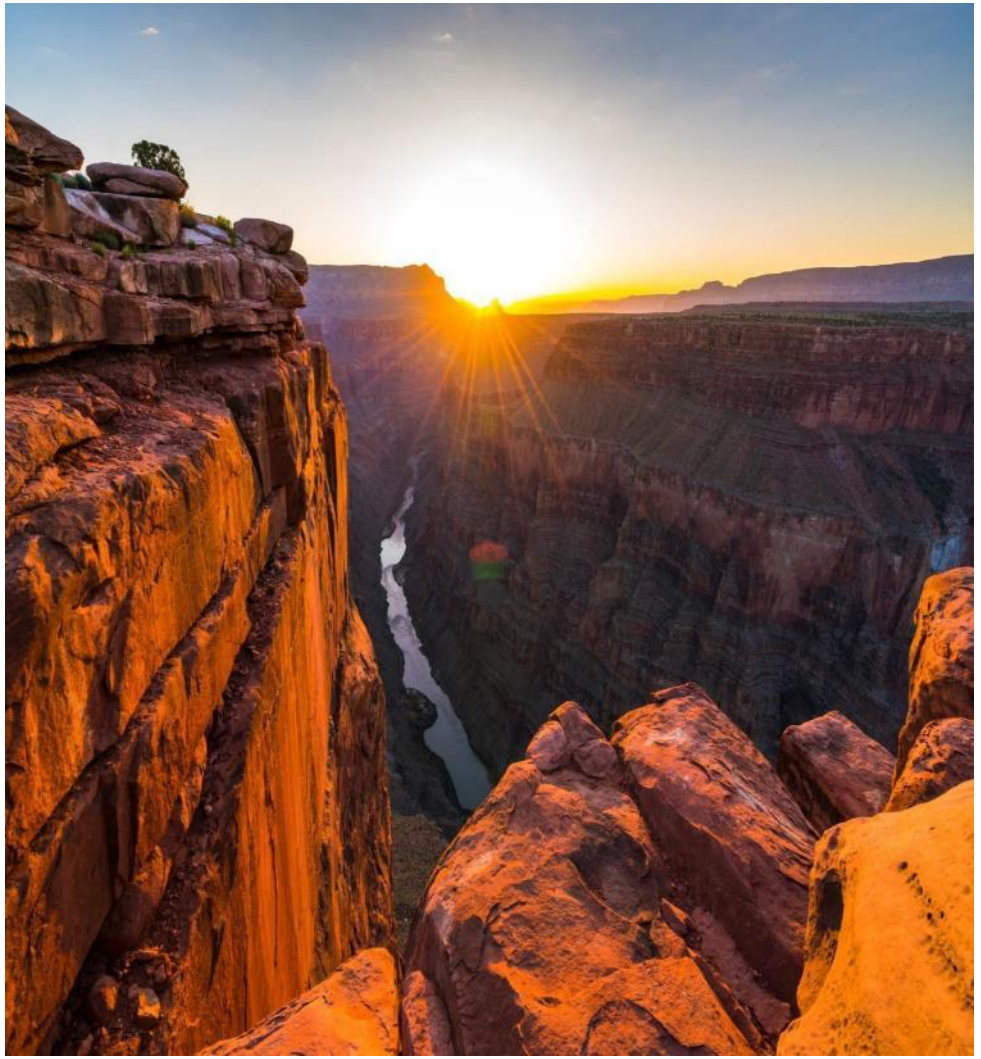


# Accomplished Previous Goals & 2022 Rate Case Outcome

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# Accomplished previous goals set during the financial reset

- ✓ Improved customer experience
  - From 4th quartile in 2021 to 2nd quartile in 2023 J.D. Power Residential and Business Survey
- ✓ Top quartile reliability for 10 of the last 11 years
- ✓ Successfully appealed 2019 rate case
- ✓ Improved relationships and developed a supportive regulatory environment
  - Constructive decisions from ACC (Power Supply Adjuster, 2019 Rate Case appeal outcome, 2022 Rate Case)
- ✓ Achieved an improved ROE of 9.55% and 0.25% FVI with a new generation capital rider
- ✓ Deferred equity issuance until post-rate case to limit dilution
- ✓ Continued to grow dividend during financial reset



# The 2022 rate case outcome was reasonable and constructive



| Key Components of Final Decision | |
|---|---|
| Return on Equity | 9.55% |
| Fair Value Increment | 0.25% |
| Equity Ratio | 51.93% |
| Post Test-Year Plant | 12 months + Four Corners ELG |
| New Capital Tracking Mechanism | System Reliability Benefit surcharge approved |
| Existing Adjustors | • Partial transfer of LFCR funds to base rates<br>• PSA annual cap increase approved |
| Total Base Rate Increase | $491.7M |
| Total Net Increase | $253.4M |
| Customer Net Impact on Day 1 | 8% |



# Growth Outlook & Energy Future

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# We are focused on solid execution and are optimistic for the future

## KEY REASONS

1. Rapidly growing service territory with a diverse customer base
2. An improved regulatory environment
3. Making progress toward our clean energy commitment
4. Tremendous opportunities in transmission growth
5. Continue to focus on customer affordability and have a customer centric strategy

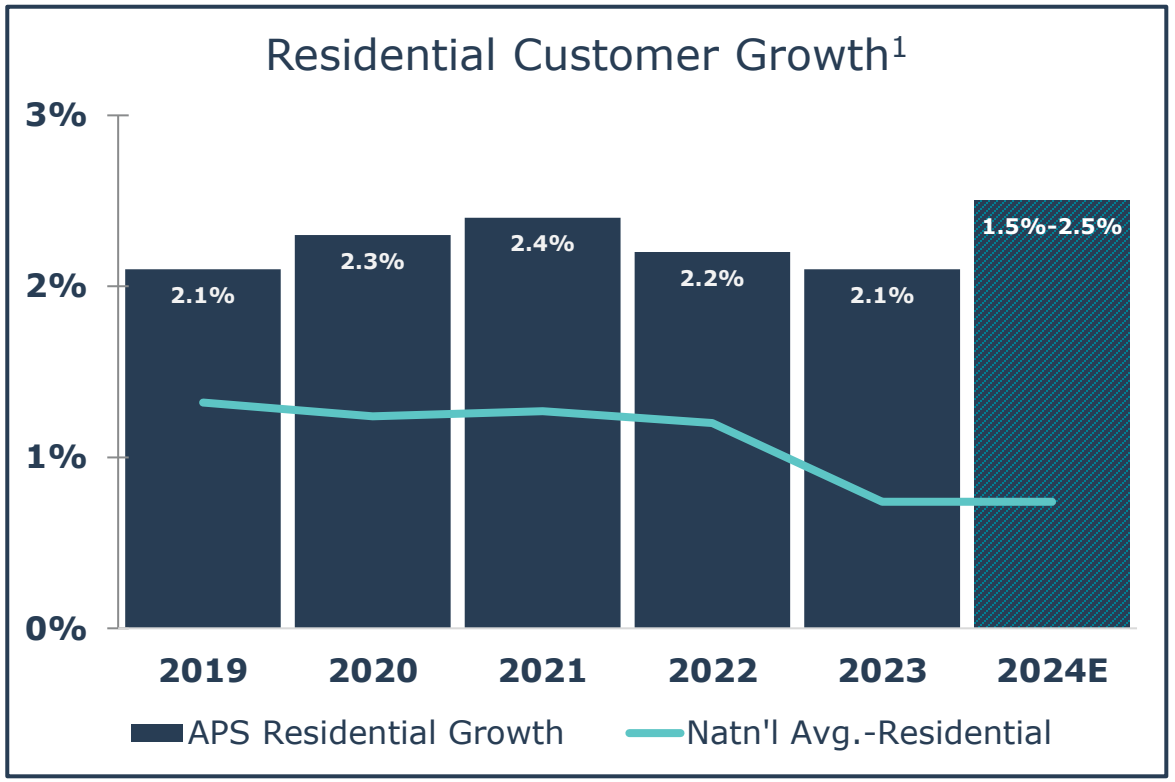


REASON #1

# Arizona continues to be an attractive service territory with strong customer growth

## Arizona economy continues to be robust and attractive

- In 2023, Maricopa County was the fourth fastest-growing county in the nation
- Phoenix housing is affordable compared to major cities in the region
- Phoenix is ranked #1 out of 15 top growth markets for manufacturing by Newmark Group, a global real estate firm
- Maricopa County leads the nation in attracting talent according to Lightcast, a global leader in labor market analytics




[1] National average from 2023 Itron Annual Energy Survey Report.



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REASON #1

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

## Arizona is an attractive location for business growth

- **Infrastructure** — close proximity to major markets in the West with accessibility by rail or truck
- **Weather predictability** — low propensity for natural disasters and greatest solar irradiance in America
- **Workforce availability** — three major universities graduating a skilled labor force
- **Affordability** — business friendly policies and regulation
- **Clean Energy** — IRA support for clean energy generation

## Large C&I customers as a growth driver

- Accounts for 3%-5% of the 4%-6% long-term weather normalized sales growth[1] guidance
- Amplifier effect for jobs and surrounding communities leading to residential growth
- Increased sales help spread fixed costs and maintain rate affordability for all customers

[1] Forecasted guidance range through 2026.



