UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of report (Date of earliest event reported): August 3, 2017

Commission File Number	Exact Name of Registrant as Specified in Charter; State of Incorporation; Address and Telephone Number	IRS Employer Identification Number
1-8962	Pinnacle West Capital Corporation (an Arizona corporation) 400 North Fifth Street, P.O. Box 53999 Phoenix, AZ 85072-3999 (602) 250-1000	86-0512431
1-4473	Arizona Public Service Company (an Arizona corporation) 400 North Fifth Street, P.O. Box 53999 Phoenix, AZ 85072-3999 (602) 250-1000	86-0011170

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter). Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

This combined Form 8-K is separately filed or furnished by Pinnacle West Capital Corporation and Arizona Public Service Company. Each registrant is filing or furnishing on its own behalf all of the information contained in this Form 8-K that relates to such registrant and, where required, its subsidiaries. Except as stated in the preceding sentence, neither registrant is filing or furnishing any information that does not relate to such registrant, and therefore makes no representation as to any such information.

Item 1.01. Entry into a Material Definitive Agreement.

Item 2.03. Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

On July 31, 2017, Pinnacle West Capital Corporation (“Pinnacle West”), The Bank of Tokyo-Mitsubishi UFJ, Ltd., as Agent (the "Agent"), as an Issuing Bank and as a Lender, and JPMorgan Chase Bank, N.A., as a Lender ("JPMorgan") entered into an amendment to the 364-day credit agreement, dated as of August 31, 2016, with the Agent and JPMorgan, allowing Pinnacle West to borrow, repay and reborrow, from time to time, up to $125 million through July 30, 2018. Pinnacle West will use the amended facility to directly or indirectly fund or otherwise support obligations related to 4C Acquisition, LLC, a subsidiary of Pinnacle West. The amended facility can also be used for letters of credit. Borrowings under the amended facility will bear interest at LIBOR plus 0.80% per annum.

Borrowings under the amended facility are conditioned on Pinnacle West’s ability to make certain representations at the time each borrowing is made, except for representations concerning no material adverse effect and certain litigation matters, which were made only at the time the amended facility was entered into. The amended facility includes customary covenants, including requirements that Pinnacle West maintain ownership of a specified percentage of the outstanding capital stock of Arizona Public Service Company, maintain a consolidated debt-to-capitalization ratio no greater than a prescribed level and comply with certain lien restrictions. The amended facility also includes customary events of default, including a cross default provision and a change of control provision. If an event of default occurs, lenders holding a specified percentage of the commitments, or the agent with such lenders’ consent, may terminate the obligations of the lenders to make loans under the amended facility and the obligations of the issuing banks to issue letters of credit and may declare the obligations outstanding under the amended facility to be due and payable.

Pinnacle West and its affiliates maintain normal banking and other relationships with the Lenders in the amended facility and/or their affiliates.

Item 2.02. Results of Operations and Financial Condition.

The following information is furnished pursuant to Item 2.02.

On August 3, 2017, Pinnacle West issued a press release regarding its financial results for the fiscal quarter ended June 30, 2017. A copy of the press release is attached hereto as Exhibit 99.1.

Item 7.01. Regulation FD Disclosure.

The following information is furnished pursuant to Item 7.01.

The Company is providing a copy of the slide presentation made in connection with the quarterly earnings conference call on August 3, 2017. This information contains Company operating results for the fiscal quarter ended June 30, 2017 and a quarterly consolidated statistical summary. The slide presentation is attached hereto as Exhibit 99.2 and is concurrently being posted to the Company’s website at www.pinnaclewest.com.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Registrant(s)	Description
99.1	Pinnacle West APS	Earnings News Release issued on August 3, 2017.
99.2	Pinnacle West APS	Pinnacle West Capital Corporation Second Quarter 2017 Results slide presentation accompanying August 3, 2017 conference call.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, each registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PINNACLE WEST CAPITAL CORPORATION
(Registrant)

Dated: August 3, 2017

By: /s/ James R. Hatfield
James R. Hatfield
Executive Vice President and
Chief Financial Officer

ARIZONA PUBLIC SERVICE COMPANY
(Registrant)

Dated: August 3, 2017

By: /s/ James R. Hatfield
James R. Hatfield
Executive Vice President and
Chief Financial Officer

Exhibit Index

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PINNACLE WEST CAPITAL CORPORATION | NEWS

FOR IMMEDIATE RELEASE August 3, 2017

Media Contact:	Alan Bunnell, (602) 250-3376
Analyst Contacts:	Stefanie Layton (602) 250-4541 Chalese Haraldsen (602) 250-5643
Website:	pinnaclewest.com

PINNACLE WEST REPORTS 2017 SECOND-QUARTER RESULTS

- *Higher electricity usage and hotter-than-normal weather positively impact quarterly results*
- *Operations and maintenance expenses lower versus a year ago due to fewer planned fossil plant outages*

PHOENIX - Pinnacle West Capital Corp. (NYSE: PNW) today reported consolidated net income attributable to common shareholders of $167.4 million, or $1.49 per diluted share of common stock, for the quarter ended June 30, 2017. This result compares with earnings of $121.3 million, or $1.08 per share, in the same 2016 period.

“Higher electricity usage as a result of hotter weather and continuing solid operational performance helped improve our quarterly earnings compared to the same period a year ago,” said Pinnacle West Chairman, President and Chief Executive Officer Don Brandt, adding that the Phoenix metropolitan area experienced 26 days of 100 degrees or higher temperatures -
and 11 days above 110 degrees - during the month of June alone.

Arizona Public Service Co.’s customers also set an all-time record peak demand of 7,367 megawatts on June 20, eclipsing the previous record of 7,236 MW set in 2006.

