
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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 8, 2019

Commission File Number	Exact Name of Each Registrant as specified in its charter; State of Incorporation; Address; and Telephone Number	IRS Employer Identification No.
1-8962	PINNACLE WEST CAPITAL CORPORATION (an Arizona corporation) 400 North Fifth Street, P.O. Box 53999 Phoenix Arizona 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 Arizona 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))
-

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	PNW	The New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

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 2.02. Results of Operations and Financial Condition.

The following information is furnished pursuant to Item 2.02.

On August 8, 2019, Pinnacle West issued a press release regarding its financial results for the fiscal quarter ended June 30, 2019 and its earnings outlook for 2019. 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 8, 2019. This information contains Company operating results for the fiscal quarter ended June 30, 2019, earnings outlook for 2019 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 8, 2019.
99.2	Pinnacle West APS	Pinnacle West Capital Corporation Second Quarter 2019 Results slide presentation accompanying August 8, 2019 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 8, 2019

By: /s/ James R. Hatfield

James R. Hatfield
Executive Vice President and
Chief Financial Officer

ARIZONA PUBLIC SERVICE COMPANY
(Registrant)

Dated: August 8, 2019

By: /s/ James R. Hatfield

James R. Hatfield
Executive Vice President and
Chief Financial Officer

FOR IMMEDIATE RELEASE

August 8, 2019

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

PINNACLE WEST REPORTS LOWER 2019 SECOND-QUARTER RESULTS

- *Cooler-than-normal weather drives quarter-over-quarter earnings decrease*
- *Operations and maintenance expenses lower versus a year ago*
- *Customer growth of 1.8 percent continues to underscore an expanding Arizona economy*

PHOENIX - Pinnacle West Capital Corp. (NYSE: PNW) today reported consolidated net income attributable to common shareholders of \$144.1 million, or \$1.28 per diluted share of common stock, for the quarter ended June 30, 2019. This result compares with earnings of \$166.7 million, or \$1.48 per share, in the same 2018 period.

“Our second quarter was marked by unusually mild temperatures. And, since weather variations have a direct impact on how much energy customers use to cool their homes and businesses, our retail sales and financial results were lower than a year ago,” said Pinnacle West Chairman, President and Chief Executive Officer Don Brandt, noting that the opposite was true in this year’s first quarter, when colder winter weather drove an increase in energy revenues as customers used more electricity for heating.

Led by the mildest month of May since 1980, the effects of weather in the second quarter negatively impacted results by \$0.31 per share compared to the year-ago period. For perspective, the moderate weather decreased the number of residential cooling degree-days (a measure of the effects of weather) 18 percent versus the same 2018 period, and 11 percent below average.

In addition to the effects of weather, customer refunds resulting from federal corporate tax cuts; lower market returns for pension and other post-retirement non-service benefits; and other miscellaneous items negatively affected the quarterly results.

Decreased operations and maintenance expenses (due in part to lower planned fossil plant outages) and lower parent company costs partially offset these negative factors. A lower effective income tax rate and higher transmission revenues also positively impacted quarterly results. In addition, the company continued to experience solid customer growth of 1.8 percent, as well as a steady improvement in economic conditions.

Through the first two quarters of this year, the company’s consolidated net income attributable to common shareholders was \$162.1 million, or \$1.44 per diluted share of common stock. The result compares with \$170.0 million, or \$1.51 per share, in earnings for the first six months of 2018.

Pursuing Responsible Energy Policies

Looking to the future, Brandt said the company “will remain actively engaged in pursuing responsible energy policies that make sense - and provide value - for our customers and Arizona.”

APS, for example, continues to advance Arizona’s solar and clean-energy leadership. With last week’s Request for Proposal (RFP) announcement seeking additional solar and wind resources, the company continues to build upon one of the nation’s most extensive renewable energy portfolios. These new RFPs will provide needed resources in the early 2020s, and the solar generation will be designed with the flexibility to add energy storage as a future option. By 2021, the company expects to have about 2,500 MW of renewable energy - enough to power more than half a million Arizona homes.

The company also is aligned with state regulators in exploring the opportunities electric vehicles present in advancing the company’s clean energy objectives. To support the expected rapid growth of electric vehicles in Arizona, APS has implemented a program - Take Charge AZ - to increase charging infrastructure for fleets, workplaces and multifamily housing communities. The program provides charging equipment, as well as installation and maintenance. In turn, participants pay for any electricity costs and are encouraged to use the equipment when solar energy is abundant and energy prices are lower.

Financial Outlook

The company expects its 2019 consolidated earnings will be at the lower end of the previously disclosed range of \$4.75 to \$4.95 per diluted share, and expects to achieve a consolidated earned return on average common equity of more than 9.5 percent .

Key factors and assumptions underlying the 2019 outlook can be found in the second-quarter 2019 earnings presentation slides on the Company’s website at pinnaclewest.com/investors.