# Arizona's commercial and industrial growth is diverse




Source: Arizona Commerce Authority

REASON #2

# We have an improved regulatory environment



## Improvements at the Arizona Corporation Commission

- Balanced, constructive and more consistent outcomes, including improved ROE to APS
- Establishment of Regulatory Lag docket
- Reaffirmation of Rate Case Settlement Policy
- Continued support of adjustor mechanisms to improve cost recovery, including SRB

## Commitments by the Company

- Sustain investment in customer experience improvements
- Continue to find alignment with regulators and work with stakeholders on common issues
- Advocate for reduced regulatory lag
- Focus on customer affordability

REASON #3

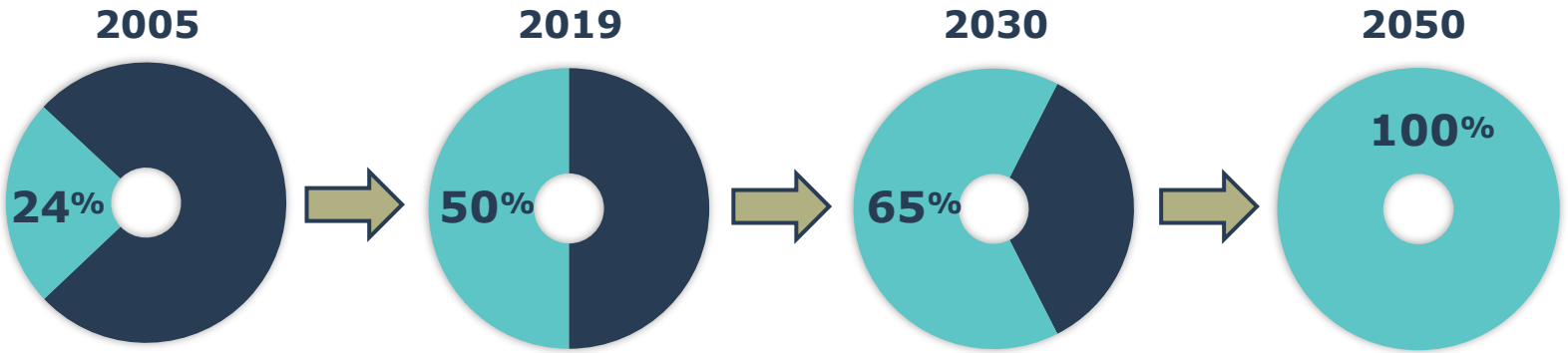
# We are making progress towards our Clean Energy Commitment

## Progress

- Since 2020, have contracted over 5,000 MW of clean energy and storage to be in service for APS customers by end of 2025
- Issued 2023 All-Source RFP for approximately 1,000 MW of reliable capacity, including at least 700 MW of renewable resources
- Successfully received approval of the System Reliability Benefit Surcharge that will expand our capacity to self-build generation to meet customer need with reduced lag



## Pathway








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REASON #4

# Transmission expansion will drive increased capital investment



**Increase resiliency** | **Support customer growth** | **Access to markets**

## Proposed Future Transmission Opportunities

| Line | Length (miles) | Voltage | Est. In-Service |
|---|---|---|---|
| Sundance to Pinal Central & Pinal Central to Milligan | 7 + 15 | 230 kV | 2027 |
| Ocotillo to Pinnacle Peak | 25 | 230 kV | 2031 |
| Panda to Freedom | 40 | 230 kV | 2031 |
| Jojoba to Rudd | 25 | 500 kV | 2032 |
| Four Corners to Pinnacle Peak | 290 (x2) | 345 kV | 2035 |

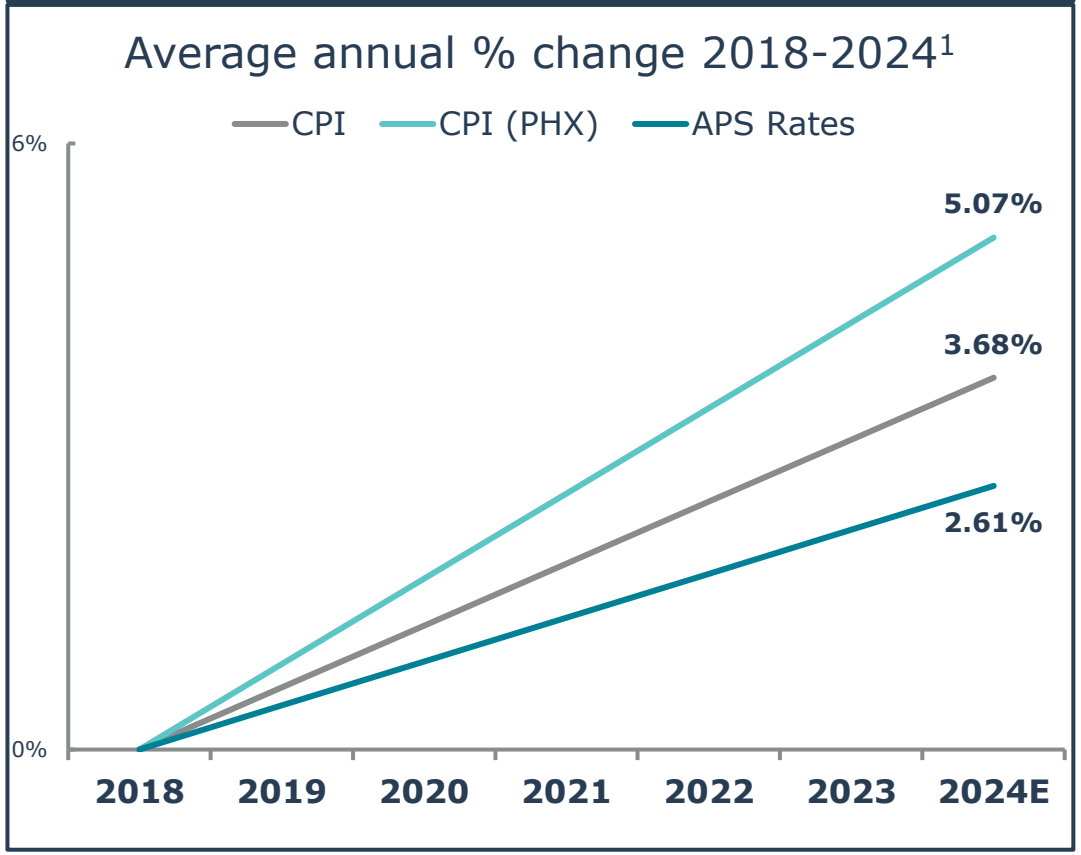
**Estimated total investment opportunities of more than $5 billion over the next ten years**

Source: APS 2024-2033 Ten Year Transmission System Plan

REASON #5

# We are focused on maintaining customer affordability and increasing customer satisfaction

## APS rates have remained well below the rate of inflation




[1] Includes 2024 estimates of 2.4% CPI, 2.6% CPI(PHX) & APS rate case outcome

## Key Areas of Focus

- Process improvements and preventative maintenance to reduce operating costs
- Innovative customer programs to help customers save energy and money
- Inflation Reduction Act tax credits and lending programs

## Improved J.D. Power Customer Satisfaction Survey Rankings

| | 2021 | | 2023 |
|---|---|---|---|
| Residential Customers | 4th Quartile | ↑ | 2nd Quartile |
| Business Customers | 4th Quartile | ↑ | 2nd Quartile |



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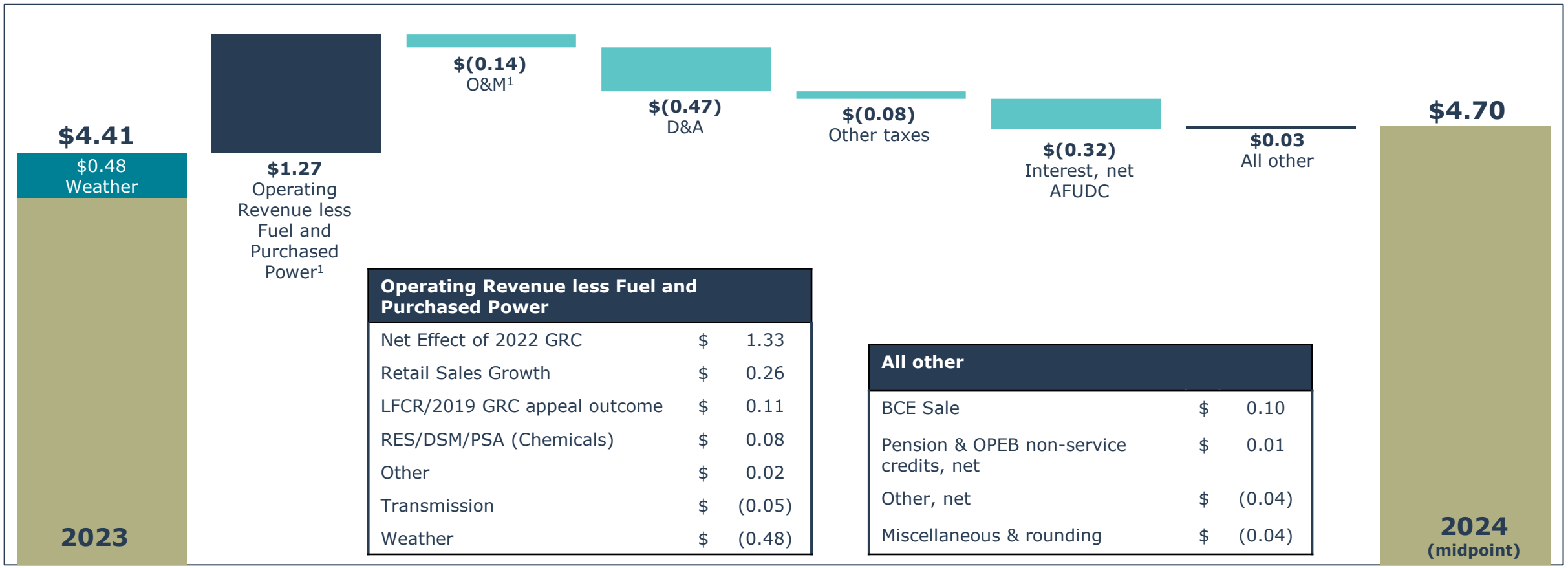


# Future Financial Outlook

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# 2024 EPS Guidance of $4.60 - $4.80

## 2024 vs 2023




| Operating Revenue less Fuel and Purchased Power | | |
|---|---|---|
| Net Effect of 2022 GRC | $ | 1.33 |
| Retail Sales Growth | $ | 0.26 |
| LFCR/2019 GRC appeal outcome | $ | 0.11 |
| RES/DSM/PSA (Chemicals) | $ | 0.08 |
| Other | $ | 0.02 |
| Transmission | $ | (0.05) |
| Weather | $ | (0.48) |

| All other | | |
|---|---|---|
| BCE Sale | $ | 0.10 |
| Pension & OPEB non-service credits, net | $ | 0.01 |
| Other, net | $ | (0.04) |
| Miscellaneous & rounding | $ | (0.04) |

[1] Includes costs and offsetting operating revenues associated with renewable energy and demand side management programs, see slide 41 for more information.