Earlier this year, the U.S. Census Bureau announced that Phoenix had surpassed Philadelphia as America’s fifth-largest city and that Maricopa County was the nation’s fastest-growing county. Arizona’s housing construction is also on pace for its best year in a decade. Nonetheless, the company still projects 2017 full-year sales growth to be between 0 and 1 percent.

“Building permits are up, vacancy rates are down, and companies and workers are relocating to Arizona,” Brandt said. “We are supporting that growth with continued investments in a reliable, cleaner and smarter energy infrastructure.”

The 2017 second-quarter results comparison was positively influenced by the following major factors:

- *Lower operations and maintenance expenses* increased results by $0.14 per share compared with the prior-year period. The lower expenses were largely the result of less planned fossil maintenance in the 2017 second quarter compared to a year ago. As previously indicated, the company anticipates further planned outages at the Four Corners Power Plant later this year to install added emission controls.

- *Higher retail electricity usage* - excluding the effects of weather variations, but including the effects of customer conservation, energy efficiency programs and distributed renewable generation - improved results $0.10 per share. Weather normalized sales were 2.9 percent higher in the second quarter compared to 2016's second quarter, while year-to-date sales were 0.1 percent higher than the first six months in 2016.

- *The absence of a 2016 FERC disallowance recorded in last year's second quarter and higher transmission revenues in the 2017 second quarter* helped increase earnings by $0.12 per share compared to the year-ago period.

- *The effects of weather variations* improved results by $0.02 per share compared to the year-ago period. The average high temperature in the second quarter was 97.0 degrees - 2.6 percent higher than last year's quarter and 1.7 percent higher than normal based on a rolling 10-year average. The resulting impact was that residential cooling degree-days (a measure of the effects of weather) were 14 percent greater than in last year's second quarter and 13 percent more than normal 10-year averages.

- *The net effect of miscellaneous items* increased earnings $0.03 per share.

Financial Outlook
The company plans to issue 2017 guidance after a final decision by the Arizona Corporation Commission in Arizona Public Service Co.'s pending rate review, which is expected later this summer.

Conference Call and Webcast
Pinnacle West invites interested parties to listen to the live webcast of management's conference call to discuss the Company's 2017 second-quarter results, as well as recent developments, at noon ET (9 a.m. AZ time) today, Aug. 3. The webcast can be accessed at pinnaclewest.com/presentations and will be available for replay on the website for 30 days. To access the live conference call by telephone, dial (877) 407-8035 or (201) 689-8035 for international callers. A replay of the call also will be available until 11:59 p.m. (ET), Thursday, Aug. 10, 2017, by calling (877) 481-4010 in the U.S. and Canada or (919) 882-2331 internationally and entering conference ID number 15960.

General Information
Pinnacle West Capital Corp., an energy holding company based in Phoenix, has consolidated assets of nearly $17 billion, about 6,200 megawatts of generating capacity and 6,300 employees in Arizona and New Mexico. Through its principal subsidiary, Arizona Public Service, the Company provides retail electricity service to nearly 1.2 million Arizona homes and businesses. For more information about Pinnacle West, visit the Company's website at pinnaclewest.com.

Dollar amounts in this news release are after income taxes. Earnings per share amounts are based on average diluted common shares outstanding. For more information on Pinnacle West's operating statistics and earnings, please visit pinnaclewest.com/investors.

FORWARD-LOOKING STATEMENTS

This press release contains forward-looking statements based on our 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" and similar words. Because actual results may differ materially from expectations, we caution readers 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:

- our ability to manage capital expenditures and operations and maintenance costs while maintaining high reliability and customer service levels;
- variations in demand for electricity, including those due to weather, seasonality, the general economy, customer and sales growth (or decline), and the effects of energy conservation measures and distributed generation;
- 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, including those relating to environmental requirements, regulatory 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, including returns on and of debt and equity capital investment;
- our ability to meet renewable energy and energy efficiency mandates and recover related costs;
- 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 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;
- 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 post-retirement 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 Arizona Corporation Commission orders.

These and other factors are discussed in Risk Factors described in Part 1, Item 1A of the Pinnacle West/APS Annual Report on Form 10-K for the fiscal year ended December 31, 2016, and in Part II, Item 1A in of the Pinnacle West/APS Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, which readers should review carefully before placing any reliance on our financial statements or disclosures. Neither Pinnacle West nor APS assumes any obligation to update these statements, even if our internal estimates change, except as required by law.

# # #

PINNACLE WEST CAPITAL CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(unaudited)
(dollars and shares in thousands, except per share amounts)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2017	2016	2017	2016
Operating Revenues	$ 944,587	$ 915,394	$ 1,622,315	$ 1,592,561
Operating Expenses				
Fuel and purchased power	254,611	274,848	467,006	496,133
Operations and maintenance	214,013	242,279	433,989	485,474
Depreciation and amortization	125,739	123,073	253,366	242,549
Taxes other than income taxes	44,289	42,117	88,125	84,618
Other expenses	1,706	1,329	2,094	1,877
Total	640,358	683,646	1,244,580	1,310,651
Operating Income	304,229	231,748	377,735	281,910
Other Income (Deductions)				
Allowance for equity funds used during construction	10,456	10,369	19,938	20,885
Other income	484	197	964	314
Other expense	(3,822)	(2,842)	(7,502)	(6,880)
Total	7,118	7,724	13,400	14,319
Interest Expense				
Interest charges	54,969	52,849	106,833	103,593
Allowance for borrowed funds used during construction	(4,906)	(5,301)	(9,378)	(10,528)
Total	50,063	47,548	97,455	93,065
Income Before Income Taxes	261,284	191,924	293,680	203,164
Income Taxes	88,967	65,742	93,178	67,656
Net Income	172,317	126,182	200,502	135,508
Less: Net income attributable to noncontrolling interests	4,874	4,874	9,747	9,747
Net Income Attributable To Common Shareholders	$ 167,443	$ 121,308	$ 190,755	$ 125,761
Weighted-Average Common Shares Outstanding - Basic	111,797	111,368	111,763	111,336
Weighted-Average Common Shares Outstanding - Diluted	112,345	112,004	112,270	111,930
Earnings Per Weighted-Average Common Share Outstanding				
Net income attributable to common shareholders - basic	$ 1.50	$ 1.09	$ 1.71	$ 1.13
Net income attributable to common shareholders - diluted	$ 1.49	$ 1.08	$ 1.70	$ 1.12