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 2019 second-quarter results, as well as recent developments, at noon ET (9 a.m. Arizona time) today, Aug. 8. 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. 15, 2019, by calling (877) 481-4010 in the U.S. and Canada or (919) 882-2331 internationally and entering passcode 49598.

General Information

Pinnacle West Capital Corp., an energy holding company based in Phoenix, has consolidated assets of about \$18 billion, about 6,000 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 direct or indirect effect on our facilities or business from cybersecurity threats or intrusions, data security breaches, terrorist attack, physical attack, severe storms, droughts, or other catastrophic events, such as fires, explosions, pandemic health events or similar occurrences;
- the development of new technologies which may affect electric sales or delivery;
- the cost of debt and equity capital and the ability to access capital markets when required;
- 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, 2018, 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 JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2019	2018	2019	2018
Operating Revenues	\$ 869,501	\$ 974,123	\$ 1,610,031	\$ 1,666,837
Operating Expenses				
Fuel and purchased power	242,222	257,087	472,810	454,197
Operations and maintenance	227,543	268,397	473,177	534,079
Depreciation and amortization	147,374	145,436	296,081	290,261
Taxes other than income taxes	55,090	53,607	110,180	107,207
Other expenses	683	7,434	1,110	7,597
Total	<u>672,912</u>	<u>731,961</u>	<u>1,353,358</u>	<u>1,393,341</u>
Operating Income	<u>196,589</u>	<u>242,162</u>	<u>256,673</u>	<u>273,496</u>
Other Income (Deductions)				
Allowance for equity funds used during construction	7,572	13,073	18,760	27,152
Pension and other postretirement non-service credits - net	6,374	12,006	11,488	24,865
Other income	12,885	6,598	20,054	10,583
Other expense	(4,350)	(3,771)	(8,708)	(7,000)
Total	<u>22,481</u>	<u>27,906</u>	<u>41,594</u>	<u>55,600</u>
Interest Expense				
Interest charges	57,465	60,708	118,118	119,662
Allowance for borrowed funds used during construction	(4,494)	(6,291)	(11,159)	(13,046)
Total	<u>52,971</u>	<u>54,417</u>	<u>106,959</u>	<u>106,616</u>
Income Before Income Taxes	166,099	215,651	191,308	222,480
Income Taxes	<u>17,080</u>	<u>44,039</u>	<u>19,498</u>	<u>42,774</u>
Net Income	149,019	171,612	171,810	179,706
Less: Net income attributable to noncontrolling interests	4,874	4,874	9,747	9,747
Net Income Attributable To Common Shareholders	<u>\$ 144,145</u>	<u>\$ 166,738</u>	<u>\$ 162,063</u>	<u>\$ 169,959</u>
Weighted-Average Common Shares Outstanding - Basic	112,337	112,115	112,381	112,067
Weighted-Average Common Shares Outstanding - Diluted	112,651	112,471	112,734	112,482
Earnings Per Weighted-Average Common Share Outstanding				
Net income attributable to common shareholders - basic	\$ 1.28	\$ 1.49	\$ 1.44	\$ 1.52
Net income attributable to common shareholders - diluted	\$ 1.28	\$ 1.48	\$ 1.44	\$ 1.51

PINNACLE WEST
CAPITAL CORPORATION

POWERING GROWTH
DELIVERING VALUE

Second Quarter 2019 Results
August 8, 2019



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 direct or indirect effect on our facilities or business from cybersecurity threats or intrusions, data security breaches, terrorist attack, physical attack, severe storms, droughts, or other catastrophic events, such as fires, explosions, pandemic health events or similar occurrences; the development of new technologies which may affect electric sales or delivery; the cost of debt and equity capital and the ability to access capital markets when required; 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, 2018, 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.

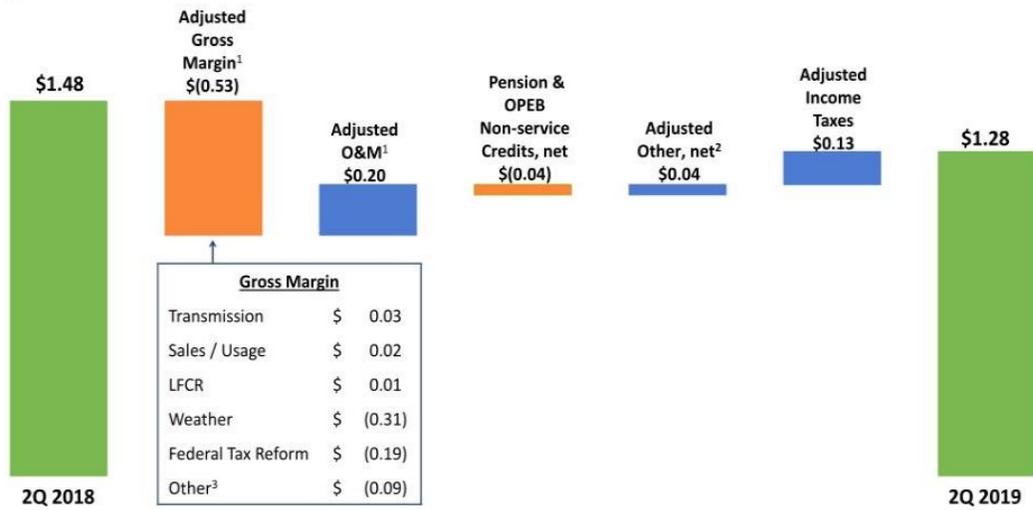
In this presentation, references to net income and earnings per share (EPS) refer to amounts attributable to common shareholders.

