

**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): February 24, 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))

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 2.02. Results of Operations and Financial Condition.

The following information is furnished pursuant to Item 2.02.

On February 24, 2017, Pinnacle West Capital Corporation (the “Company” or “Pinnacle West”) issued a press release regarding its financial results for the fiscal quarter and full year ended December 31, 2016. 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 its earnings conference call on February 24, 2017. This information contains Company operating results for the fiscal quarter and fiscal year ended December 31, 2016. The slide presentation is attached hereto as Exhibits 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 February 24, 2017.
99.2	Pinnacle West APS	Pinnacle West 4th Quarter and Full-Year 2016 Results slide presentation accompanying February 24, 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: February 24, 2017

By: /s/ James R. Hatfield

James R. Hatfield
Executive Vice President and
Chief Financial Officer

ARIZONA PUBLIC SERVICE COMPANY
(Registrant)

Dated: February 24, 2017

By: /s/ James R. Hatfield

James R. Hatfield
Executive Vice President and
Chief Financial Officer

Exhibit Index

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FOR IMMEDIATE RELEASE

February 24, 2017

Media Contact: Alan Bunnell, (602) 250-3376
Analyst Contact: Ted Geisler (602) 250-3200
Chalese Haraldsen (602) 250-5643
Website: pinnaclewest.com

PINNACLE WEST REPORTS 2016 FULL-YEAR AND FOURTH-QUARTER RESULTS

- *Full-year results benefit from strong operational performance and cost management*
- *Palo Verde Nuclear Generating Station continues record-breaking performance*
- *Company makes progress on key regulatory initiatives*

PHOENIX - Pinnacle West Capital Corporation (NYSE: PNW) today reported consolidated net income attributable to common shareholders of \$442.0 million, or \$3.95 per diluted share, for full-year 2016. This result compares with net income of \$437.3 million, or \$3.92 per share, in 2015.

“Reflecting steady improvement in Arizona’s economic conditions and our employees’ continued focus on sustainable cost management, our year-end results were in line with our expectations,” said Pinnacle West Chairman, President and Chief Executive Officer Don Brandt. “In addition, our employees contributed to strong operational performance, including a record-setting performance at the Palo Verde Nuclear Generating Station.”

Palo Verde achieved its 25th consecutive year as the nation’s largest power producer - producing 32.3 million megawatt-hours of carbon-free electricity. The plant’s three units achieved a capacity factor of 93.2 percent, and Unit 3’s fall 2016 refueling and maintenance outage was the shortest in plant history at 28 days, 17 hours. By comparison, the average length of a refueling and maintenance outage at all U.S. reactors in 2015 was 36.3 days, according to most recent industry data.

Brandt cited additional examples of the Company’s 2016 achievements:

- For the fifth straight year, Pinnacle West increased its common dividend, raising it by 4.8 percent.
 - On October 1, the company commenced participation in the western regional Energy Imbalance Market (EIM), resulting in trading efficiencies and customer savings of about \$6 million during the 2016 fourth quarter.
-

- Arizona Public Service (APS) launched a suite of new tools that provides customers with an improved and more customized service experience, including a mobile app, an online outage map and a new automated phone system.
- APS continued investing in an advanced energy grid, including new technologies that enable customers to have greater choice and control over their energy use, while increasing reliability. These technologies included two separate “next generation” microgrids installed in Phoenix and at the Marine Corps Air Station in Yuma, Ariz.
- The Red Rock Solar Plant - APS’s largest self-owned grid-scale solar power plant at 40 megawatts - also was completed, helping the company reach one gigawatt of solar on its system and becoming the only utility outside California to achieve this milestone. To date, the company’s total investment in solar energy is about \$2 billion.
- APS’s power reliability for 2016 remained among the strongest in the industry and received a top-quartile score from JD Power for “Power Quality & Reliability” among residential customers.

Looking forward, Brandt said the company remains committed to investing in infrastructure that creates value for customers and shareholders alike, while also building on the positive regulatory outcome in Arizona’s value and cost of distributed generation docket, which was decided in late 2016.

“We will continue to work collaboratively with regulators and other stakeholders on key issues important to Arizona’s energy future, including achieving a constructive regulatory outcome in our current rate review,” he said. “In many respects, this case serves as a transition from the challenges of the present to the opportunities of the future.”

The 2016 full-year financial results comparison was positively impacted by the following major factors:

- *Higher lost fixed cost recovery revenue, an increase in transmission proceeds and revenue from the Company’s AZ Sun program* improved earnings by \$0.18 per share compared to 2015.
- *Retail electricity sales* improved earnings \$0.05 per share due to changes in customer usage patterns and related pricing. Compared to a year ago, total customer growth improved 1.4 percent.
- *The effects of weather variations* improved the Company’s earnings by \$0.02 per share, although weather was still unfavorable compared to normal. For the year, the company had a 6 percent decrease in cooling degree-days and a 5 percent decrease in heating degree-days (measures of the effects of weather) versus 2015. Compared to 10-year historical averages, cooling and heating degree days were down 2.7 percent and 18.7 percent, respectively.
- *Lower interest expense*, net of AFUDC, contributed \$0.02 per share.
- *The net effect of miscellaneous items* increased earnings \$0.06 per share, including the second-quarter sale of a 50 percent ownership stake in an existing transmission line, which resulted in a \$0.03 contribution to the Company’s bottom line in the second quarter.

The above positive factors were largely offset by higher operations and maintenance expenses, which reduced annual earnings by \$0.30 per share. These expenses were largely associated with major planned outages at the company’s Four Corners Power Plant in the first half of the year;

higher transmission, distribution and customer service costs associated with implementation of new systems; and higher employee benefit costs, among other items.