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# Key drivers for 2024 EPS guidance

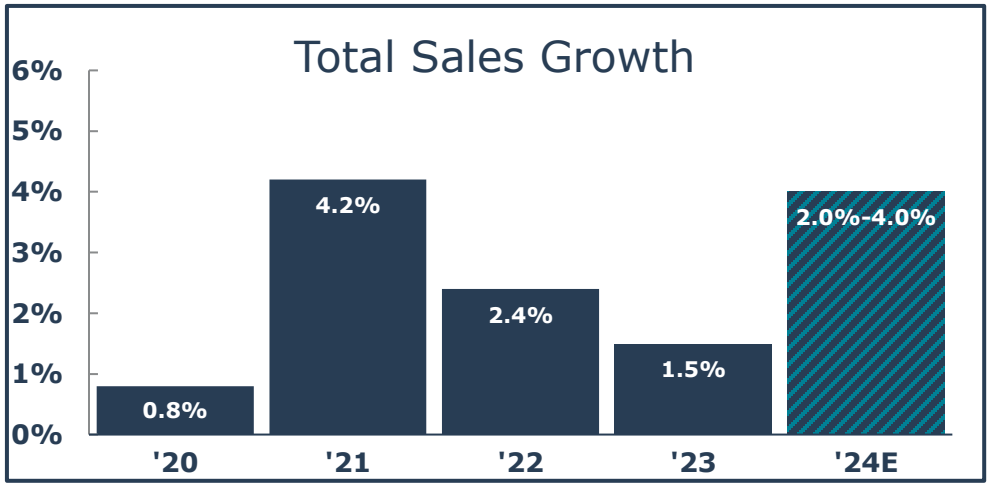
## 2024 EPS guidance of $4.60-$4.80 key drivers[1]

- ↑ New rates in effect March 8, 2024
- ↑ Retail customer growth of 1.5%-2.5%
- ↑ Weather-normalized retail electricity sales growth of 2.0%-4.0% (includes 2.5%-3.5% from large C&I)
- ↑ LFCR & 2019 GRC appeal outcome
- ↑ BCE sale
- ↓ Depreciation, amortization and property taxes due to higher plant in service
- ↓ 2024 normal weather
- ↓ Financing costs
- ↓ Operations and maintenance

[1] Arrows represent expected comparative year-over-year impact of each driver on earnings.

## Long-term guidance and key drivers[1,2]

- Long-term EPS growth target of 5%-7% off 2024 midpoint
- Retail customer growth of 1.5%-2.5%
- Weather-normalized retail electricity sales growth of 4%-6% (includes 3%-5% from large C&I customers)



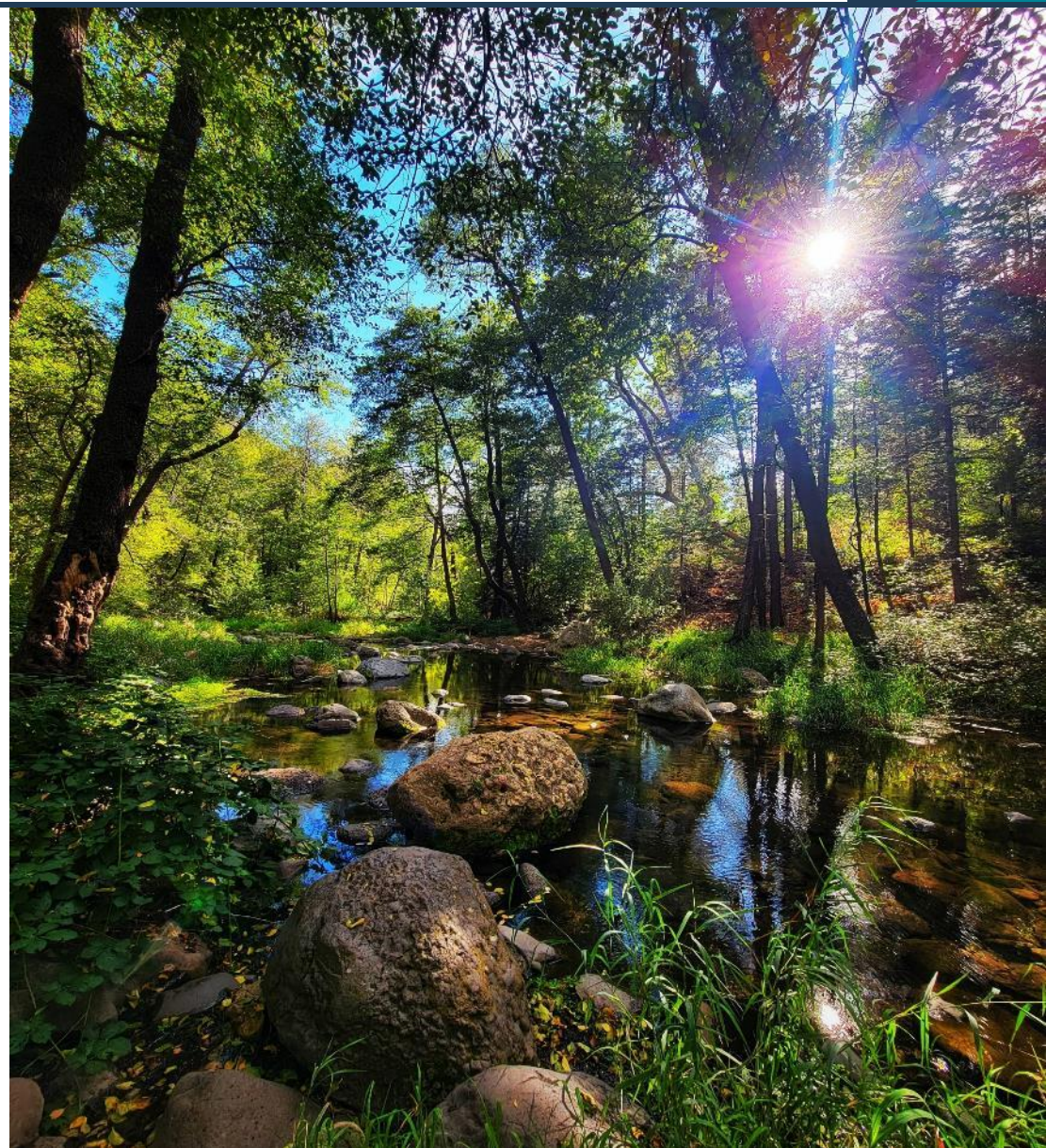

[1] Long-term EPS growth target based on the Company's current weather normalized compound annual growth rate projections from 2024-2028.
[2] Forecasted guidance range through 2026.



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# Our investor goals going forward

1. Long-term EPS growth of 5%-7% off 2024 base, supporting competitive total shareholder return
2. Optimized capital plan to reliably serve growing service territory, driving strong rate base growth and supported by SRB
3. Managing a healthy capital structure with accretive equity to support investment
4. Declining O&M per MWh with focus on customer affordability
5. Competitive shareholder dividend
6. Solid balance sheet and credit ratings