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, and is 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.

We present "adjusted gross margin" and "adjusted operations and maintenance" that have been adjusted to exclude costs and offsetting operating revenues associated with renewable energy and demand side management programs. We also present "adjusted other, net" that has been adjusted for the deferral impacts of the Four Corner's Selective Catalytic Reduction (SCR) equipment and the Ocotillo Modernization Project. We also present "adjusted income taxes" that shows the impact of tax reform. Adjusted gross margin, adjusted operations and maintenance, adjusted other, net, and adjusted income taxes are "non-GAAP financial measures," as defined in accordance with SEC rules. The appendix contains a reconciliation to show the exclusion of costs and offsetting operating revenues associated with renewable energy and demand side management programs, the deferral impacts of the Four Corners SCR equipment and the Ocotillo Modernization Project, and the impact of tax reform. We believe the information provided in the reconciliation provides investors with useful indicators of our results that are comparable among periods because they exclude the effects of unusual items that may occur on an irregular basis, such as the installation of the SCR equipment, the Ocotillo Modernization Project and tax reform impacts, and exclude the effects of programs that overstate our gross margin.

EPS VARIANCES

2nd Quarter 2019 vs. 2nd Quarter 2018



¹ Excludes costs and offsetting operating revenues associated with renewable energy and demand side management programs.

² Driver adjusted for the deferral impacts of the Four Corners Selective Catalytic Reduction (SCR) equipment and Ocotillo Modernization Project.

³ Other gross margin impacts are partially offset by other expenses.

See non-GAAP reconciliation in Appendix.

ECONOMIC DEVELOPMENT

Arizona's focus on economic development continues to support growth in the state

2019 – New companies moving into APS's service territory include:

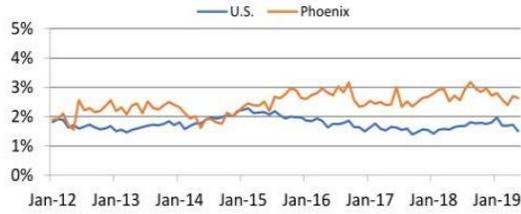
- Microsoft – constructing three world-class data centers
- Nike – multimillion-dollar manufacturing facility employing at least 500 people
- Red Bull – 700,000-square-foot facility
- Fairlife – 300,000 square foot facility; scheduled to begin operation in 2020
- Stream Data Centers – 2 million square feet of data center facilities
- Vantage Data Centers – 50 acre data center campus
- Compass Datacenters – eight buildings on 225 acre campus

What Others are Saying:

- [New study ranks Arizona economy among best in US](#); Phoenix Business Journal, June 9, 2019
- [Phoenix leads US in population growth, new Census data shows](#); Phoenix Business Journal, May 23, 2019
- [Arizona climbs on ranking of best states for business](#); Phoenix Business Journal, May 11, 2019
- [Arizona's 2018 GDP growth among best in nation](#); Phoenix Business Journal, May 6, 2019
- [Maricopa County is fastest-growing county in the U.S. for third year](#); Arizona Republic, April 18, 2019
- [Phoenix region a top market for 2019 industrial development, report says](#); Phoenix Business Journal, April 7, 2019

ECONOMIC INDICATORS

Year over Year Employment Growth



Maricopa County ranked #1 in U.S. for population growth for third straight year¹

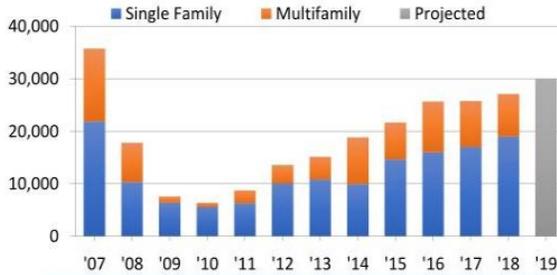
Arizona is ranked No. 1 in construction growth and No. 2 in manufacturing.²

Phoenix ranked 2nd most active market in data center leasing in 2018.³

Arizona is the 4th fastest-growing state in the U.S. according to Census data.⁴

Single Family & Multifamily Housing Permits

Maricopa County



¹ U.S. Census Bureau April 2019

² Bureau of Labor Statistics, Employment

³ CBRE's U.S. Data Center Trends Report

⁴ U.S. Census Bureau, Population Division, Release date December 2018

BALANCE SHEET STRENGTH

Near-Term Long-Term Debt Maturities



¹Represents the APS \$500 million 8.75% senior notes which matured on March 1, 2019