SECOND QUARTER 2017 RESULTS

PINNACLE WEST
CAPITAL CORPORATION

August 3, 2017

FORWARD LOOKING STATEMENTS AND NON-GAAP FINANCIAL MEASURES

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" 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: our ability to manage capital expenditures and operations and maintenance costs while maintaining high reliability and customer service levels; variations in demand for electricity, including those due to weather seasonality, the general economy, customer and sales growth (or decline), and the effects of energy conservation measures and distributed generation; power plant and transmission system performance and outages; competition in retail and wholesale power markets; regulatory and judicial decisions, developments and proceedings; new legislation, ballet initiatives and regulation, including those relating to environmental requirements, regulatory 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, including returns on and of debt and equity capital investments; our ability to meet renewable energy and energy efficiency mandates and recover related costs; 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 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; 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, 2016 and in Part II, Item 1A of the Pinnacle West/APS Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, 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.

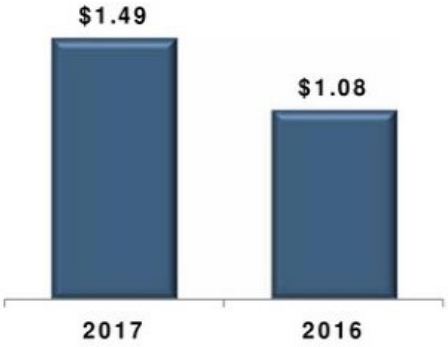
We present "gross margin" per diluted share of common stock. Gross margin refers to operating revenues less fuel and purchased power expenses. Gross margin is a "non-GAAP financial measure," as defined in accordance with SEC rules. The appendix contains a reconciliation of this non-GAAP financial measure to the referenced revenue and expense line items on our Consolidated Statements of Income, which are the most directly comparable financial measures calculated and presented in accordance with generally accepted accounting principles in the United States of America (GAAP). We view gross margin as an important performance measure of the core profitability of our operations.

We refer to "on-going earnings" in this presentation, which is also a non-GAAP financial measure. We also provide a reconciliation to show the impacts associated with certain regulatory adjustments. We believe on-going earnings and these adjustments included in the reconciliation provide investors with a useful indicator of our results that is comparable among periods because it excludes the effects of unusual items that may occur on an irregular basis.

Investors should note that these non-GAAP financial measures may involve judgments by management, including whether an item is classified as an unusual item. These measures are key components of our internal financial reporting and are used by our management in analyzing the operations of our business. We believe that investors benefit from having access to the same financial measures that management uses.

CONSOLIDATED EPS COMPARISON
2017 VS. 2016

2nd Quarter
On-Going Earnings



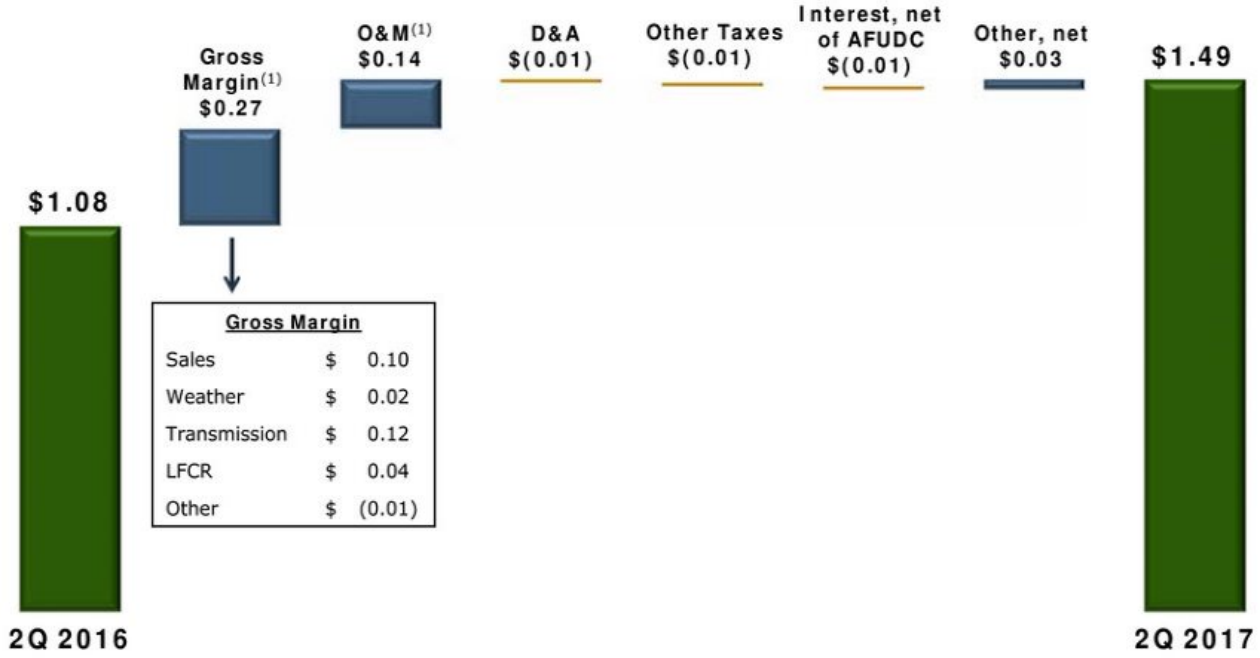
Year-to-Date
On-Going Earnings

2nd Quarter
GAAP Net Income
$1.49 $1.08

Year-to-Date
GAAP Net Income
$1.70 $1.12

PINNACLE WEST
CAPITAL CORPORATION

ON-GOING EPS VARIANCES
2ND QUARTER 2017 VS. 2ND QUARTER 2016



Gross Margin	
Sales	$ 0.10
Weather	$ 0.02
Transmission	$ 0.12
LFCR	$ 0.04
Other	$ (0.01)