For the quarter ended December 31, 2016, Pinnacle West reported consolidated net income attributable to common shareholders of \$53.2 million, or \$0.47 per diluted share. This result compares with net income of \$41.1 million, or \$0.37 per share, for the same period a year ago.

The 2016 fourth-quarter results comparison versus the same 2015 period was positively impacted by lower operating expenses, partially offset by lower retail electricity sales. While October 2016 proved to be hotter than average, sales decreased in the last two months of the year, with December turning out to be the third mildest December since 1970 - a span of 46 years.

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 2016 year-end and fourth-quarter results, as well as recent developments, at 11 a.m. ET (9 a.m. AZ time) today, February 24. 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), Friday, March 3, 2017, by calling (877) 481-4010 in the U.S. and Canada or (919) 882-2331 internationally and entering conference ID number 10176.

About Pinnacle West Capital

Pinnacle West Capital Corp., an energy holding company based in Phoenix, has consolidated assets of about \$16 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.

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 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 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, 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.

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

	THREE MONTHS ENDED		TWELVE MONTHS ENDED	
	DECEMBER 31,		DECEMBER 31,	
	2016	2015	2016	2015
Operating Revenues	\$ 739,199	\$ 734,430	\$ 3,498,682	\$ 3,495,443
Operating Expenses				
Fuel and purchased power	243,257	232,737	1,075,510	1,101,298
Operations and maintenance	208,277	222,019	911,319	868,377
Depreciation and amortization	122,852	125,109	485,829	494,422
Taxes other than income taxes	40,597	42,323	166,499	171,812
Other expenses	1,400	2,408	3,541	4,932
Total	616,383	624,596	2,642,698	2,640,841
Operating Income	122,816	109,834	855,984	854,602
Other Income (Deductions)				
Allowance for equity funds used during construction	11,061	9,001	42,140	35,215
Other income	516	72	901	621
Other expense	(3,252)	(5,390)	(15,337)	(17,823)
Total	8,325	3,683	27,704	18,013
Interest Expense				
Interest charges	50,834	48,895	205,720	194,964
Allowance for borrowed funds used during construction	(5,121)	(4,203)	(19,970)	(16,259)
Total	45,713	44,692	185,750	178,705
Income Before Income Taxes	85,428	68,825	697,938	693,910
Income Taxes	27,309	22,847	236,411	237,720
Net Income	58,119	45,978	461,527	456,190
Less: Net income attributable to noncontrolling interests	4,873	4,861	19,493	18,933
Net Income Attributable To Common Shareholders	\$ 53,246	\$ 41,117	\$ 442,034	\$ 437,257
Weighted-Average Common Shares Outstanding - Basic	111,545	111,149	111,409	111,026
Weighted-Average Common Shares Outstanding - Diluted	112,223	111,738	112,046	111,552
Earnings Per Weighted-Average Common Share Outstanding				
Net income attributable to common shareholders - basic	\$ 0.48	\$ 0.37	\$ 3.97	\$ 3.94
Net income attributable to common shareholders - diluted	\$ 0.47	\$ 0.37	\$ 3.95	\$ 3.92



**FOURTH QUARTER AND
FULL-YEAR 2016 RESULTS**

February 24, 2017

PINNACLE WEST
CAPITAL CORPORATION



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, 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 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, 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.

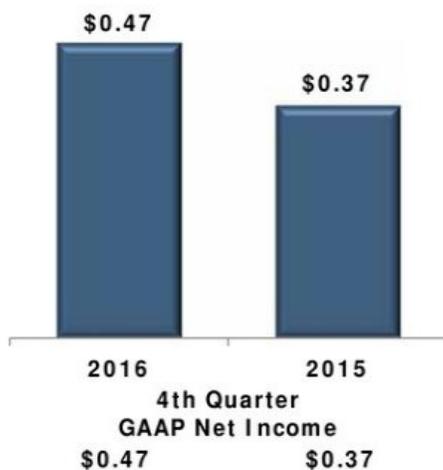
We present "gross margin" per diluted share of common stock. Gross margin refers to operating revenues less fuel and purchased power expenses. Gross margin is a "non-GAAP financial measure," as defined in accordance with SEC rules. The appendix contains a reconciliation of this non-GAAP financial measure 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.

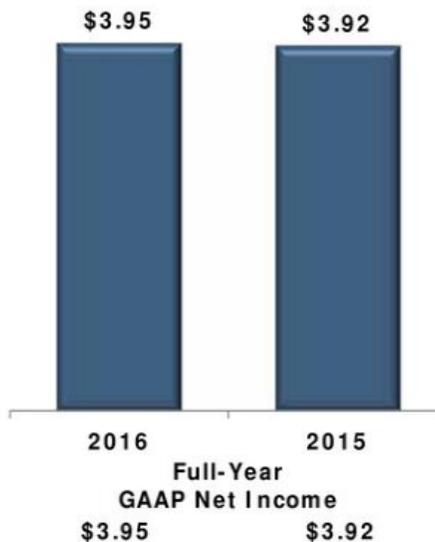
Investors should note that these non-GAAP financial measures may involve judgments by management, including whether an item is classified as an unusual item. These measures are key components of our internal financial reporting and are used by our management in analyzing the operations of our business.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