2019 Major Financing Activities

- \$200 million 18-month APS unsecured term loan entered into in February 2019
- \$300 million 30-year 4.25% APS senior unsecured notes issued February 2019
- Expect *up to* \$600 million of long-term debt issuance at APS during the remainder of 2019 exclusive of any funding for the refinancing of the APS \$250 million 2.20% senior notes which mature in January 2020

2019 EPS GUIDANCE

Key Factors & Assumptions as of August 8, 2019

	2019
Adjusted gross margin ¹ (operating revenues, net of fuel and purchased power expenses)	\$2.50 – \$2.56 billion
<ul style="list-style-type: none"> • Retail customer growth about 1.5-2.5% • Weather-normalized retail electricity sales volume about 1-2% higher compared to prior year • Assumes normal weather 	
Adjusted operating and maintenance (O&M) ¹	\$865 – \$885 million
Other operating expenses (depreciation and amortization, deferrals, and taxes other than income taxes)	\$850 – \$870 million
Other income (pension and other post-retirement non-service credits, other income and other expense)	\$35 – \$45 million
Interest expense , net of allowance for borrowed and equity funds used during construction (Total AFUDC \$40 million)	\$195 – \$205 million
Net income attributable to noncontrolling interests	\$20 million
Effective tax rate	10%
Average diluted common shares outstanding	113.1 million
EPS Guidance	\$4.75 - \$4.95
¹ Excludes O&M of \$80 million, and offsetting revenues, associated with renewable energy and demand side management programs.	

Second Quarter 2019 | 6



PINNACLE WEST
CAPITAL CORPORATION

FINANCIAL OUTLOOK

Key Factors & Assumptions as of August 8, 2019

Gross Margin – Customer and Sales Growth (2019-2021)

Assumption	Impact
Retail customer growth	<ul style="list-style-type: none">Expected to average about 1.5-2.5% annuallyStrength in Arizona and U.S. economic conditions
Weather-normalized retail electricity sales volume growth	<ul style="list-style-type: none">About 1.5–2.5%

Gross Margin – Related to 2017 Rate Review Order

Assumption	Impact
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">Ability to recover up to \$14 million annually of carrying costs for government-mandated environmental capital expenditures (cumulative per kWh cap rate of \$0.00050)
Power Supply Adjustor (PSA)	<ul style="list-style-type: none">100% recoveryIncludes certain environmental chemical costs and third-party battery storage
Transmission Cost Adjustor (TCA)	<ul style="list-style-type: none">TCA is filed each May and automatically goes into rates effective June 1Transmission revenue is accrued each month as it is earned
APS Solar Communities	<ul style="list-style-type: none">Additions to flow through RES until next base rate case

Property Tax Rate Deferral: APS is allowed to defer for future recovery (or credit to customers) the Arizona property tax expense above (or below) the 2015 test year caused by changes to the applicable composite property tax rate.

Outlook Through 2021: Goal of earning more than 9.5% Return on Equity (earned Return on Equity based on average Total Shareholder's Equity for PNW consolidated, weather-normalized)

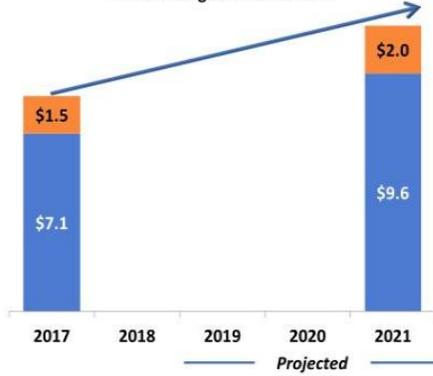
RATE BASE

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

APS Rate Base Growth
Year-End

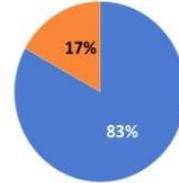
■ ACC ■ FERC

Long-term Rate Base Guidance:
6-7% Average Annual Growth



Total Approved Rate Base

■ Generation & Distribution ■ Transmission



	ACC	FERC
Rate Effective Date	8/19/2017	6/1/2018
Test Year Ended	12/31/2015 ¹	12/31/2017
Rate Base	\$6.8B	\$1.5B
Equity Layer	55.8%	53.4%
Allowed ROE	10.0%	10.75%