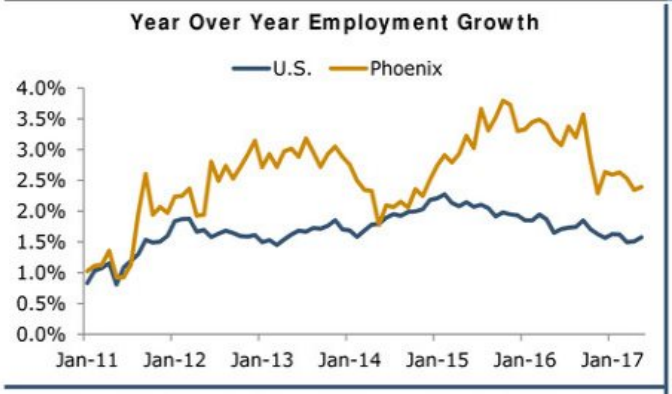
(1) Excludes costs and offsetting operating revenues, associated with renewable energy (excluding AZ Sun) and demand side management programs.

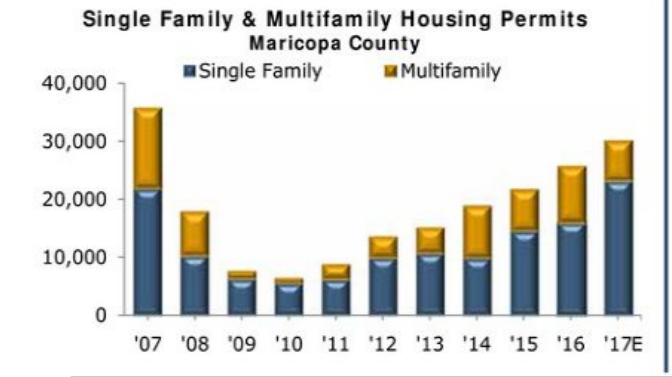
See non-GAAP reconciliation.

PINNACLE WEST CAPITAL CORPORATION

ECONOMIC INDICATORS

Arizona and Metro Phoenix remain attractive places to live and do business





- ✔ Maricopa County ranked #1 in U.S. for population growth in 2016
  - U.S. Census Bureau March 2017
- ✔ Above-average job growth in financial services
- ✔ Vacancy rates in office and retail space have fallen to pre-recessionary levels
- ✔ Housing construction on pace to have its best year since 2007
- ✔ Scottsdale ranked best place in the U.S. to find a new job in 2017; 4 other valley cities ranked in Top 20
  - WalletHub January 2017

PINNACLE WEST
CAPITAL CORPORATION

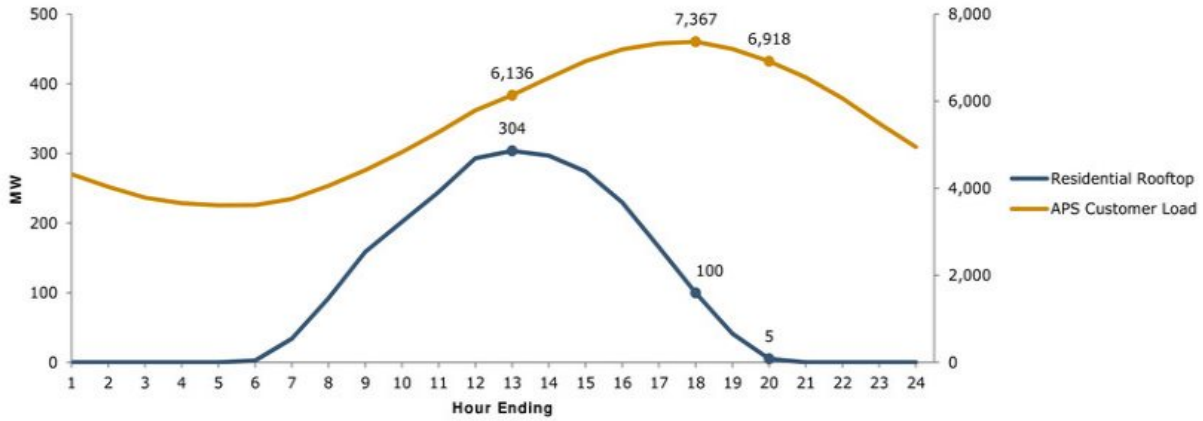
APPENDIX

PINNACLE WEST
CAPITAL CORPORATION

RESIDENTIAL SOLAR VS. APS CUSTOMER LOAD

Performance at system peak

On June 20th, APS customers hit "peak demand" for 2017 using more than 7,300 MW of electricity



- 1-2 PM: Customer demand still increasing; rooftop solar peaks and begins to decline
- 5-6 PM: Between 5-6 pm, when customer demand reaches peak, rooftop solar producing at approximately 30% of total capacity
- 8 PM: Rooftop output near zero, but customer demand still above 6,900 MW of power