CONSOLIDATED EPS COMPARISON 2016 VS. 2015

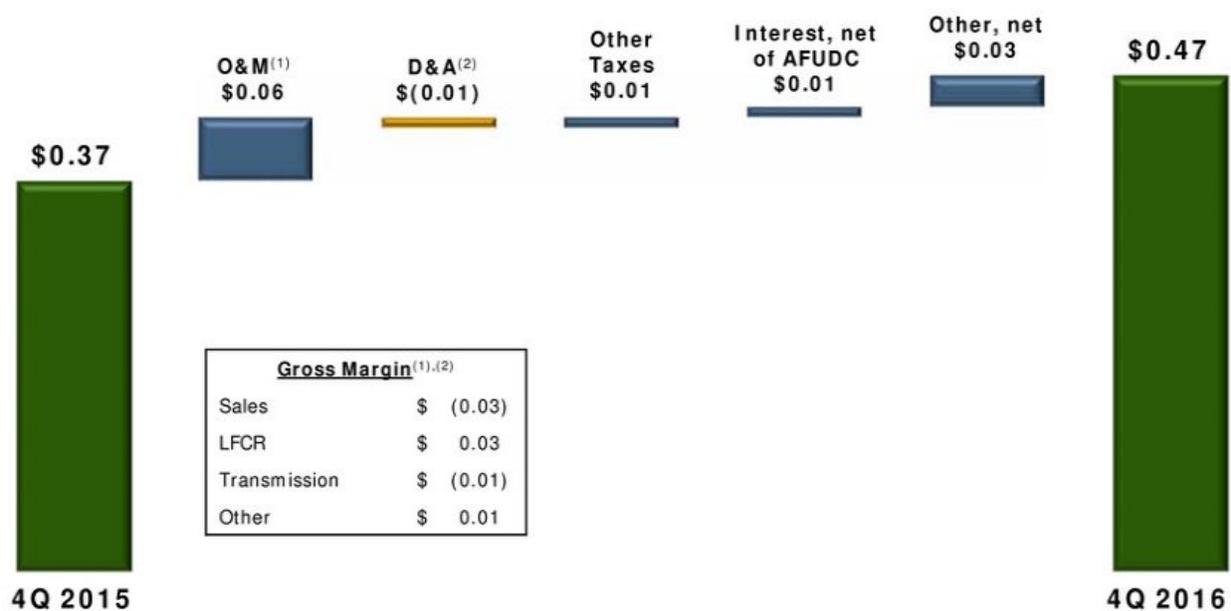
4th Quarter
On-Going Earnings



Full-Year
On-Going Earnings

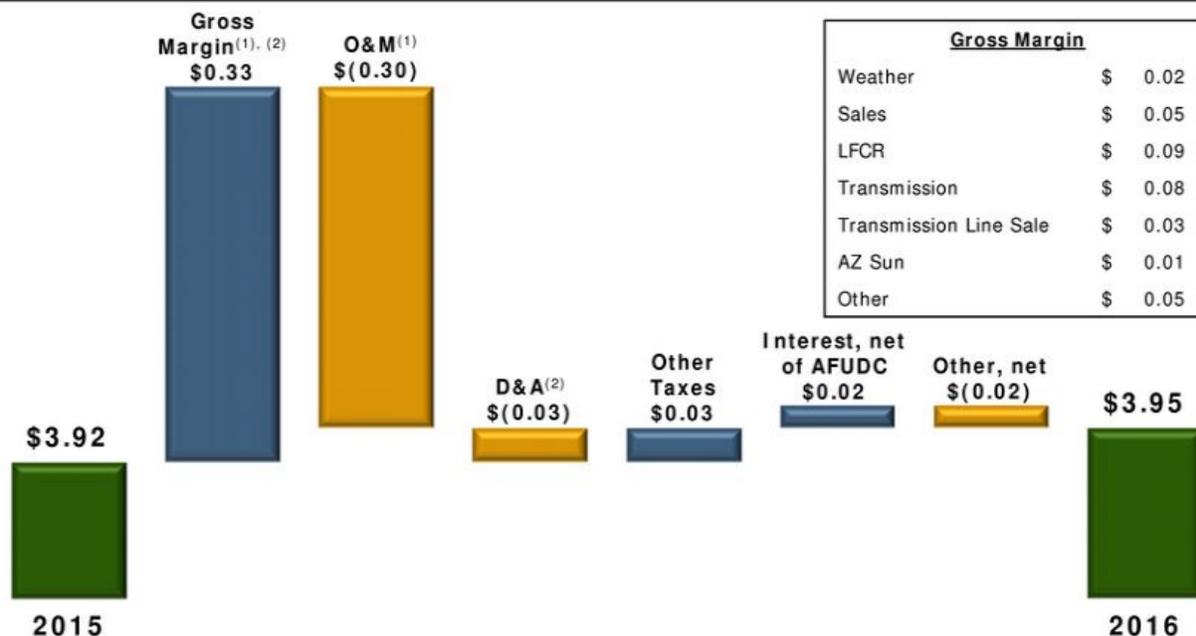


ON-GOING EPS VARIANCES 4TH QUARTER 2016 VS. 4TH QUARTER 2015



- (1) Excludes costs and offsetting operating revenues, associated with renewable energy (excluding AZ Sun) and demand side management programs.
 (2) Excludes revenues and offsetting depreciation and amortization expense related to reduced Palo Verde system benefits charge.
See non-GAAP reconciliation.