¹ Adjusted to include post test-year plant in service through 12/31/2016

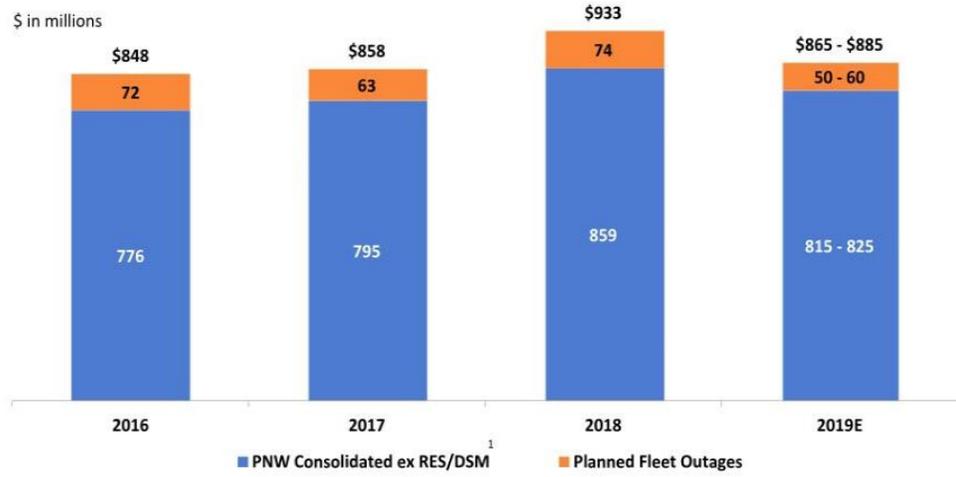
Rate base \$ in billions, rounded





OPERATIONS & MAINTENANCE

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



¹ Excludes RES/DSM of \$83 million in 2016, \$91 million in 2017, \$104 million in 2018, and \$80 million in 2019E

2019 PLANNED OUTAGE SCHEDULE

Coal, Nuclear, and Large Gas Planned Outages

Q1			Q2			Q4		
Plant	Unit	Estimated Duration in Days	Plant	Unit	Estimated Duration in Days	Plant	Unit	Estimated Duration in Days
Four Corners	4	21	Palo Verde	1	33	Palo Verde	3	44
Four Corners	5	21	Cholla*	1	50	West Phoenix	4	30
Cholla*	1	37	Redhawk*	2	35			
Redhawk*	2	29						

*Outage duration spans Q1-Q2. Number of days noted per quarter.

APS CAPITAL EXPENDITURES

Capital expenditures will support our growing customer base and utilization of advanced technology



- The chart does not include capital expenditures related to 4CA's 7% interest in the Four Corners Power Plant Units 4 and 5 of \$10 million in 2018.
- 2019 – 2021 as disclosed in the Second Quarter 2019 Form 10-Q.

¹ Ocotillo Modernization Project: Units in service second quarter 2019.

DISTRIBUTION GRID INVESTMENTS

Grid Operations and Investment Projected to be approximately \$1.5 billion from 2019-2021

Customer Growth

Approximately 50% of distribution capex



Line Extensions for new residential and commercial customers

Average annual spend ~ \$68M

- Extend, relocate, and upgrade APS facilities in response to customer request



New Distribution Substations & Upgrades

Average annual spend ~ \$38M

Construction over the next 3 years:

- 21 New Substations
- 3 Upgrades

Grid Modernization

Approximately 9% of distribution capex



Cap Bank Controllers, Substation Regulators, Voltage Management Algorithms

Average annual spend ~ \$11M

- Controls regulators and capacitor banks to manage power quality such as power factor and voltage



Reclosers – Supervisory Controlled Switches, Trip Savers

Average annual spend ~ \$14M

- Leveraging AMI for distribution automation
- Strategically deploying Fiber for communications backhaul

Run and Maintain

Approximately 41% of distribution capex



Overhead Lines & Wood Pole Replacements

Average annual spend ~ \$8M

- Replace equipment or components due to damage, degradation or failure
- Ensure the integrity of the structure and enhance system reliability



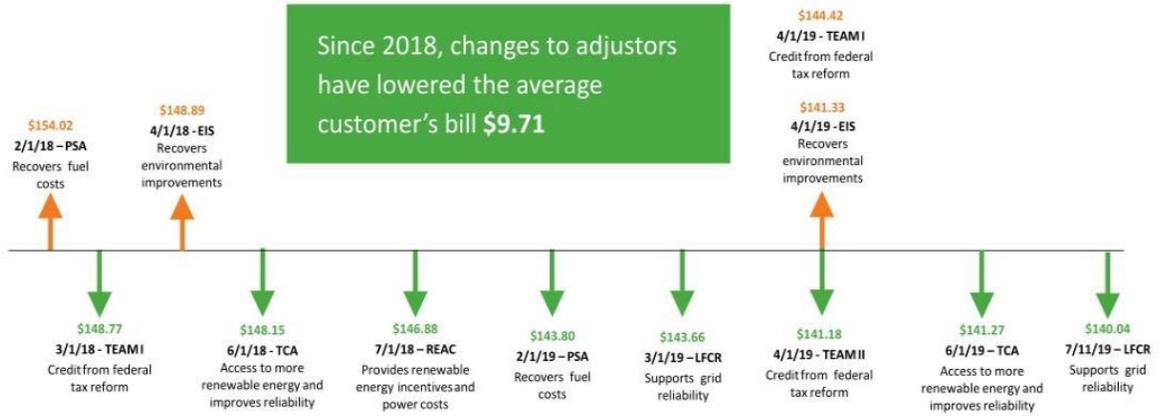
Underground Cable Replacements

Average annual spend ~ \$22.5M

- Replace all remaining direct buried primary distribution cable
- Direct buried cable has become a major cause of power outages