GOAL #1

# Long-term outlook potential remains solid

## EPS Growth off 2024[1]



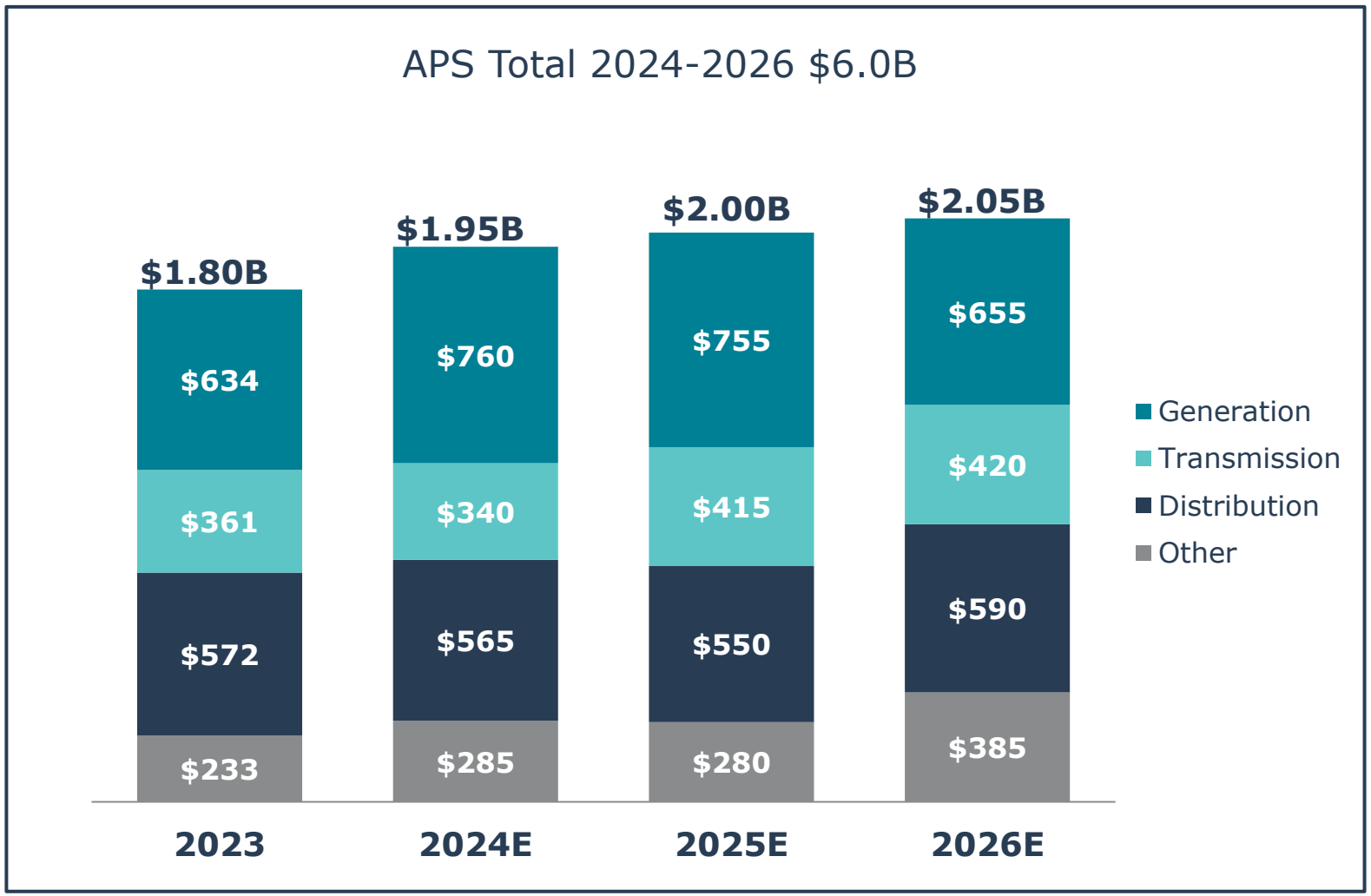

## Potential drivers for more consistent and timely cost recovery

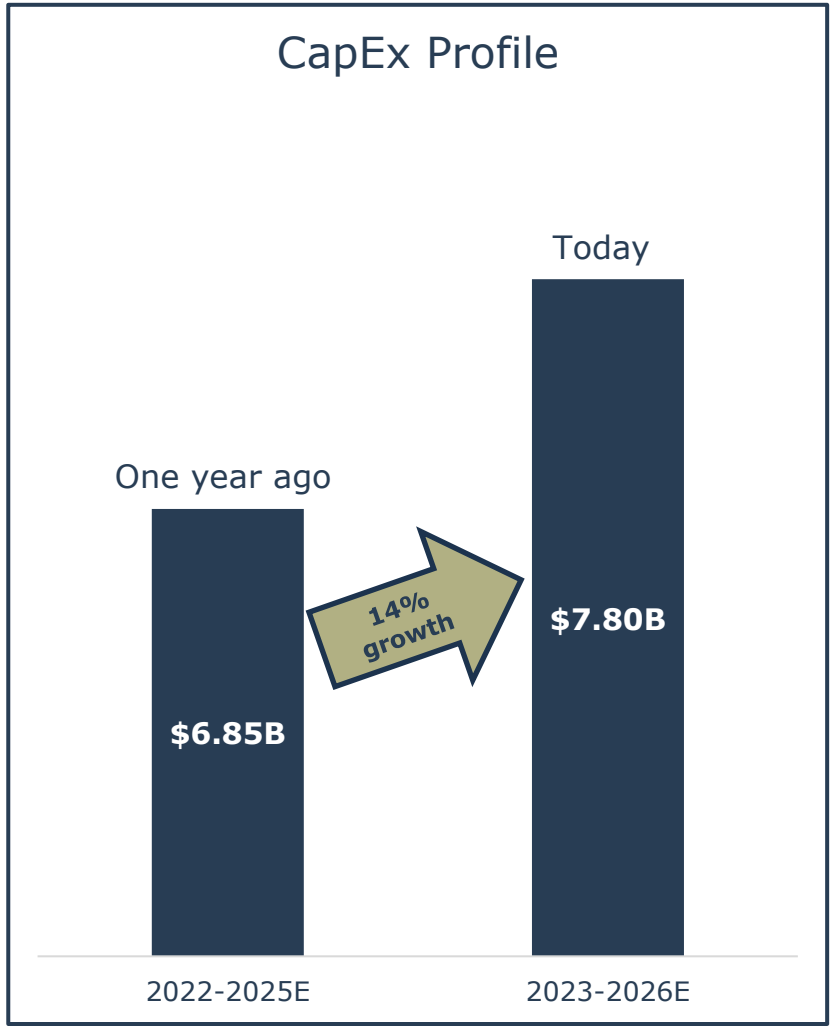
- Reduction of regulatory lag including exploration of alternative rate-making structures
- Rate case cadence and potential settlement of future rate cases
- Continued support of adjustor mechanisms
- Continued economic development driving sales and customer growth
- Continued cost management

[1] Long-term EPS growth target based on the Company's current weather normalized compound annual growth rate projections from 2024-2028.

GOAL #2

# Capital plan to support reliability and continued service territory growth



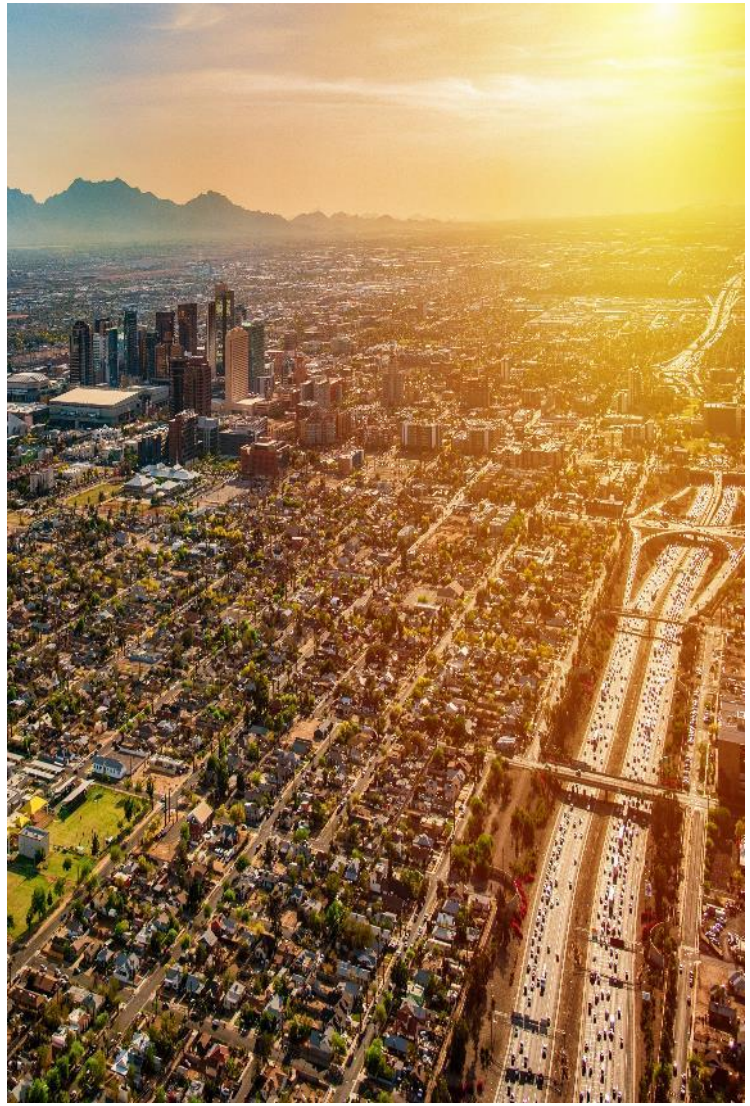

Source: 2024-2026 as disclosed in the First Quarter 2024 Form 10-Q



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GOAL #2

# SRB will expand our capacity to self build generation to meet customer need with reduced lag



## System Reliability Benefit Surcharge Key Features

- Projects that compete on cost and reliability from All-Source Request for Proposals
- Determines prudency of new generation between general rate cases
- Included in rates approximately 180 days after in service with Commission approval
- Recovery at prevailing WACC less 100bps until future rate case
- Traditional AFUDC treatment until asset is in service

## Near term Potential SRB Opportunities

| Proposed Project | MWs | Est. In-Service |
|---|---|---|
| Agave BESS (Phase I) | 150 | 2026 |
| Sundance Expansion | 90 | 2026 |
| Ironwood Solar | 168 | 2026 |
| Agave BESS (Phase II) | 150 | 2027 |
| Redhawk Expansion | 327 | 2028 |

Projects represent ~42% of IRP forecasted incremental installed utility scale capacity over 2025-2028

GOAL #2

# Rate Base growing with our service territory

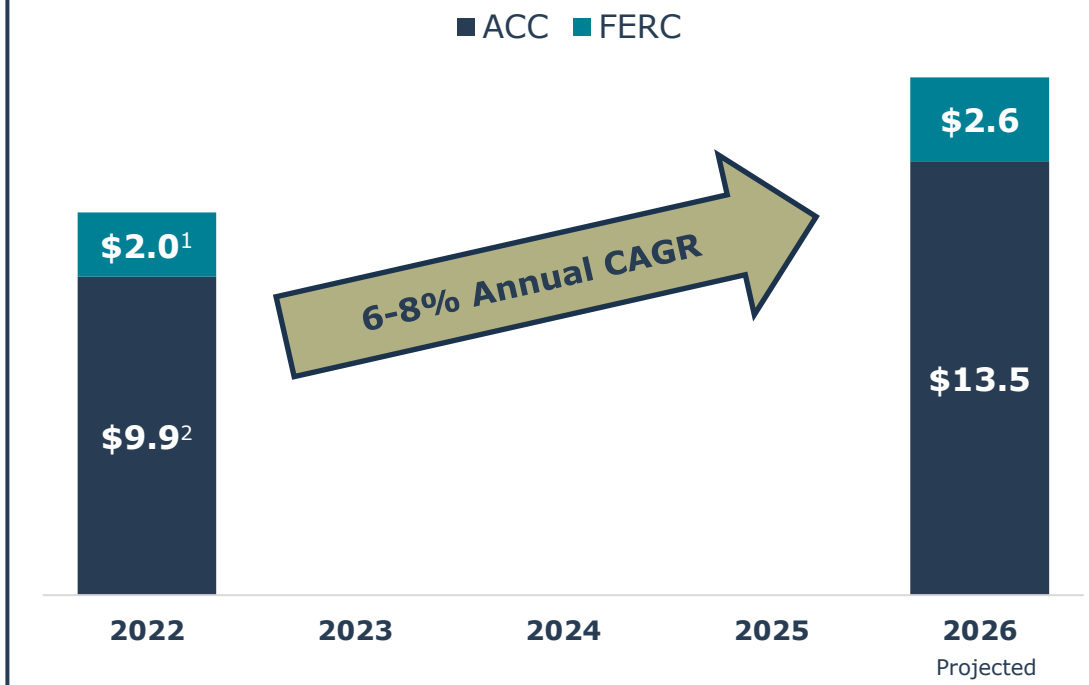
## Current Approved Rate Base and Test Year Detail

| | ACC | FERC |
|---|---|---|
| **Rate Effective Date** | 03/08/2024 | 6/1/2023 |
| **Test Year Ended** | 6/30/2022[1] | 12/31/2022 |
| **Equity Layer** | 51.93% | 50.3% |
| **Allowed ROE** | 9.55% | 10.75% |
| **Rate Base** | $10.36B[2] | $2.0B |

Generation spend through System Reliability Benefit Surcharge and transmission spend will total ~35% of tracked capital from 2024-2026 and help reduce regulatory lag

[1] Adjusted to include post-test year plant in service through 06/30/2023.
[2] Rate Base excludes $215M approved through Joint Resolution in Case No. E-01345A-19-0236.

## End-of-Year Rate Base and Growth Guidance




Rate base $ in billions, rounded

[1] Derived from APS annual update of formula transmission service rates.
[2] Represents unadjusted ACC jurisdictional rate base consistent with regulatory filings.