ON-GOING EPS VARIANCES FULL YEAR 2016 VS. 2015

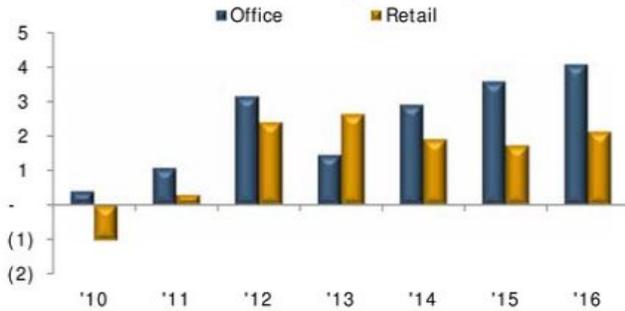


- (1) Excludes costs and offsetting operating revenues, associated with renewable energy (excluding AZ Sun) and demand side management programs.
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See non-GAAP reconciliation.

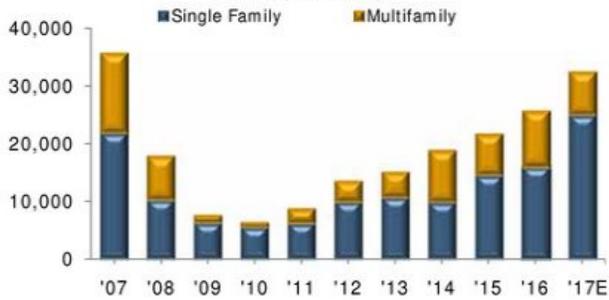
ECONOMIC INDICATORS

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

Nonresidential Net Absorption – Metro Phoenix
Millions Sq. Ft



Single Family & Multifamily Housing Permits
Maricopa County



- ✓ Above-average job growth in construction and 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*
- ✓ Metro Phoenix growth rate 3rd fastest among top 15 metro areas - *U.S. Census Bureau March 2016*



APPENDIX X

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		Jun 1		
2018 RES Implementation Plan for Reset of Renewable Energy Adjustor			Jul 1	
APS Rate Case E-01345A-16-0036	----- See Slide 10 -----			
Resource Planning and Procurement E-00000V-15-0094		April 3: Final IRP 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 -----			
ACC Open Meetings	ACC Open Meetings Held Monthly			
Other Key Dates				
Arizona State Legislature	In session Jan 9 – End of Q2			

2016 APS RATE CASE

- Filed June 1, 2016
- Propose new rates go into effect on July 1, 2017
- Docket Number: E-01345A-16-0036
- Additional details, including filing, can be found at <http://www.azenergyfuture.com/rate-review/>

Procedural Schedule

Staff and Intervenor Direct Testimony (ex rate design)	December 28, 2016
Staff and Intervenor Direct Testimony (Rate Design)	February 3, 2017
APS Rebuttal Testimony	February 24, 2017
Staff Resource Comparison Proxy (RCP) Direct Testimony	March 10, 2017
Settlement Deadline	March 17, 2017
APS and Intervener RCP Rebuttal Testimony	March 31, 2017
Staff and Intervenor Surrebuttal Testimony	April 14, 2017
Prehearing Conference	April 20, 2017
Proposed Hearing Commencement Date	April 24, 2017

ARIZONA ELECTRIC UTILITIES GENERAL RATE CASES

<p>UNS Electric (93,000 customers) Docket # E-04204A-15-0142</p> <p>Application Filed May 5, 2015 Hearing (Mar 1 – 24, 2016) Phase One Decision (Decision No. 75697, Aug 18, 2016) UNSE Customer Education Plan on Rates : Filed Sep 30, 2016 Final Non-DG Rates Approved: Feb 8, 2017 Phase Two (Net Metering Issues) Testimony: Mar – Jun 2017 Phase Two Hearing: Begins June 28, 2017 Phase Two Decision: Expected Oct 2017</p>	<p>Tucson Electric Power Company (415,000 customers) Docket # E-01933A-15-0322</p> <p>Application Filed Nov 5, 2015 Non-unanimous Revenue Requirement Settlement Filed (Aug 15, 2016) Hearing (Sep 8 – 20, 2016) Phase One Decision: Feb 9, 2017 Phase Two (Net Metering Issues) Testimony: Mar – Jun 2017 Phase Two Hearing : Begins Jun 28, 2017 Phase Two Decision: Expected Oct 2017</p>
<p>Sulphur Springs Valley Electric Cooperative (58,000 customers) Docket # E-01575A-15-0312</p> <p>Application Filed Aug 31, 2015 Hearing (May 17 – 27 , 2016) Decision in Phase One (Decision No. 75788, Nov 11, 2016) Phase Two (Net Metering Issues) Testimony: Apr – Jun 2017 Phase Two Hearing: Begins Jul 20, 2017 Phase Two Decision: Expected Nov 2017</p>	<p>Trico Electric Cooperative (38,000 customers) Docket # E-01461A-15-0363</p> <p>Application Filed Oct 23, 2015 Non-unanimous Revenue Requirement Settlement (Jul 8, 2016) Hearing (Aug 17, 2016) Decision: Feb 9, 2017 No Phase Two Proceeding Necessary</p>

2017 ON-GOING EARNINGS KEY DRIVERS

- EPS guidance issuance pending timing and outcome of APS rate case
- 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
- Transmission rate increase
- Operations and maintenance - Planned outages (e.g. Four Corners SCRs)
- Depreciation and amortization - Higher plant balances
- Interest rates
- AFUDC

FINANCIAL OUTLOOK

Key Factors & Assumptions as of
February 24, 2017

Gross Margin – Customer Growth and Weather (2017-2019)

Assumption	Impact
Retail customer growth	<ul style="list-style-type: none">• Projected to average in the range of about 2-3%• Modestly improving Arizona and U.S. economic conditions
Weather-normalized retail electricity sales volume growth	<ul style="list-style-type: none">• About 0.5-1.5% after customer conservation and energy efficiency and distributed renewable generation initiatives