PINNACLE WEST CAPITAL CORPORATION

2017 KEY DATES

ACC Key Dates / Docket #	Q1	Q2	Q3	Q4
Key Recurring Regulatory Filings				
Lost Fixed Cost Recovery **E-01345A-11-0224**	Jan 15			
Transmission Cost Adjustor **E-01345A-11-0224**		May 15		
2018 DSM/EE Implementation Plan			Sep 1	
2018 RES Implementation Plan for Reset of Renewable Energy Adjustor			Jul 1	
APS Rate Case E-01345A-16-0036			Jul 26: ALJ ROO ACC Decision: TBD	
Resource Planning and Procurement E-00000V-15-0094		April 10: Final 2017 IRP		Oct 1: Staff Report Due
Reducing System Peak Demand Costs E-00000J-16-0257	---------- *TBD* ----------			
Review, Modernization and Expansion of Arizona Renewable Energy Standards E-00000Q-16-0289	---------- *TBD* ----------			
Investigation Concerning the Future of the Navajo Generating Station E-00000C-17-0039	---------- *TBD* ----------			
ACC Open Meetings	*ACC Open Meetings Held Monthly*			

Other Key Dates	Q1	Q2	Q3	Q4
Arizona State Legislature	In session Jan 9 – May 10 (Adjourned)			

PINNACLE WEST CAPITAL CORPORATION

APS RATE CASE: RECOMMENDED OPINION AND ORDER (ROO)

- Administrative Law Judge issued the ROO on July 26th
- Parties to the case may file exceptions to the ROO by August 4th
- The final step in the rate case process is for the Arizona Corporation Commission to vote at an Open Meeting
- The ROO:
  - Supports the settlement agreement without material modification
  - Bifurcates the proposed AMI Opt-Out program to be addressed in a separate decision
  - Recommends adoption of APS's proposed $2 million annual battery storage incentive program for large commercial and industrial customers administered through the existing Demand Side Management adjustor
  - Recommends a rate effective date of September 1, 2017 for new rates

2017 RATE CASE SETTLEMENT (SUPPORTED BY THE ROO)

Key Financial Proposals – Base Rate Changes	
Annualized Base Rate Revenue Changes ($ millions)	
Non-fuel, Non-depreciation Base Rate Increase	$ 87.2
Decrease fuel and Purchased Power over Base Rates	(53.6)
Increase due to Changes in Depreciation Schedules	61.0
Total Base Rate Increase	**$ 94.6**

Key Financial Assumptions	
Allowed Return on Equity	**10.0%**
Capital Structure	
Long-term debt	44.2%
Common equity	55.8%
Base Fuel Rate (¢/kWh)	**3.0168**
Post-test year plant period	**12 months**

2017 RATE CASE SETTLEMENT (SUPPORTED BY THE ROO)

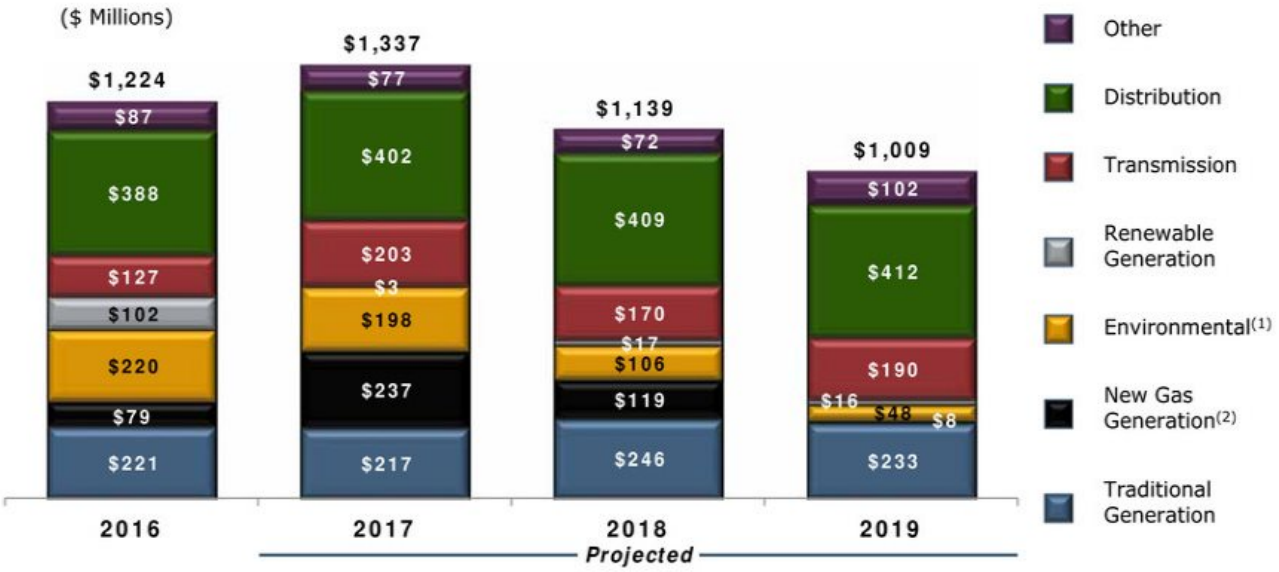
Key Proposals – Revenue Requirement	
Four Corners	• Cost deferral order from in-service dates to incorporation of SCRs in rates using a step-increase no later than January 1, 2019
Ocotillo Modernization Project	• Cost deferral order from in-service dates to effective date in next rate case
Power Supply Adjustor (PSA)	• Modified to include certain environmental chemical costs and third-party battery storage
Property Tax Deferral	• Defer for future recovery the Arizona property tax expense above or below the test year rate
Key Proposals – Rate Design	
Lost Fixed Cost Recovery (LFCR)	• Modified to be applied as a capacity (demand) charge per kW for customer with a demand rate and as a kWh charge for customers with a two-part rate without demand
Environmental Improvement Surcharge (EIS)	• Increase cumulative per kWh cap rate from $0.00016 to a new rate of $0.00050 and include a balancing account
Time-of-Use Rates (TOU)	• Modified on-peak period for residential, and extra small through large general service of 3:00 pm – 8:00 pm weekdays • After May 1, 2018, a new TOU rate will be the standard rate for all new customers (except small use)
Distributed Generation	• New DG customers eligible for TOU rate with Grid Access Charge or Demand rates • Resource Comparison Proxy (RCP) for exported energy of $0.129/kWh in year one
AZ Sun II	• Proposed new program for utility-owned solar distributed generation, recoverable through the Renewable Energy Adjustment Clause (RES), to be no less than $10 million per year, and not more than $15 million per year
Other Considerations	
Rate Case Moratorium	• No new general rate case application before June 1, 2019 (3-year stay-out)
Self-Build Moratorium	• APS will not pursue any new self-build generation (with exceptions) having an in-service date prior to January 1, 2022 (extended to December 31, 2027 for combined-cycle generating units) unless expressly authorized by the ACC