DELIVERING ON OUR COMMITMENT TO CUSTOMER AFFORDABILITY

2018 - July 2019 Adjustments to Residential Bills ↓ 6.48%

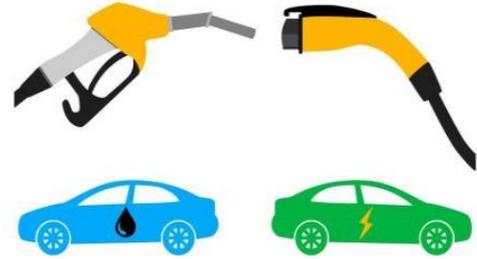


* Impacts represent the change to the average residential bill after the rate case (\$149.75/1,064 kWh).

WHAT'S NEXT

Take Charge AZ Pilot Program

- EV charging equipment, installation and maintenance for business customers, government agencies and multifamily housing communities
- Participants pay for energy costs to charge
- We encourage charging during daytime off-peak hours when solar energy is abundant and overnight
- Level 3 fast-charging infrastructure
- Approximately \$10 million capital investment each year in 2019 and 2020





PINNACLE WEST
CAPITAL CORPORATION

APPENDIX

TAX REFORM

Customer Rate Reductions

ACC – TAX EXPENSE ADJUSTOR MECHANISM:

- *PHASE I:* The ACC approved \$119 million annual rate reduction reflecting the lower federal tax rate. Effective for the March 2018 billing cycle.
- *PHASE II:* The ACC approved an additional \$86.5 million rate reduction to return the unprotected “excess” deferred taxes to ACC customers over a 12-month period. Effective for the April 2019 billing cycle.
- *PHASE III:* Filed in April 2019 – will address the refund of protected “excess” deferred taxes which are required to be returned over the regulatory life of plant property. The Company has proposed that Phase III begin July 1, 2019 and annually refund \$34.5 million to customers over the first 36 months. The ACC has not yet approved this request.

Cash Taxes

- Due to loss of bonus depreciation, cash tax payments normalize in 2019 as the Company utilizes its remaining tax credit carryforwards
- Future investment tax credits from renewable efforts will likely reduce cash tax payments in the year the assets are placed in service

Effective Tax Rate

- Amortization of TEAM Phase II excess deferred taxes will benefit the Company’s 2019 and 2020 ETR
- Amortization of TEAM Phase III excess deferred taxes are anticipated to benefit the ETR over a 28.5 year period

Net Regulatory Liability for Excess Deferred Taxes (\$ in millions)	At June 30, 2019
Total Net Regulatory Liability for Regulated Excess Deferred Taxes	\$1,495
Net Regulatory Liability for Depreciation Related Excess Deferred Taxes (to be returned over the life of property)	\$1,398
Net Regulatory Liability for Non-Depreciation Related Excess Deferred Taxes	\$97

OCOTILLO MODERNIZATION PROJECT & FOUR CORNERS SCRs

- Included in the 2017 Rate Review Order¹, APS has been granted Accounting Deferral Orders for two large generation-related capital investments
 - Ocotillo Modernization Project: Retiring two aging, steam-based, natural gas units, and replacing with 5 new, fast-ramping, combustion turbine units
 - Four Corners Power Plant: Installed Selective Catalytic Reduction (SCR) equipment to comply with Federal environmental standards

	Ocotillo Modernization Project	Four Corners SCRs
In-Service Dates	Units 3 – 7 – Spring 2019	Unit 5 – Late 2017 Unit 4 – Spring 2018
Total Cost (APS)	\$500 million	\$400 million
Estimated Cost Deferral	\$36 million (through 2019)	\$45 million (through 2019)
Accounting Deferral	<ul style="list-style-type: none"> • Cost deferral from date of commercial operation to the effective date of rates in next rate case • Includes depreciation, O&M, property taxes, and capital carrying charge² 	<ul style="list-style-type: none"> • Cost deferral from time of installation to incorporation of the SCR costs in rates using a step increase • Includes depreciation, O&M, property taxes, and capital carrying charge²

¹ The ACC's decision is subject to appeals

² APS will calculate the capital carrying charge using the 5.13% embedded cost of debt established in the 2017 Rate Review Order

FOUR CORNERS SCR STEP INCREASE

The Administrative Law Judge issued a Recommended Opinion and Order on November 27, 2018¹