Gross Margin – Related to 2012 Retail Rate Settlement

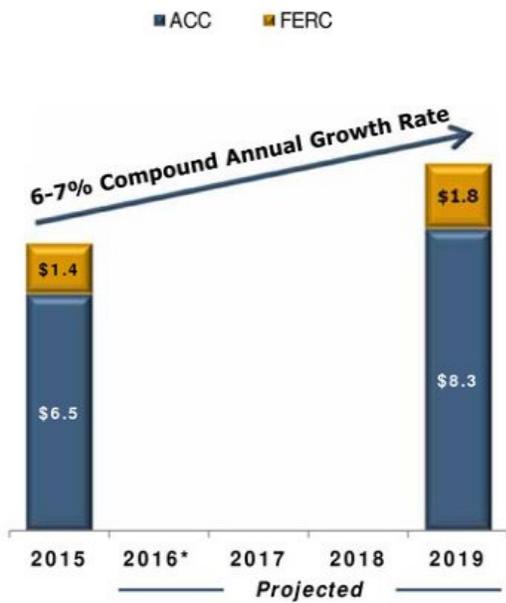
Assumption	Impact
AZ Sun Program	<ul style="list-style-type: none">• Additions to flow through RES until next base rate case• First 50 MW of AZ Sun is recovered through base rates
Lost Fixed Cost Recovery (LFCR)	<ul style="list-style-type: none">• Offsets 30-40% of revenues lost due to ACC-mandated energy efficiency and distributed renewable generation initiatives
Environmental Improvement Surcharge (EIS)	<ul style="list-style-type: none">• Assumed to recover up to \$5 million annually of carrying costs for government-mandated environmental capital expenditures
Power Supply Adjustor (PSA)	<ul style="list-style-type: none">• 100% recovery as of July 1, 2012
Transmission Cost Adjustor (TCA)	<ul style="list-style-type: none">• TCA is filed each May and automatically goes into rates effective June 1• Beginning July 1, 2012 following conclusion of the regulatory settlement, transmission revenue is accrued each month as it is earned.
Four Corners Acquisition	<ul style="list-style-type: none">• Four Corners rate increase effective January 1, 2015

Potential Property Tax Deferrals (2012 retail rate settlement): Assume 60% of property tax increases relate to tax rates, therefore, will be eligible for deferrals (Deferral rates: 50% in 2013; 75% in 2014 and thereafter)

RATE BASE

APS's revenues come from a regulated retail rate base and meaningful transmission business

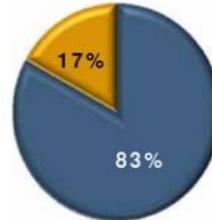
APS Rate Base Growth
Year-End



* 2016 rate base pending update following FERC Form 1 filing
Rate base \$ in billions, rounded

Total Rate Base

■ Generation & Distribution ■ Transmission

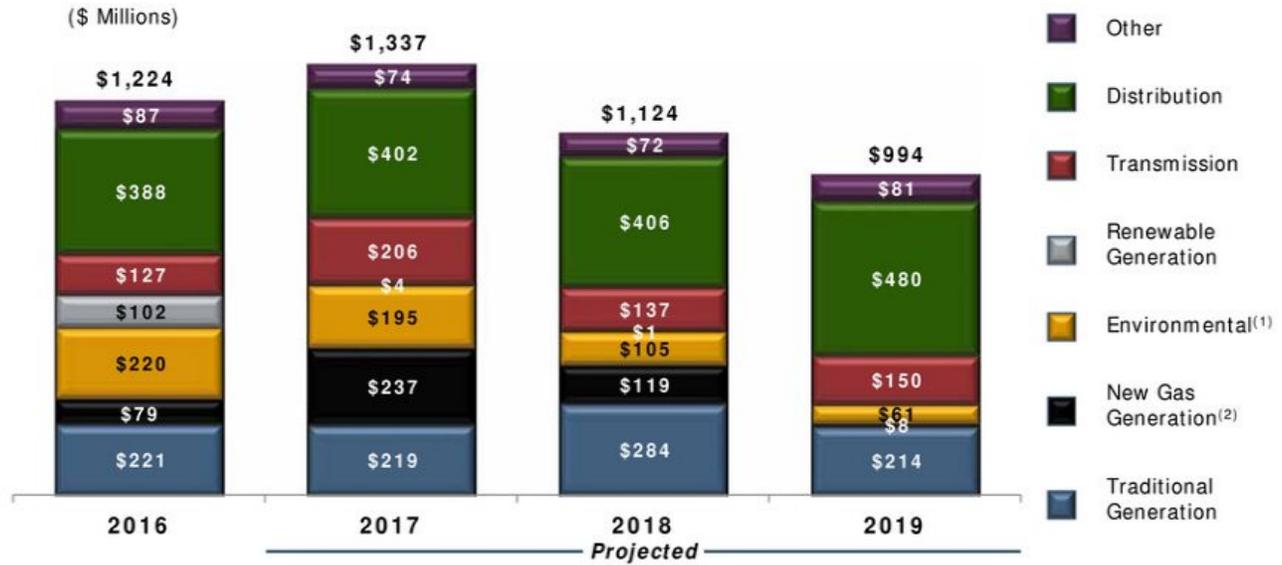


	ACC - Proposed	FERC
Rate Effective Date	7/1/2017	6/1/2016
Test Year Ended	12/31/2015 ¹	12/31/2015
Rate Base	\$6.8B	\$1.4B
Equity Layer	56%	56%
Allowed ROE	10.5%	10.75%

¹ Adjusted to include post test-year plant in service through 6/30/2017

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 Four Corners Units 4 and 5 of \$30 million in 2016, \$27 million in 2017, \$15 million in 2018 and \$6 million in 2019.