2017 ON-GOING EARNINGS KEY DRIVERS

- EPS guidance issuance pending timing of APS rate case decision
- Retail customer growth about 1.5-2.5%
- Weather-normalized retail electricity sales volume growth about 0.0-1.0% after customer conservation and energy efficiency and distributed renewable generation
- Annual transmission rate increase
- Operations and maintenance - Planned outages (e.g. Four Corners SCRs)
- Depreciation and amortization - Higher plant balances
- Interest expense increasing
- Higher AFUDC, driven by higher CWIP balances

APS CAPITAL EXPENDITURES

Capital expenditures are funded primarily through internally generated cash flow



- The table does not include capital expenditures related to 4CA's 7% interest in the Four Corners Power Plant Units 4 and 5 of $30 million in 2016, $27 million in 2017, $15 million in 2018 and $6 million in 2019.
- 2017 – 2019 as disclosed in Second Quarter 2017 Form 10-Q.

(1) Includes Selective Catalytic Reduction controls at Four Corners with in-service dates of Q4 2017 (Unit 5) and Q1 2018 (Unit 4)

(2) Ocotillo Modernization Project: 2 units scheduled for completion in Q4 2018, 3 units scheduled for completion in Q1 2019

PINNACLE WEST CAPITAL CORPORATION

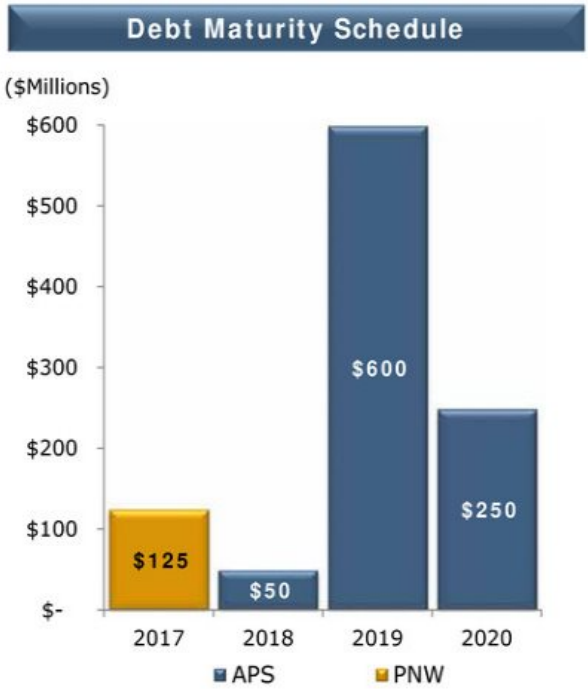
OPERATIONS & MAINTENANCE

Goal is to keep O&M per kWh flat, adjusted for planned outages

*Renewable energy and demand side management expenses are offset by adjustment mechanisms.

PINNACLE WEST CAPITAL CORPORATION

BALANCE SHEET STRENGTH



Credit Ratings

- A- or equivalent ratings or better at S&P, Moody's and Fitch

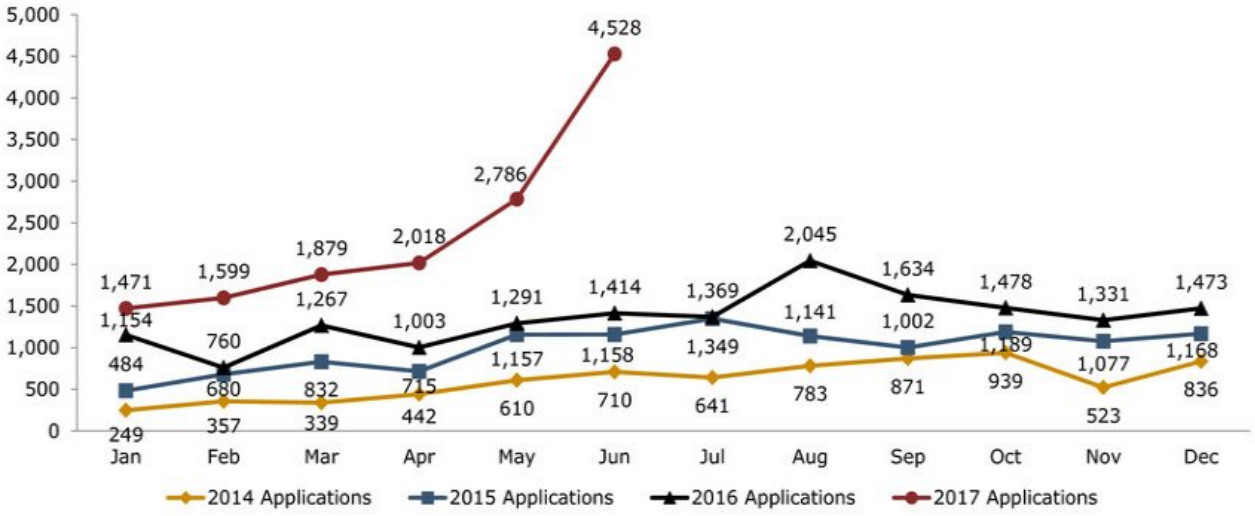
2017 Major Financing Activities

- $250 million re-opening in March of APS's outstanding 4.35% senior unsecured notes due November 2045
- Currently expect up to $650 million of long-term debt issuance from two transactions, one at PNW (including refinancing of its $125 million term loan) and one at APS

We are disclosing credit ratings to enhance understanding of our sources of liquidity and the effects of our ratings on our costs of funds.