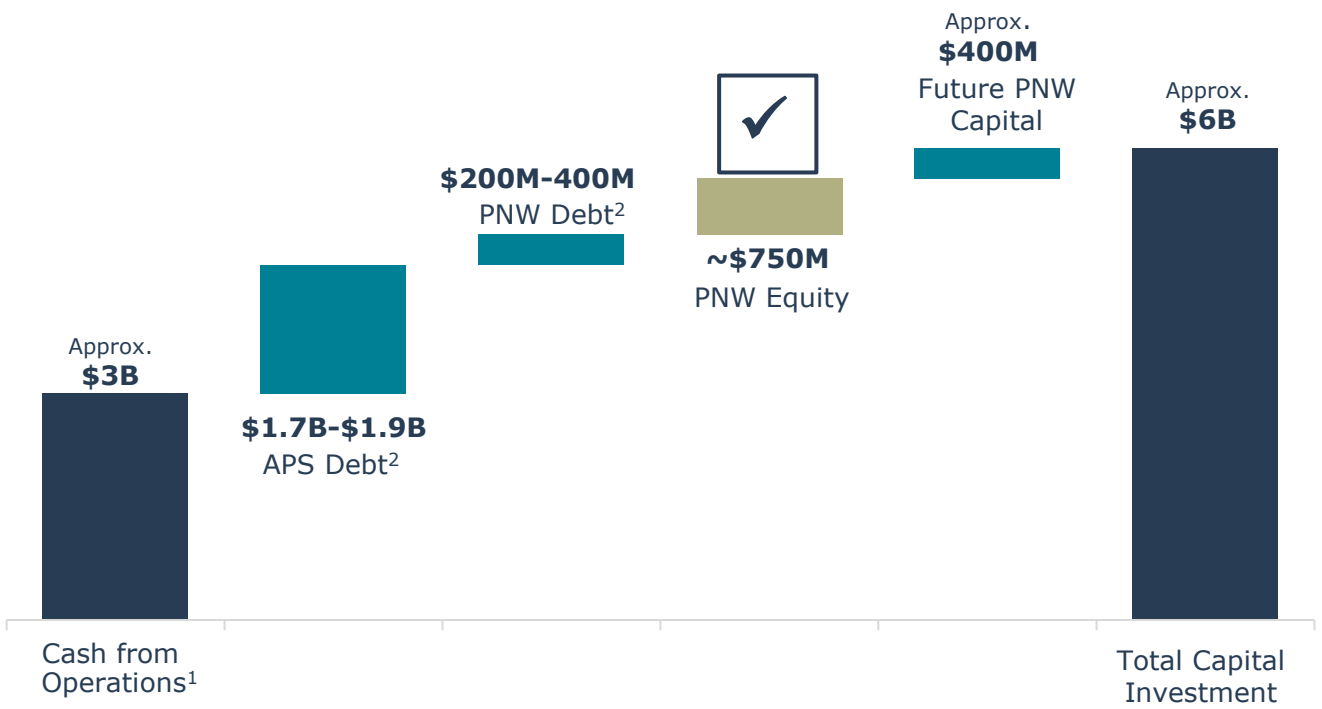


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GOAL #3

# Optimized financing plan to support balanced capital structure

## 2024-2026 Financing Plan




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

## Funding Strategy

- ✓ Successfully raised ~$750 million of external equity on a forward sale to support balanced APS capital structure and expanded, accretive investment
- Enhanced CapEx plan will require future financing matched to spend profile through 2026 (~40% of incremental CapEx in plan)
- Tools available for future PNW capital need include ATM and alternatives (e.g., hybrid securities)



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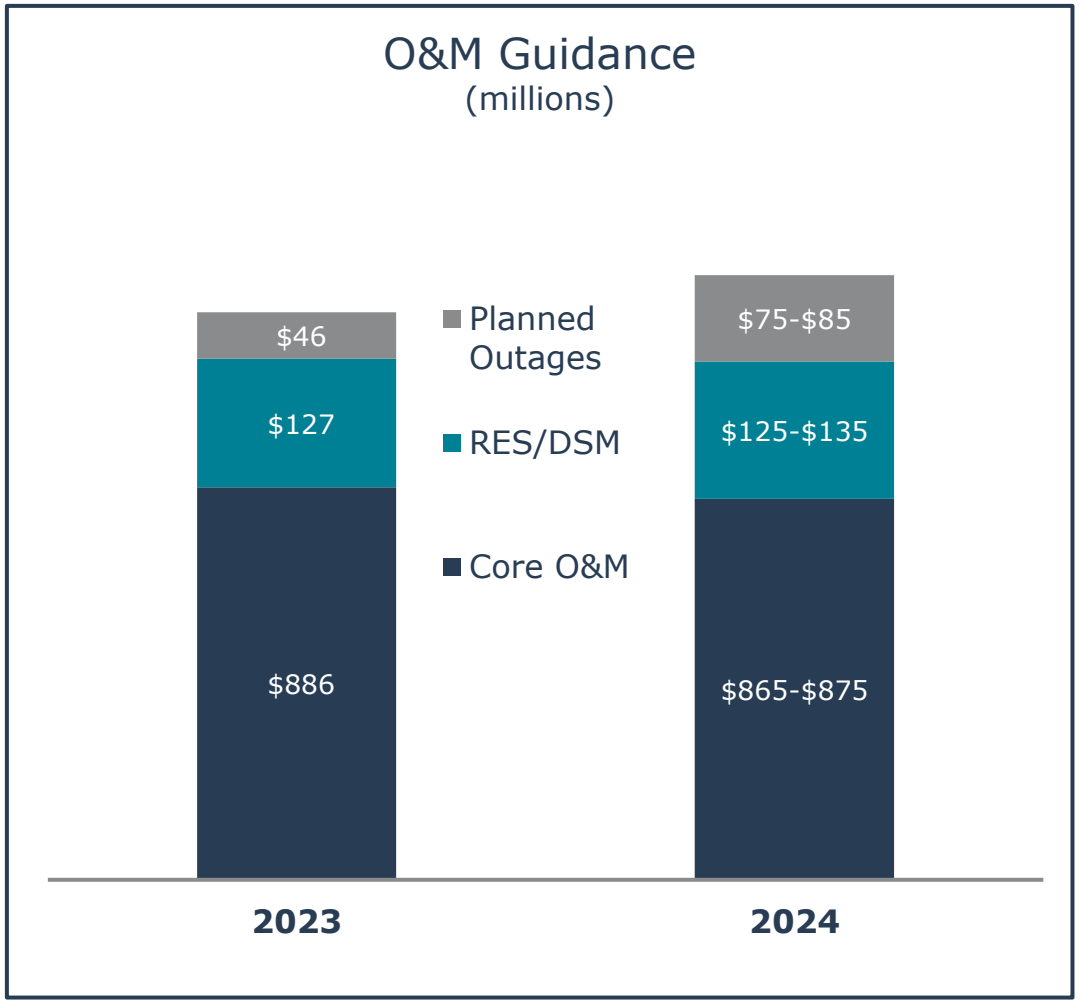
GOAL #4

# We are focused on cost control and customer affordability

## Operations & Maintenance Guidance

- Reduced year-over-year core O&M excluding planned outages
- Final planned major outage in Q4 2024 at Four Corners Unit 5
  - Unit 4 final planned major outage in 2025
- Lean culture and declining O&M per MWh goal