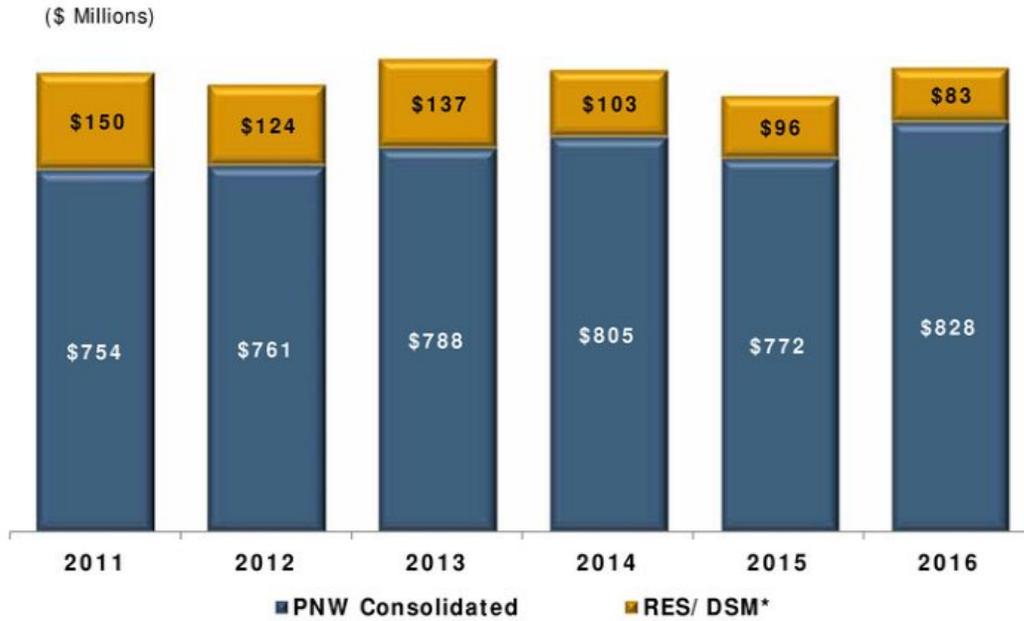
• 2017 – 2019 as disclosed in 2016 Form 10-K.

⁽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

OPERATIONS & MAINTENANCE

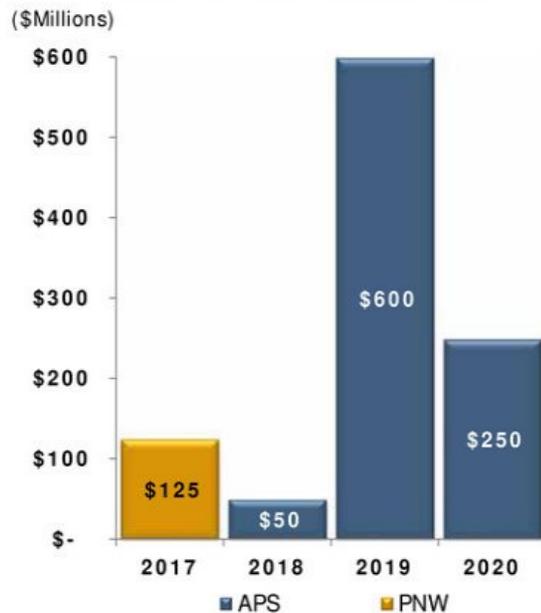
Goal is to keep O&M per kWh flat, adjusted for planned outages



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

BALANCE SHEET STRENGTH

Debt Maturity Schedule



Credit Ratings

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

2016 Major Financing Activities

- \$100 million 3-year term loan closed April 2016
- \$350 million 30-year 3.75% APS senior unsecured notes issued May 2016
- \$250 million 10-year 2.55% APS senior unsecured notes issued September 2016

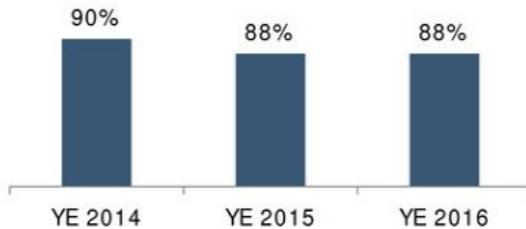
2017 Major Financing Activities

- Currently expect up to \$850 million of long-term debt, including refinance of \$125 million PNW term loan

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

PENSION & OTHER POST RETIREMENT BENEFITS (“OPEB”)

Pension Funded Status⁽¹⁾



- Funded status of the pension plan finished 2016 at 88%, unchanged from YE 2015.
- The pension plan continues to employ a liability driven investment strategy in order to reduce volatility in the plan's funded status.

(\$ in millions)

Expense ⁽²⁾	2016A	2017E
Pension ⁽¹⁾	\$19	\$24
OPEB	(\$12)	(\$19)

Contributions	2016A	2017E	2018E	2019E
Pension	\$100	\$100	Up to \$100	Up to \$100
OPEB	\$0.8	\$0.4	\$0.0	\$0.0

Expense Assumptions	2016	2017
Discount Rate: Pension	4.37%	4.08%
Expected Long-Term Return on Plan Assets: Pension	6.90%	6.55%