PINNACLE WEST
CAPITAL CORPORATION

RESIDENTIAL PV APPLICATIONS*

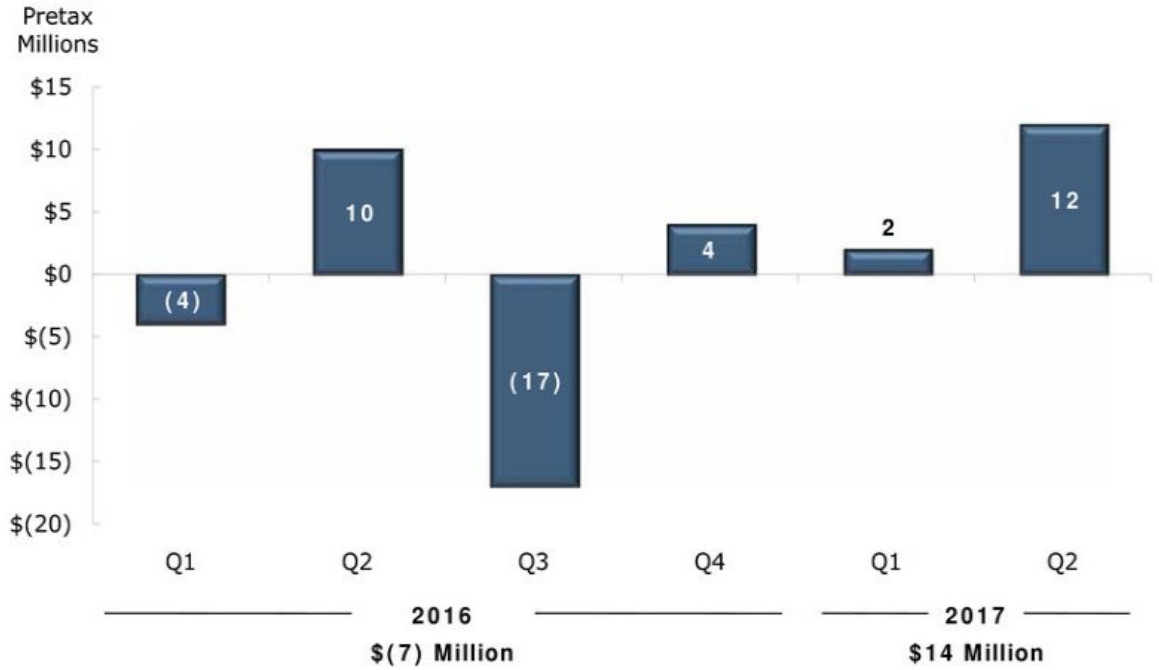


* Monthly data equals applications received minus cancelled applications. As of June 30, 2017, more than 62,000 residential grid-tied solar photovoltaic (PV) systems have been installed in APS's service territory, totaling more than 483 MWdc of installed capacity. Excludes APS Solar Partner Program residential PV systems.

Note: www.arizonagoessolar.org logs total residential application volume, including cancellations. Solar water heaters can also be found on the site, but are not included in the chart above.

PINNACLE WEST CAPITAL CORPORATION

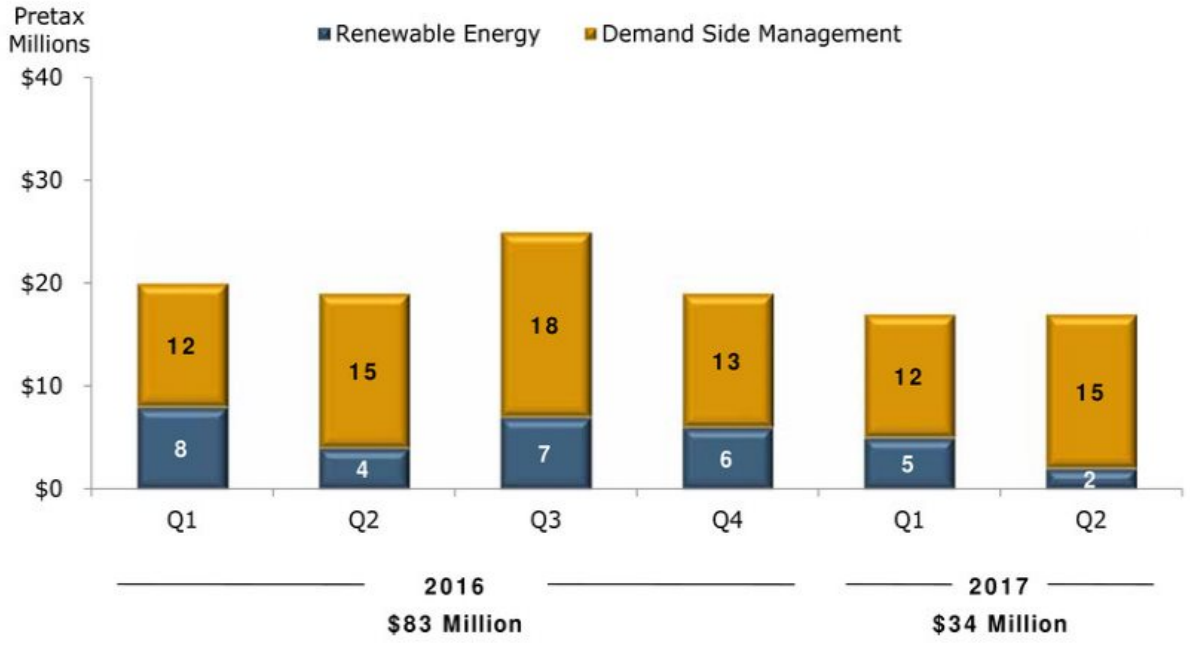
GROSS MARGIN EFFECTS OF WEATHER
VARIANCES VS. NORMAL