Key Components of APS's Filed Request

Financial	Cost of Capital	Bill Impact	2019 Full-Year EPS Impact ³	
<ul style="list-style-type: none"> Consistent with prior disclosed estimates 	<ul style="list-style-type: none"> 7.85% Return on Rate Base² <ul style="list-style-type: none"> Weighted Average Cost of Capital (WACC) 	<ul style="list-style-type: none"> Rate rider applied as a percentage of base rates for all applicable customers 	\$ in millions	
<ul style="list-style-type: none"> \$390 million direct costs vs. \$400 million¹ contemplated in APS's recent rate case 	<ul style="list-style-type: none"> 5.13% Return on Deferral² <ul style="list-style-type: none"> Embedded Cost of Debt 	<ul style="list-style-type: none"> \$67.5 million revenue requirement² 	Revenue ¹	\$(58.5)
<ul style="list-style-type: none"> \$40 million in indirect costs (overhead, AFUDC) 	<ul style="list-style-type: none"> 5% Depreciation Rate <ul style="list-style-type: none"> 20-year useful life (2038-depreciation study) 5-year Deferral Amortization 	<ul style="list-style-type: none"> ~2% bill impact 	Deferrals:	
			Depreciation	19.5
			O&M	0.4
			Property tax	3.6
			Debt return	20.0
			Avoided expense ⁴	4.6
			Earnings impact ⁵	\$(8.2)
			EPS ⁵	\$(0.07)

³ Assumes no step increase in 2019

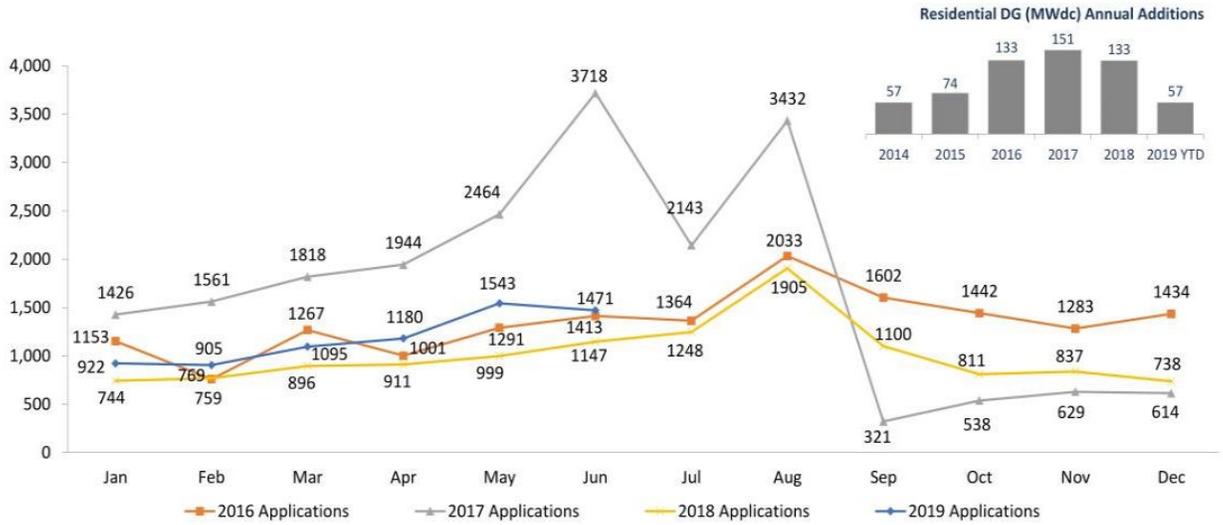
⁴ Amortization of deferral

⁵ Calculated using 21% marginal tax rate and 113.1 million shares

¹ Arizona Corporation Commission Staff recommended a \$58.5 million revenue increase and the Administrative Law Judge issued a Recommended Opinion and Order consistent with Commission Staff's recommendation

² Based on 2017 Rate Review Order

RESIDENTIAL PV APPLICATIONS¹



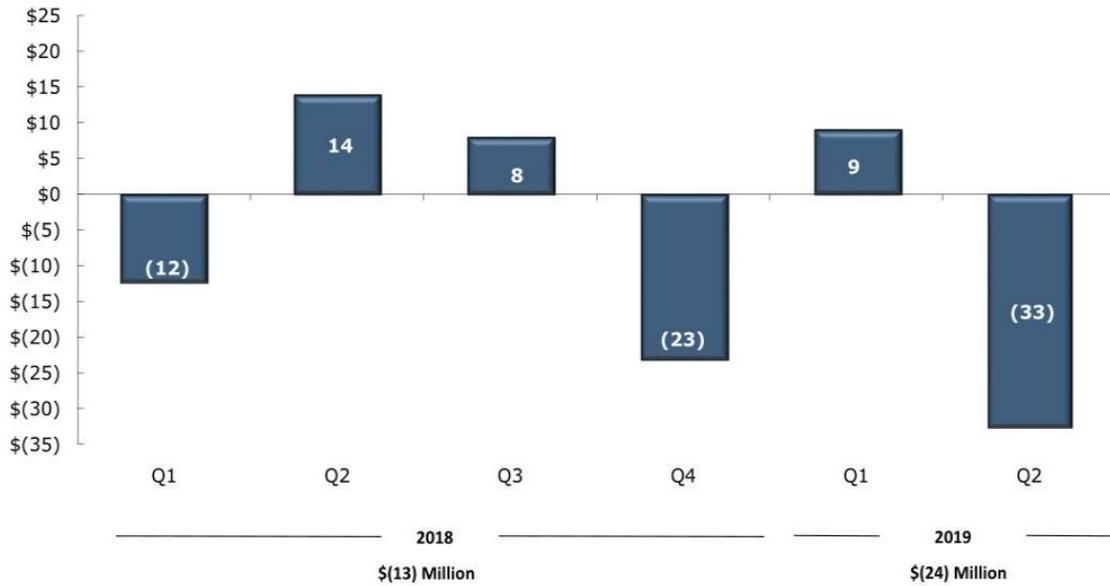
¹ Monthly data equals applications received minus cancelled applications. As of June 30, 2019, approximately 97,000 residential grid-tied solar photovoltaic (PV) systems have been installed in APS's service territory, totaling approximately 767 MWdc of installed capacity. Excludes APS Solar Partner Program 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