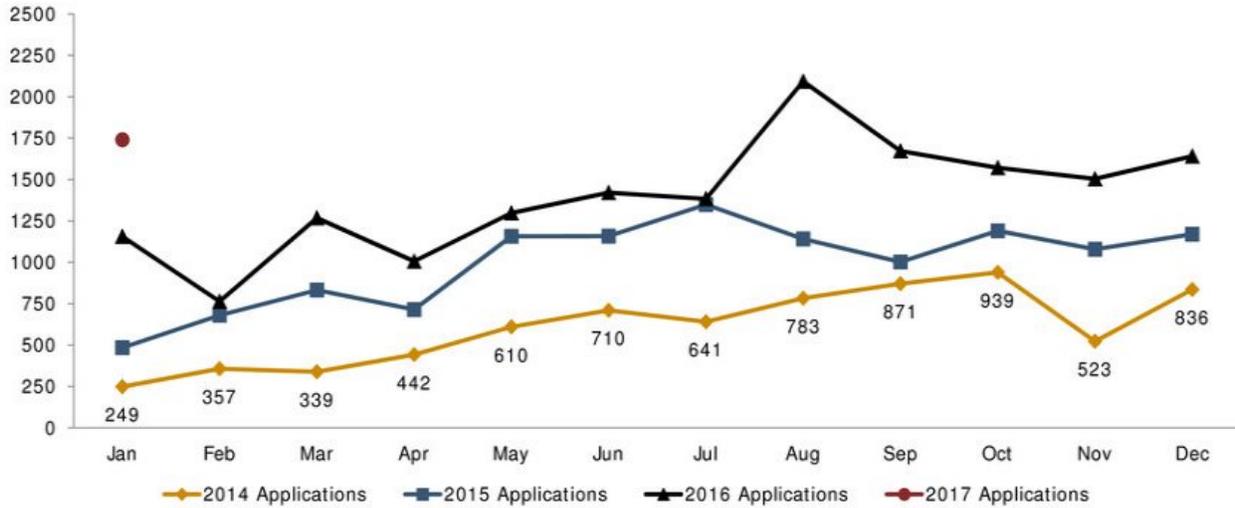
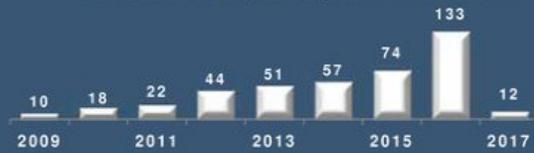
Data as of February 24, 2017

(1) Excludes supplemental excess benefit retirement plan calculated on a PBO basis.

(2) Excludes approximately 50% of total estimated expense which is attributable to amounts capitalized or billed to electric generating plant joint owners.

RESIDENTIAL PV APPLICATIONS*

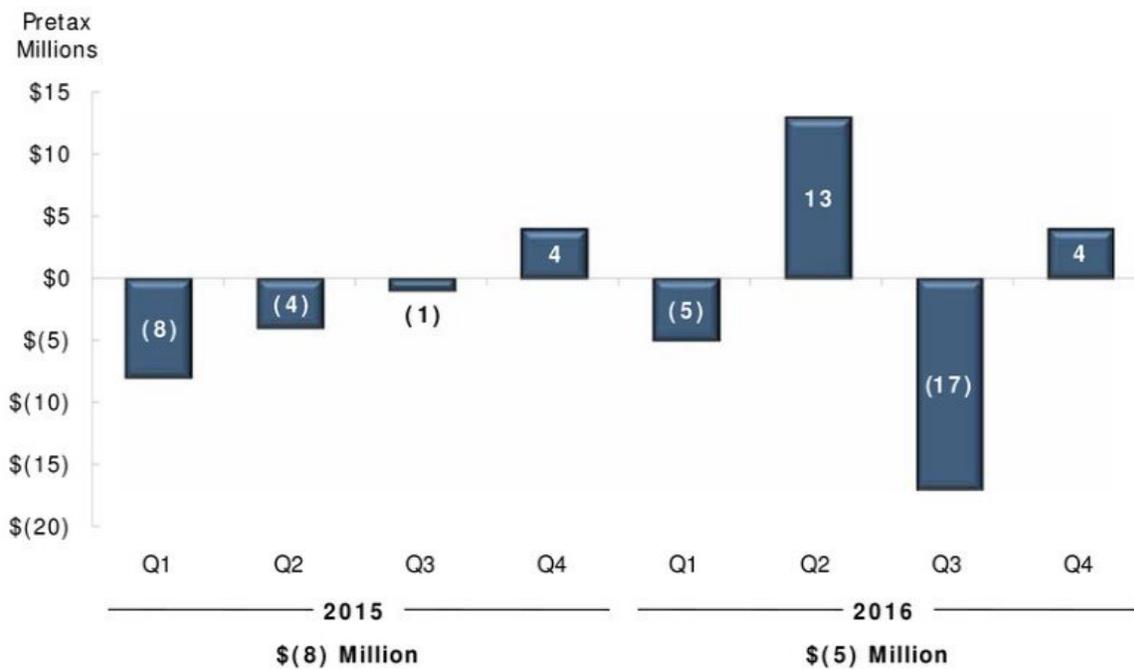
Residential DG (MWdc) Annual Additions



* Monthly data equals applications received minus cancelled applications. As of January 31, 2017 approximately 55,000 residential grid-tied solar photovoltaic (PV) systems have been installed in APS's service territory, totaling more than 420 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.