All periods recalculated to current 10-year rolling average (2005-2014)

PINNACLE WEST
CAPITAL CORPORATION

RENEWABLE ENERGY AND DEMAND SIDE MANAGEMENT EXPENSES*



* O&M expenses related to renewable energy and demand side management programs are partially offset by comparable revenue amounts

PINNACLE WEST CAPITAL CORPORATION

NON-GAAP MEASURE RECONCILIATION

$ millions pretax, except per share amounts	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	EPS Impact
Operating revenues*	$ 945	$ 915	
Fuel and purchased power expenses*	(255)	(275)	
Gross margin	690	640	$ 0.27
Adjustments:			
Renewable energy (excluding AZ Sun) and demand side management programs	(14)	(13)	-
Adjusted gross margin	$ 676	$ 627	$ 0.27
Operations and maintenance*	$ 214	$ 242	$ 0.15
Adjustments:			
Renewable energy and demand side management programs	(17)	(19)	(0.01)
Adjusted operations and maintenance	$ 197	$ 223	$ 0.14

* Line items from Consolidated Statements of Income

CONSOLIDATED STATISTICS

	3 Months Ended June 30,			6 Months Ended June 30,		
	2017	2016	Incr (Decr)	2017	2016	Incr (Decr)
ELECTRIC OPERATING REVENUES (Dollars in Millions)						
Retail						
Residential	$ 476	$ 453	23	$ 778	$ 751	$ 27
Business	433	422	11	770	763	7
Total Retail	909	875	34	1,548	1,514	34
Sales for Resale (Wholesale)	17	20	(3)	40	40	-
Transmission for Others	11	5	6	21	14	7
Other Miscellaneous Services	6	10	(4)	10	18	(8)
Total Electric Operating Revenues	$ 943	$ 910	33	$ 1,619	$ 1,586	$ 33
ELECTRIC SALES (GWH)						
Retail						
Residential	3,445	3,313	132	5,902	5,821	81
Business	3,850	3,756	94	7,111	7,069	42
Total Retail	7,295	7,069	226	13,013	12,890	123
Sales for Resale (Wholesale)	571	943	(372)	1,645	1,938	(293)
Total Electric Sales	7,866	8,012	(146)	14,658	14,828	(170)
RETAIL SALES (GWH) - WEATHER NORMALIZED						
Residential	3,359	3,246	113	5,813	5,848	(35)
Business	3,797	3,708	89	7,042	7,000	42
Total Retail Sales	7,156	6,954	202	12,855	12,848	7
Retail sales (GWH) (% over prior year)	2.9%			0.1%		
AVERAGE ELECTRIC CUSTOMERS						
Retail Customers						
Residential	1,077,292	1,057,620	19,672	1,078,336	1,060,686	17,650
Business	133,651	131,573	2,078	133,086	131,368	1,718
Total Retail	1,210,943	1,189,193	21,750	1,211,422	1,192,054	19,368
Wholesale Customers	42	46	(4)	43	45	(2)
Total Customers	1,210,985	1,189,239	21,746	1,211,465	1,192,099	19,366
Total Customer Growth (% over prior year)	1.8%			1.6%		
RETAIL USAGE - WEATHER NORMALIZED (KWh/ Average Customer)						
Residential	3,118	3,069	49	5,391	5,513	(122)
Business	28,404	28,181	223	52,910	53,283	(373)

CONSOLIDATED STATISTICS

	3 Months Ended June 30,			6 Months Ended June 30,		
	2017	2016	Incr (Decr)	2017	2016	Incr (Decr)
WEATHER INDICATORS - RESIDENTIAL						
Actual						
Cooling Degree-Days	571	503	68	571	503	68
Heating Degree-Days	3	1	2	439	397	42
Average Humidity	17%	20%	(3)%	17%	20%	(3)%
10-Year Averages (2005 - 2014)						
Cooling Degree-Days	504	504	-	504	504	-
Heating Degree-Days	10	10	-	492	492	-
Average Humidity	16%	16%	-	16%	16%	-
ENERGY SOURCES (GWH)						
Generation Production						
Nuclear	2,120	2,147	(27)	4,632	4,692	(60)
Coal	1,407	1,329	78	3,541	2,631	910
Gas, Oil and Other	1,898	2,272	(374)	3,016	4,030	(1,014)
Renewables	173	159	14	272	270	2
Total Generation Production	5,599	5,908	(309)	11,462	11,623	(162)
Purchased Power			-			-
Conventional	1,828	1,693	135	2,421	2,340	81
Resales	191	265	(74)	373	343	30
Renewables	591	528	63	1,073	966	108
Total Purchased Power	2,610	2,486	125	3,867	3,648	219
Total Energy Sources	8,209	8,393	(184)	15,329	15,272	57
POWER PLANT PERFORMANCE						
Capacity Factors - Owned						
Nuclear	85%	86%	(1)%	93%	94%	(1)%
Coal	39%	36%	3%	49%	36%	13%
Gas, Oil and Other	27%	33%	(5)%	23%	29%	(6)%
Solar	35%	38%	(4)%	39%	33%	6%
System Average	41%	43%	(2)%	42%	43%	(1)%