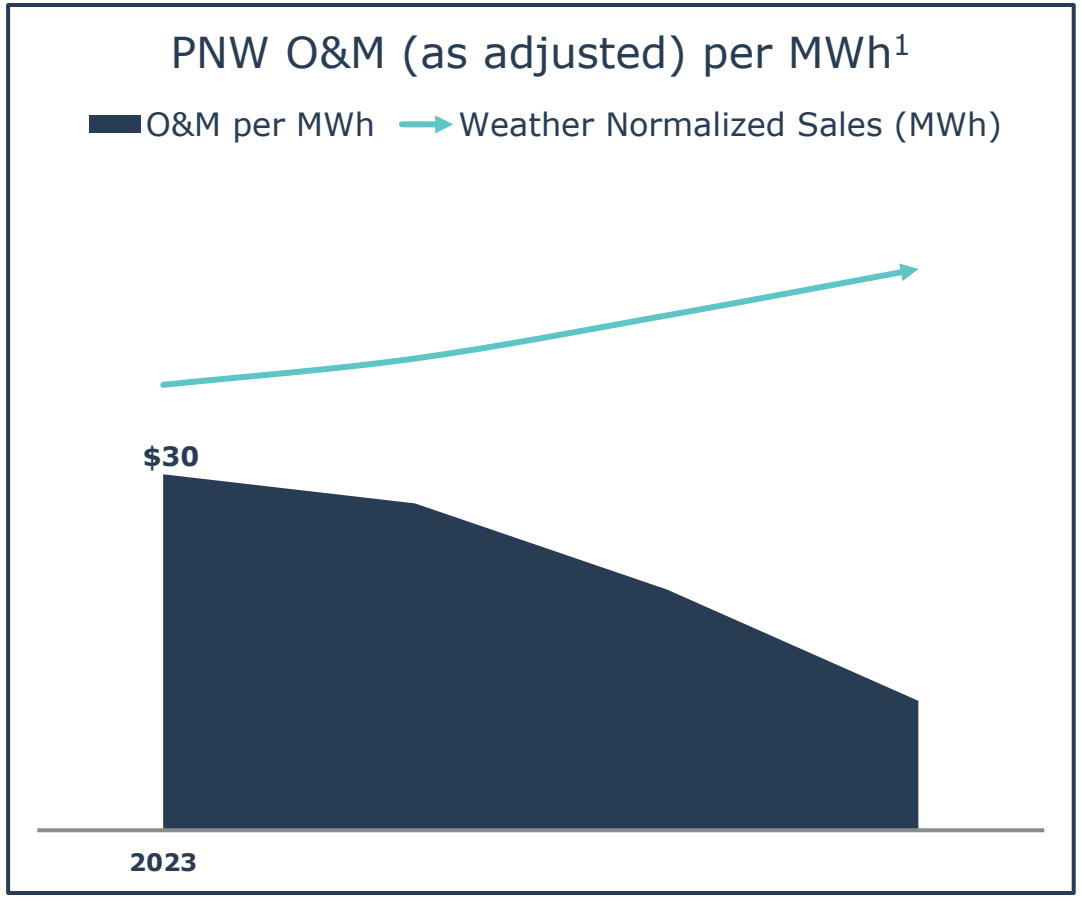




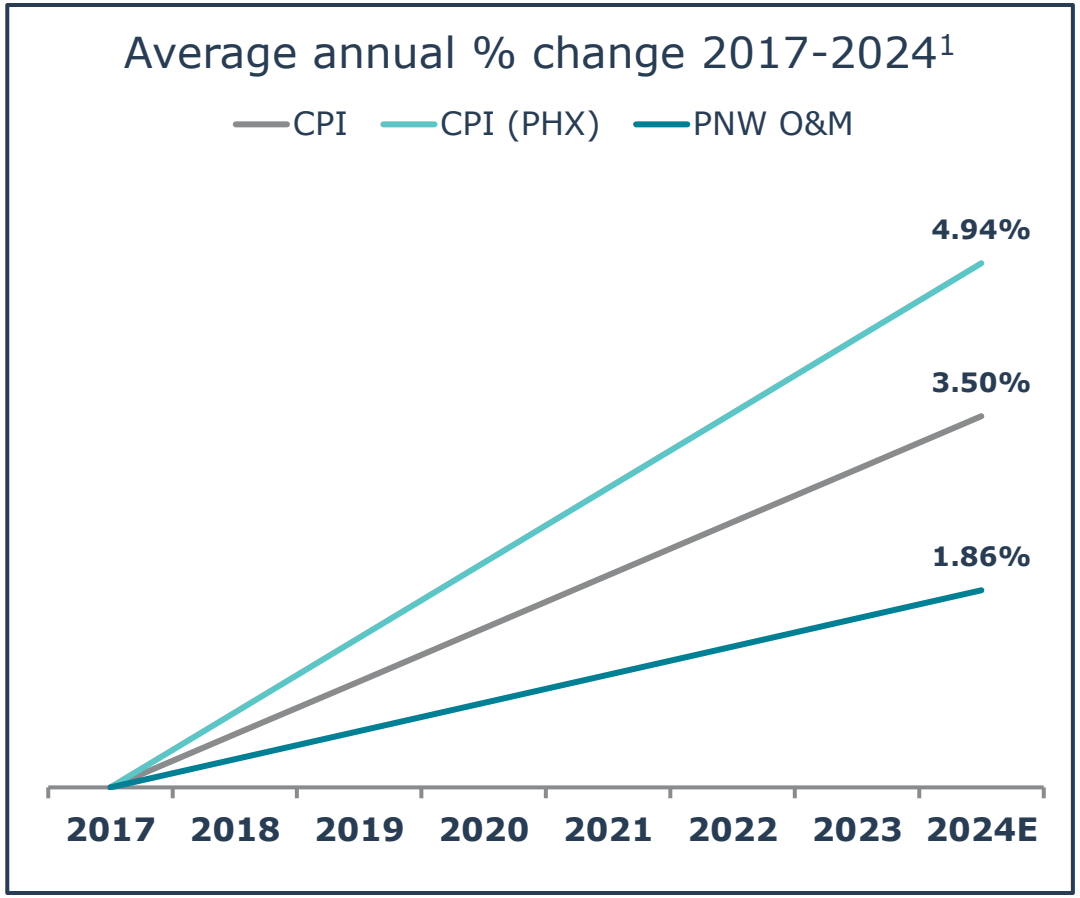

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GOAL #4

# Long term goal remains declining O&M per MWh




[1] O&M amounts, as adjusted, exclude RES/DSM of $127M and include planned outage amounts of $46M in 2023. For reconciliation, see slide 41.



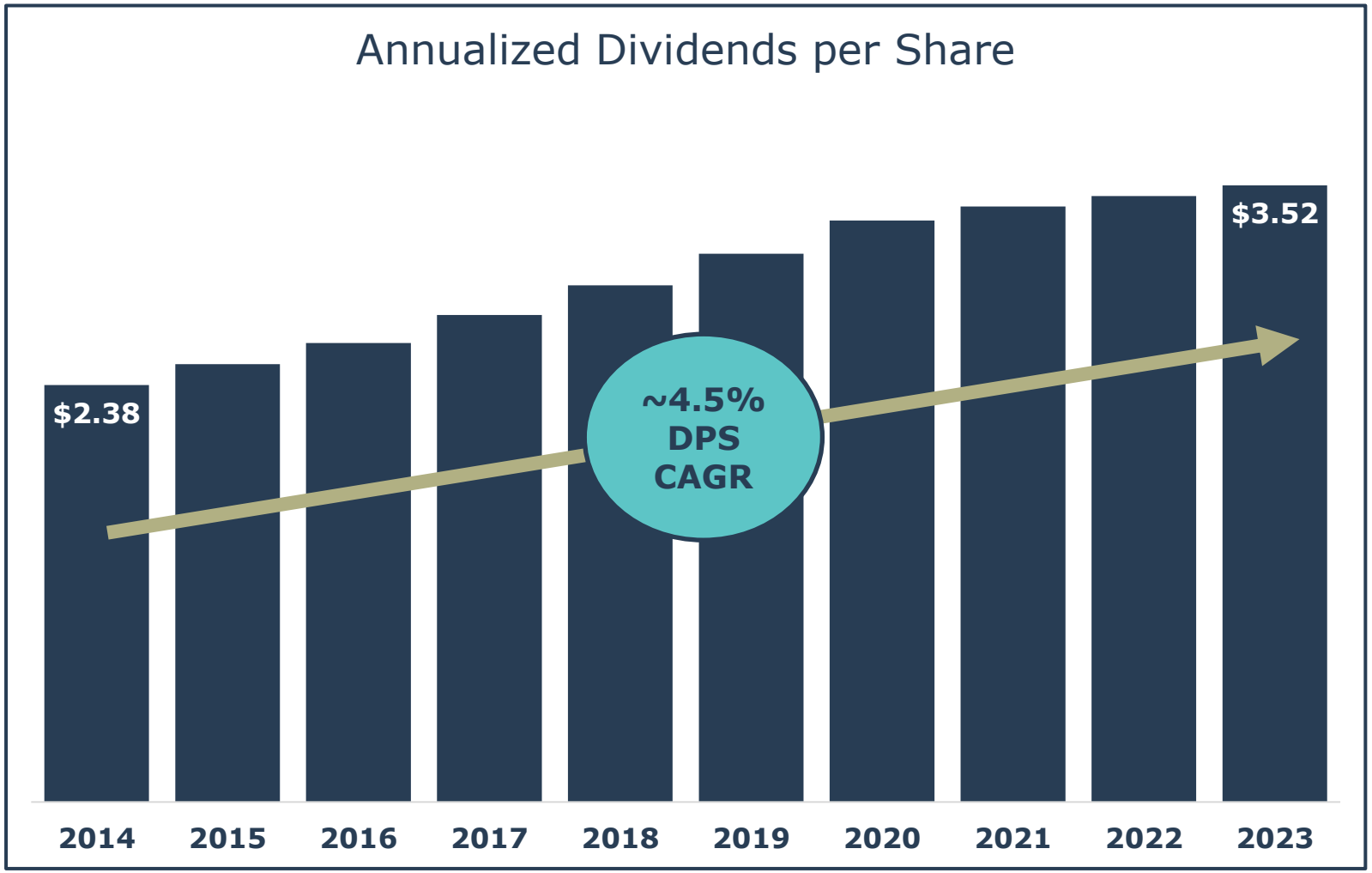

[1] Includes 2024 estimates of 2.4% CPI, 2.6% CPI(PHX) & Company O&M guidance.



PINNACLE WEST CAPITAL CORPORATION

GOAL #5

# We have a proven dividend growth track record[1]




## Dividend Targets

- Long-term dividend growth
- Attractive ~5% dividend yield
- Managing long-term dividend payout ratio into sustained 65-75%



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



PINNACLE WEST CAPITAL CORPORATION

GOAL #6

# We are focused on maintaining healthy credit ratings to support affordable growth[1]

| | Corporate Ratings | Senior Unsecured Ratings | Short-Term Ratings | Outlook |
|---|---|---|---|---|
| **APS** | | | | |
| **Moody's** | Baa1 | Baa1 | P-2 | Stable |
| **S&P** | BBB+ | BBB+ | A-2 | Stable |
| **Fitch** | BBB+ | A- | F2 | Stable |
| **Pinnacle West** | | | | |
| **Moody's** | Baa2 | Baa2 | P-2 | Stable |
| **S&P** | BBB+ | BBB | A-2 | Stable |
| **Fitch** | BBB | BBB | F3 | Stable |

## Balance Sheet Targets

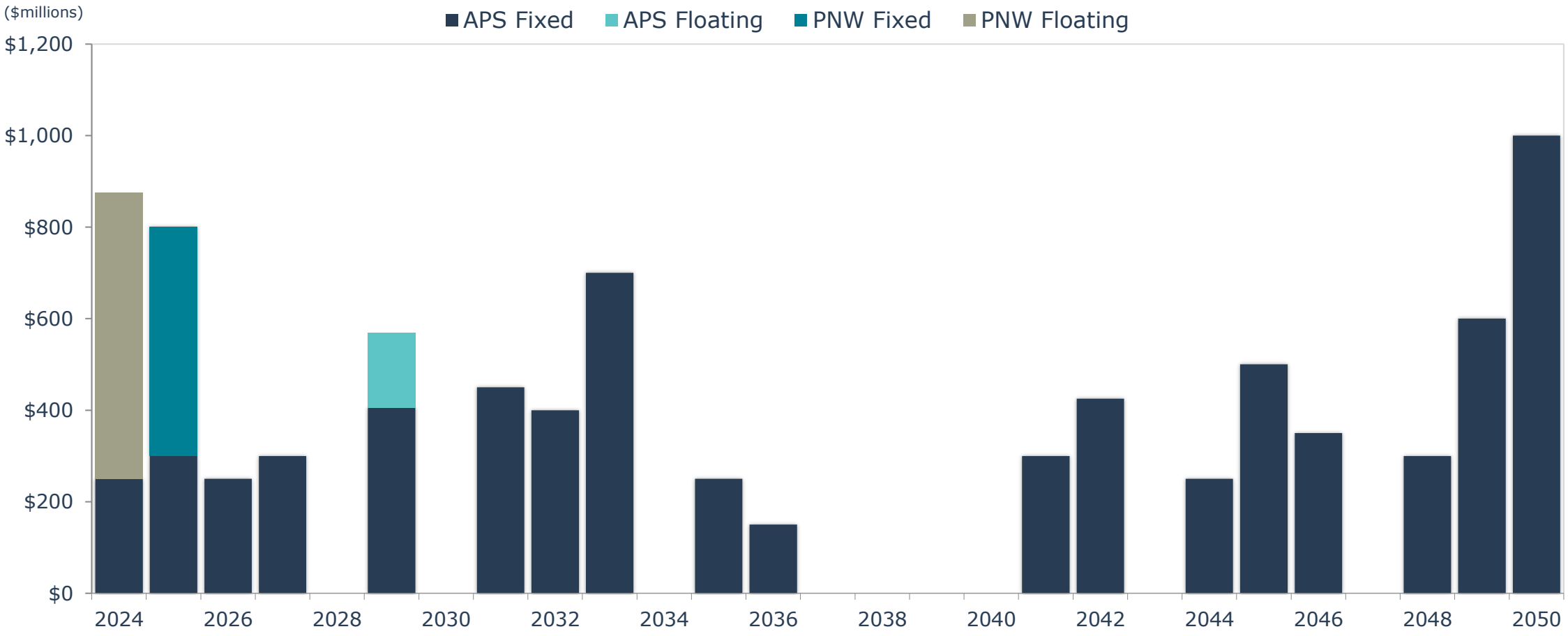
- Solid investment-grade credit ratings
- APS equity layer >50%
- PNW FFO/Debt range of 14%-16%



[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 April 25, 2024.