GROSS MARGIN EFFECTS OF WEATHER VARIANCES VS. NORMAL



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

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

NON-GAAP MEASURE RECONCILIATION

\$ millions pretax, except per share amounts	Three Months Ended December 31,		EPS Impact
	2016	2015	
Operating revenues*	\$ 739	\$ 734	
Fuel and purchased power expenses*	(243)	(232)	
Gross margin	496	502	\$ (0.03)
Adjustments:			
Renewable energy (excluding AZ Sun) and demand side management programs	(14)	(18)	0.02
Palo Verde system benefits charge	2	-	0.01
Adjusted gross margin	\$ 484	\$ 484	\$ -
Depreciation and amortization*	\$ (123)	\$ (125)	\$ 0.01
Adjustments:			
Palo Verde system benefits charge	-	(4)	0.02
Adjusted depreciation and amortization	\$ 123	\$ (121)	\$ (0.01)

* Line items from Consolidated Statements of Income

NON-GAAP MEASURE RECONCILIATION

\$ millions pretax, except per share amounts	Twelve Months Ended December 31,		EPS Impact
	2016	2015	
Operating revenues*	\$ 3,499	\$ 3,495	
Fuel and purchased power expenses*	(1,076)	(1,101)	
Gross margin	2,423	2,394	\$ 0.16
Adjustments:			
Renewable energy (excluding AZ Sun) and demand side management programs	(61)	(78)	0.09
Palo Verde system benefits charge	14	-	0.08
Adjusted gross margin	\$ 2,376	\$ 2,316	\$ 0.33
Depreciation and amortization*	\$ (486)	\$ (494)	\$ 0.05
Adjustments:			
Palo Verde system benefits charge	(2)	(16)	0.08
Adjusted depreciation and amortization	\$ (484)	\$ (478)	\$ (0.03)

* Line items from Consolidated Statements of Income

CONSOLIDATED STATISTICS

	3 Months Ended December 31,			12 Months Ended December 31,		
	2016	2015	Incr (Decr)	2016	2015	Incr (Decr)
ELECTRIC OPERATING REVENUES (Dollars in Millions)						
Retail						
Residential	\$ 332	\$ 328	\$ 4	\$ 1,730	\$ 1,702	\$ 28
Business	362	349	13	1,605	1,584	21
Total Retail	694	677	17	3,335	3,286	49
Sales for Resale (Wholesale)	30	40	(10)	95	149	(54)
Transmission for Others	7	7	-	28	34	(6)
Other Miscellaneous Services	6	10	(4)	32	23	9
Total Electric Operating Revenues	\$ 737	\$ 734	\$ 3	\$ 3,490	\$ 3,492	\$ (2)
ELECTRIC SALES (GWH)						
Retail						
Residential	2,671	2,767	(96)	13,195	13,160	35
Business	3,460	3,445	15	14,827	14,791	36
Total Retail	6,131	6,212	(81)	28,022	27,951	71
Sales for Resale (Wholesale)	1,045	2,357	(1,312)	3,767	6,340	(2,573)
Total Electric Sales	7,176	8,569	(1,393)	31,789	34,291	(2,502)
RETAIL SALES (GWH) - WEATHER NORMALIZED						
Residential	2,648	2,727	(79)	13,297	13,366	(69)
Business	3,431	3,417	14	14,766	14,695	71
Total Retail Sales	6,079	6,144	(65)	28,063	28,061	2
Retail sales (GWH) (% over prior year)	(1.1)%			-		
AVERAGE ELECTRIC CUSTOMERS						
Retail Customers						
Residential	1,066,711	1,053,177	13,534	1,061,814	1,046,990	14,824
Business	132,173	130,846	1,327	131,697	130,505	1,192
Total Retail	1,198,884	1,184,023	14,861	1,193,511	1,177,495	16,016
Wholesale Customers	46	47	(1)	46	47	(1)
Total Customers	1,198,930	1,184,070	14,860	1,193,557	1,177,542	16,015
Total Customer Growth (% over prior year)	1.3%			1.4%		
RETAIL USAGE - WEATHER NORMALIZED (KWh/ Average Customer)						
Residential	2,482	2,589	(107)	12,523	12,766	(243)
Business	25,960	26,118	(158)	112,120	112,602	(482)

CONSOLIDATED STATISTICS

	3 Months Ended December 31,			12 Months Ended December 31,		
	2016	2015	Incr (Decr)	2016	2015	Incr (Decr)
WEATHER INDICATORS - RESIDENTIAL						
Actual						
Cooling Degree-Days	57	73	(16)	1,720	1,822	(102)
Heating Degree-Days	282	463	(181)	679	717	(38)
Average Humidity	29%	41%	(12)%	27%	31%	(4)%
10-Year Averages (2005 - 2014)						
Cooling Degree-Days	41	41	-	1,768	1,768	-
Heating Degree-Days	346	346	-	835	835	-
Average Humidity	27%	27%	-	25%	25%	-
ENERGY SOURCES (GWH)						
Generation Production						
Nuclear	2,276	2,202	74	9,384	9,464	(80)
Coal	2,376	2,621	(245)	6,687	10,921	(4,233)
Gas, Oil and Other	1,508	1,988	(480)	8,270	6,573	1,697
Renewables	93	106	(13)	397	529	(132)
Total Generation Production	6,252	6,916	(664)	24,738	27,487	(2,748)
Purchased Power						
Conventional	753	941	(188)	5,737	5,614	123
Resales	188	83	105	785	380	404
Renewables	430	454	(24)	1,825	1,794	31
Total Purchased Power	1,371	1,478	(107)	8,346	7,788	558
Total Energy Sources	7,624	8,394	(771)	33,084	35,274	(2,190)
POWER PLANT PERFORMANCE						
Capacity Factors - Owned						
Nuclear	90%	87%	3%	93%	94%	(1)%
Coal	36%	71%	(35)%	46%	74%	(29)%
Gas, Oil and Other	31%	27%	4%	28%	22%	6%
Solar	22%	25%	(3)%	24%	23%	1%
System Average	46%	51%	(5)%	45%	50%	(5)%