GOAL #6

# Debt maturity profile shows well managed and stable financing plan




As of March 31, 2024



PINNACLE WEST CAPITAL CORPORATION

IN SUMMARY

# We have a stable foundation with solid execution going forward

- Service territory is one of the fastest growing in the nation with a diverse customer base
- Improved regulatory environment with focus on reducing regulatory lag
- Strong customer centric strategy with improving J.D. Power survey scores
- Proven track record of efficient O&M practices and focus on customer affordability
- Solid balance sheet and well managed financing plan
- Attractive financial growth profile building off 2024 midpoint





# Appendix

PINNACLE WEST
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# 2024 EPS guidance

| Key Factors and Assumptions (as of May 2, 2024) | 2024 |
|---|---|
| **Adjusted gross margin** (operating revenues, net of fuel and purchased power expenses, x/RES,DSM,CCT)[1]<br>• Retail customer growth of 1.5%-2.5%<br>• Weather-normalized retail electricity sales growth of 2.0%-4.0%<br>  • Includes 2.5%-3.5% contribution to sales growth of new large manufacturing facilities and several large data centers<br>• Assumes normal weather | $2.93 – $3.00 billion |
| **Adjusted operating and maintenance expense** (O&M x/RES,DSM,CCT)[1] | $940 – $960 million |
| **Other operating expenses** (depreciation and amortization, and taxes other than income taxes) | $1.09 – $1.11 billion |
| **Other income** (pension and other post-retirement non-service credits, other income and other expense) | $58 – $64 million |
| **Interest expense**, net of allowance for borrowed and equity funds used during construction (Total AFUDC ~$96 million) | $320 – $340 million |
| **Net income attributable to noncontrolling interests** | $17 million |
| **Effective tax rate** | 13.75% – 14.25% |
| **Average diluted common shares outstanding** | 114.9 million |
| **EPS Guidance** | **$4.60 – $4.80** |



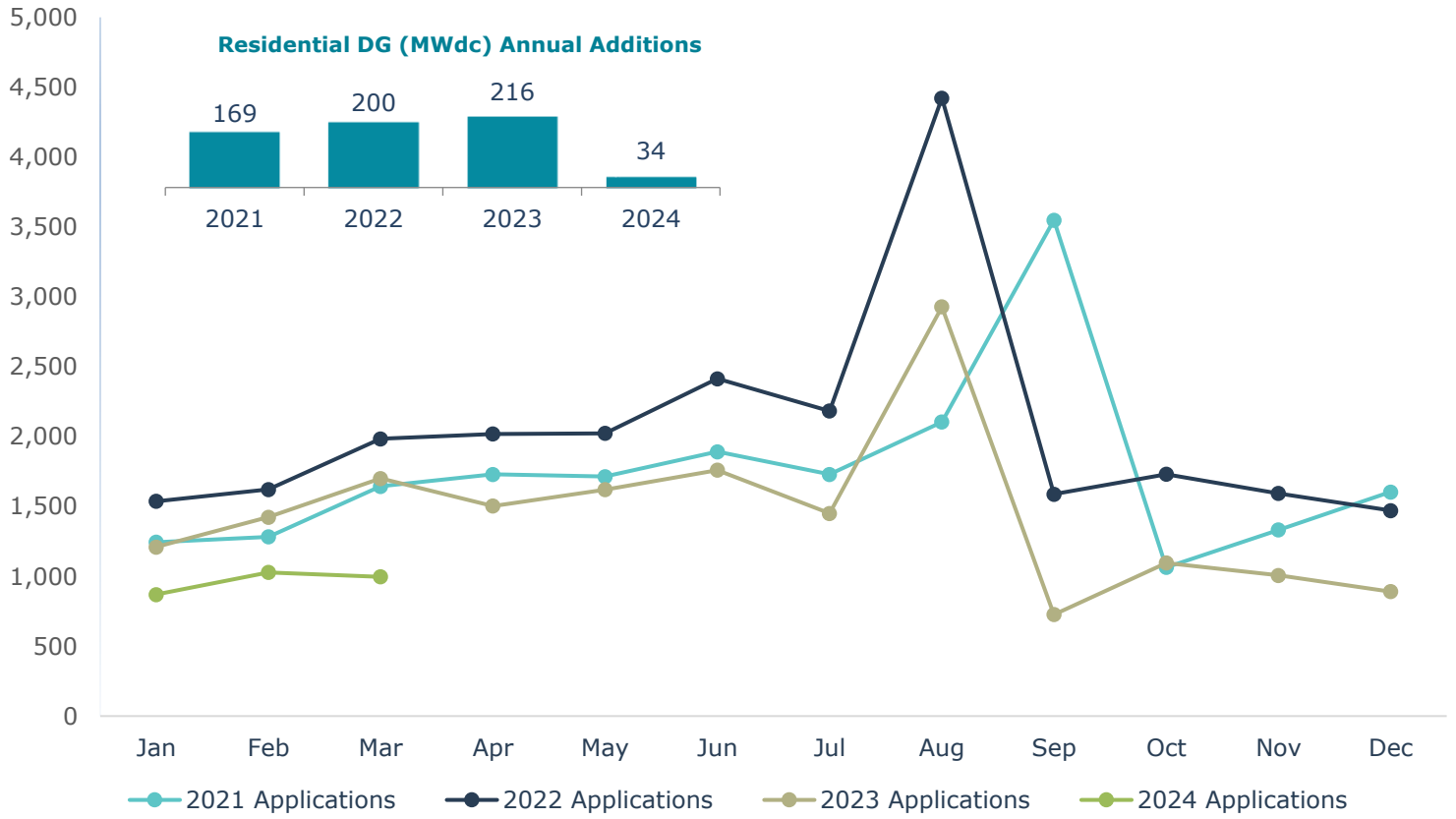
[1] Excludes costs and offsetting operating revenues associated with renewable energy and demand side management programs. For reconciliation, see slide 41.

# 2024 Key Regulatory Dates

| Case/Docket # | Q1 | Q2 | Q3 | Q4 |
|---|---|---|---|---|
| 2022 Rate Case: **E-01345A-22-0144** | Rates effective March 8 | Procedural conference re: rehearing request April 26 | | |
| Power Supply Adjustor (PSA) **E-01345A-22-0014**: | 2024 PSA rate (no change from 2023) | | | PSA application to be filed Nov. 27 |
| Transmission Cost Adjustor **E-01345A-22-0014**: | | To be filed May 15; effective June 1 | | |
| Lost Fixed Cost Recovery **E-01345A-23-0228**: | | 2023 LFCR effective May 1 | 2024 LFCR to be filed July 31 | 2024 LFCR effective date Nov. 1 (if approved) |
| Resource Planning and Procurement: **E-99999A-22-0046** | | | | Anticipated 2023 IRP acknowledgment |
| 2024 RES Implementation Plan **E-01345A-23-0193**: | | 2024 REAC-1 effective (if approved) | 2025 Plan to be filed July 1 | |
| Resource Comparison Proxy **E-01345A-24-0095**: | | Filed May 1 | Effective Sep. 1 (if approved) | |
| Test Year Rules (Regulatory Lag) **AU-00000A-23-0012:** | Workshop held March 19th | | | |
| 2024 Financing Application **E-01345A-24-XXXX (TBD)** | | Equity infusion and Long-term debt application filed April 19 | | |

# Residential PV Applications

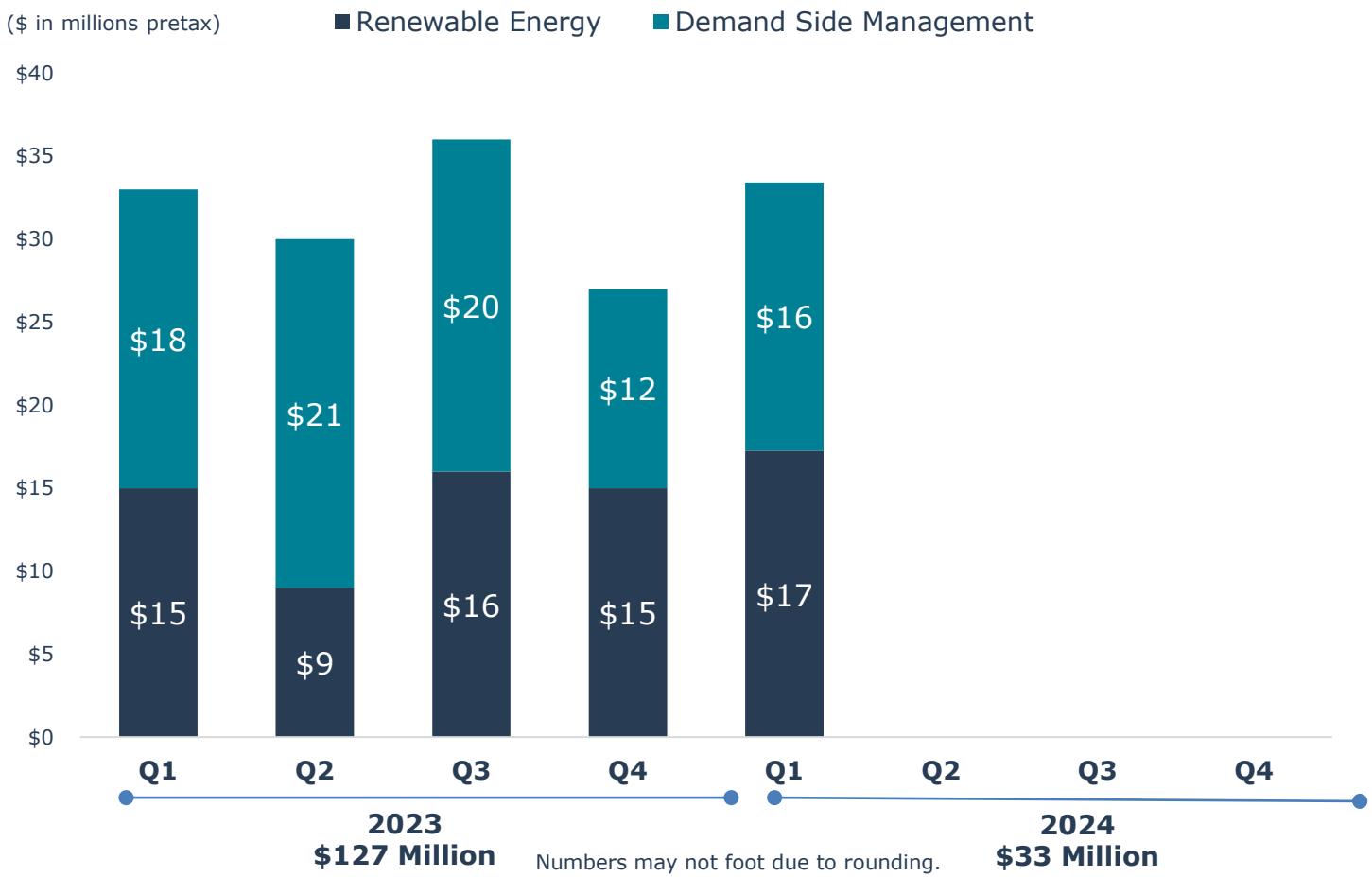





[1] Monthly data equals applications received minus cancelled applications. As of March 31, 2024, approximately 178,285 residential grid-tied solar photovoltaic (PV) systems have been installed in APS's service territory, totaling approximately 1,583 MWdc of installed capacity. Excludes APS Solar Partner Program, APS Solar Communities, and Flagstaff Community Partnership Program.

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

# Renewable Energy & Demand Side Management expenses[1]



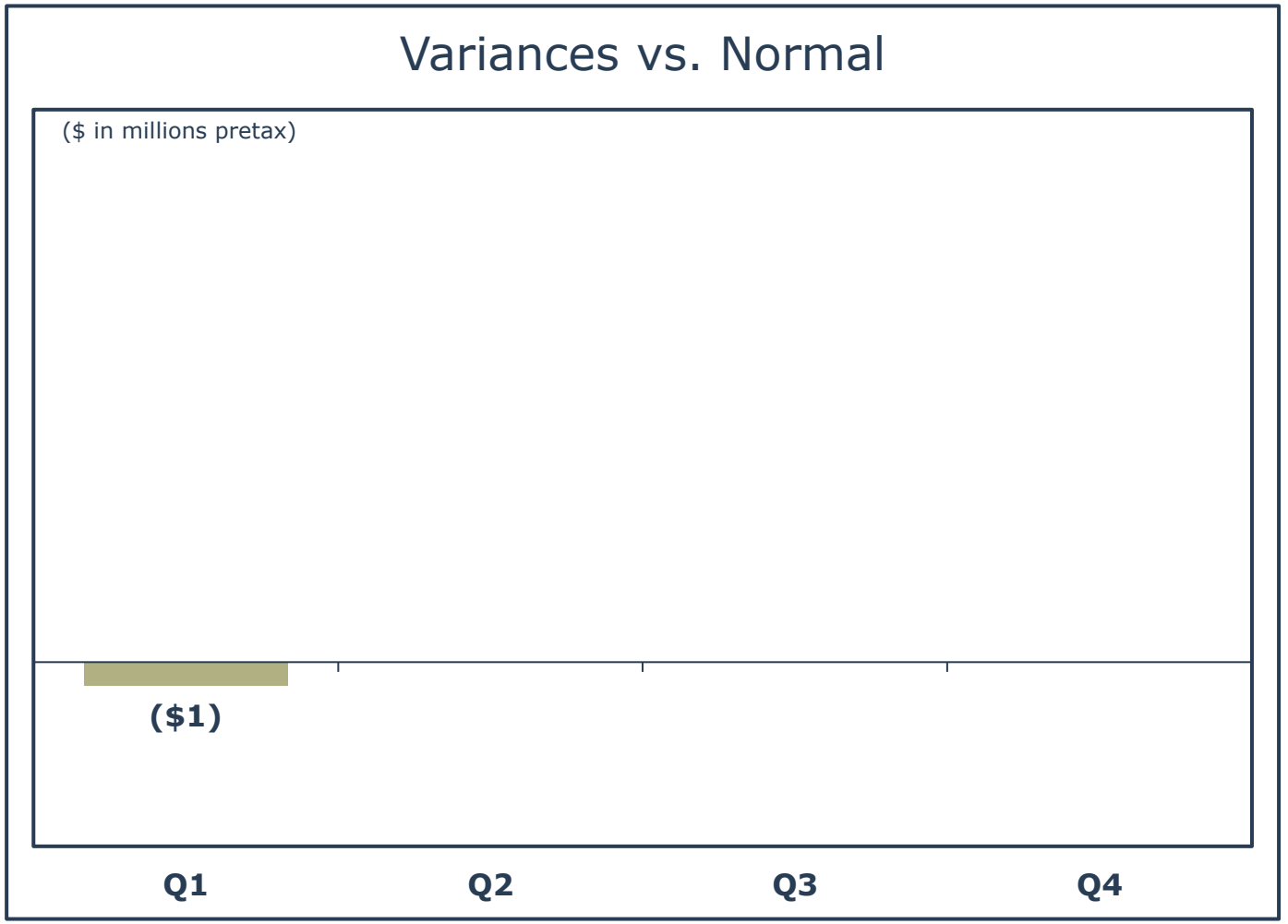

Numbers may not foot due to rounding.



[1]Renewable Energy and Demand Side Management expenses are substantially offset by adjustment mechanisms.

# 2024 gross margin effects of weather






**2024 Total Weather Impact: $(1) Million**

All periods recalculated to current 10-year rolling average (2013 – 2022). Numbers may not foot due to rounding.



PINNACLE WEST CAPITAL CORPORATION

# We are stewards of a more sustainable Arizona



## Climate Resiliency

- Wildfire preparedness and prevention
- Reduction of carbon and retirement of over 1,000 MW of coal
- Focus on reliability and affordability through All-Source RFPs

## Company Actions

- 42% of new hires in 2023 were racially or ethnically diverse
- 35% of new hires in 2023 were female
- 39% of all officers are female

## Governance Actions

- 45% of independent directors are gender or ethnically diverse
- Board oversight of strategy and risk

# 2024 Planned Outage Schedule

## Coal, Nuclear and Large Gas Planned Outages

**Q1**

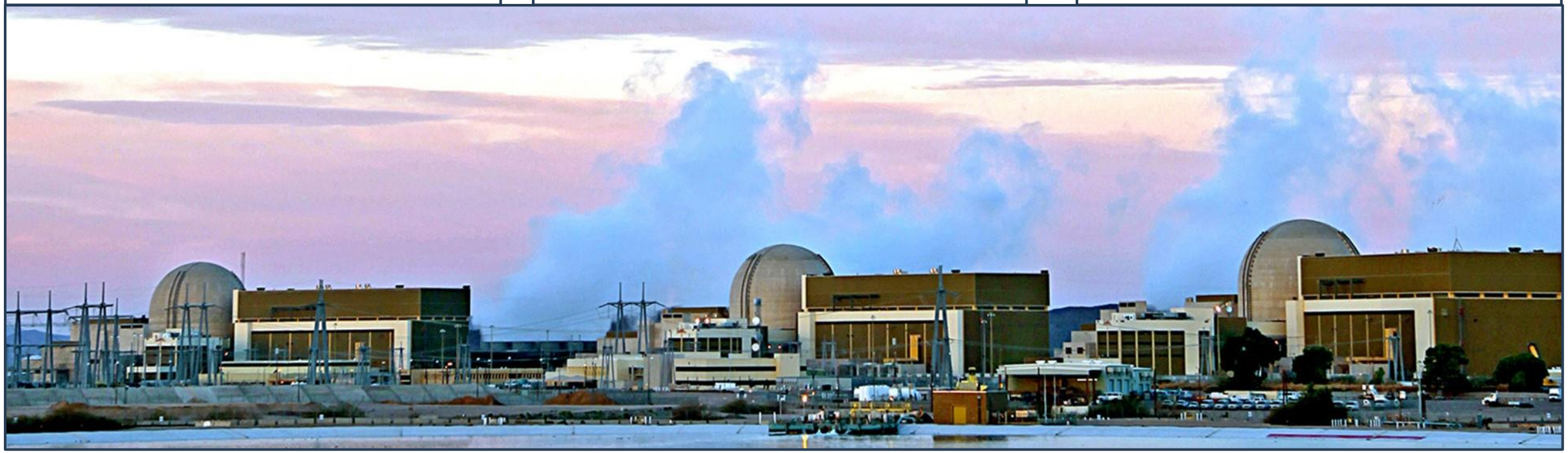
| Plant | Unit | Actual Duration in Days |
|---|---|---|
| Redhawk | CC1 | 66 |
| West Phoenix | CC5 | 71 |

**Q2**

| Plant | Unit | Estimated Duration in Days |
|---|---|---|
| West Phoenix | CC5 | 55 |
| Palo Verde | 3 | 36 |

**Q4**

| Plant | Unit | Estimated Duration in Days |
|---|---|---|
| Palo Verde | 2 | 36 |
| Four Corners | 5 | 66 |



# Non-GAAP Measure Reconciliation

| | 2023 Actuals[4] | 2024 Guidance[4] |
|---|---|---|
| Operating revenues[1] | $4.70 billion | $4.92 - $5.02 billion |
| Fuel and purchased power expenses[1] | **$1.79 billion** | **$1.85 - $1.89 billion** |
| **Gross Margin** | **$2.90 billion** | **$3.06 - $3.13 billion** |
| Adjustments: | | |
| Renewable energy and demand side management programs[2] | $129 million | $125 - $135 million |
| **Adjusted gross margin** | **$2.77 billion** | **$2.93 - $3.00 billion** |
| **Operations and maintenance[1,3]** | **$1.06 billion** | **$1.07 - $1.09 billion** |
| Adjustments: | | |
| Renewable energy and demand side management programs[2] | $127 million | $125 - $135 million |
| **Adjusted operations and maintenance** | **$932 million** | **$940 - $960 million** |

[1]Line items from Consolidated Statements of Income.
[2]Includes $3.3M for CCT (Coal Community Transition) in 2023 and $3.3M in 2024 which is recovered through REAC (Renewable Energy Adjustment Charge).
[3]O&M per MWh was $35/MWh in 2023.
[4]Numbers may not foot due to rounding.