\$ in millions pretax

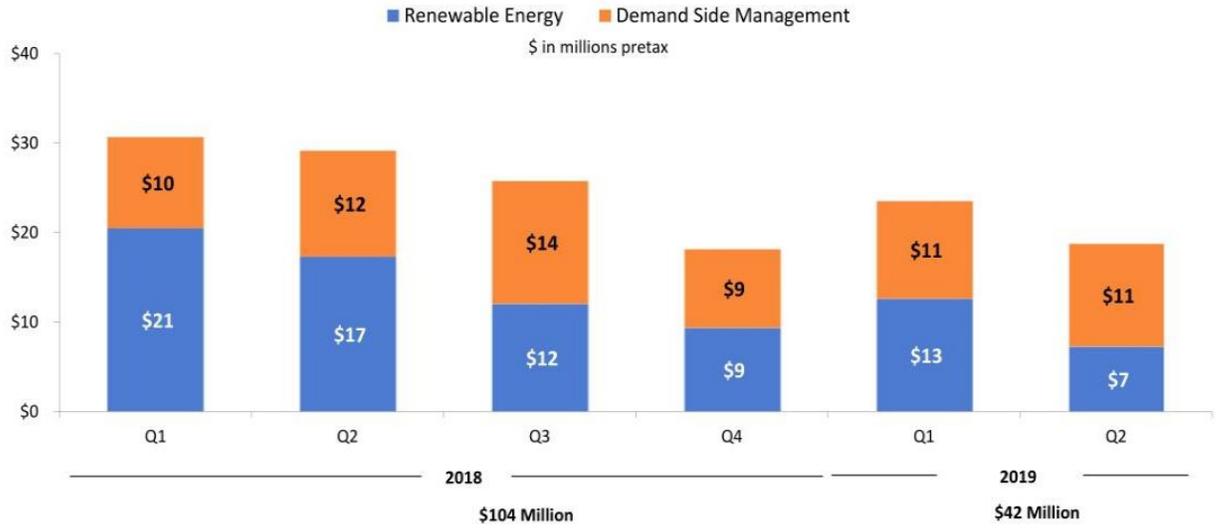
Variations vs. Normal



Pinnacle West
CAPITAL CORPORATION

All periods recalculated to current 10-year rolling average (2007 - 2016)

RENEWABLE ENERGY AND DEMAND SIDE MANAGEMENT EXPENSES¹



2019 KEY DATES

ACC Key Dates / Docket #	Q1	Q2	Q3	Q4
Power Supply Adjustor (PSA): E-01345A-16-0036	Implemented: Feb 1			
Lost Fixed Cost Recovery: E-01345A-16-0036	2018 LFCR approved 2019 LFCR Filed: Feb 15	2019 LFCR approved		
Transmission Cost Adjustor: E-01345A-16-0036		Filed: May 15 Implementation: Jun 1		
2020 DSM/EE Implementation Plan: E-01345A-19-0148				To be filed by: Dec 31
2020 RES Implementation Plan: E-01345A-19-0088			Filed: Jul 1	
Four Corners SCR Step Increase: E-01345A-16-0036	No scheduled events			
Resource Planning and Procurement: E-00000V-19-0034			Filed preliminary IRP: Aug 1	
Tax Expense Adjustor (TEAM): E-01345A-18-0003	TEAM II approved: Mar 13	TEAM III filed: Apr 10		
Resource Comparison Proxy (RCP): E-01345A-19-0081		Year 3 Filed: May 1	Year 3 Implementation Expected: Sept 1	
QF/PURPA Contracts (EPR-2): E-01345A-16-0272	Workshop Mar 29		Hearing begins Aug 27	
Possible Modification to Commission's Energy Rules: RU-00000A-18-0284	Workshops Feb 25, Mar 14, Mar 26	Workshops Apr 17, 29, 30	Workshops Jul 31, Aug 7	
Modification to Retail Competition Rules: RE-00000A-18-0405			Workshop Jul 30, 31	
Customer Complaint: E-01345A-18-0002		Commission vote not to dismiss: May 22	Complaint resolved: Jul 10	
APS Rate Review: E-01345A-19-0003	Rate Review Began	Commission vote for new rate case: June 11		

NON-GAAP MEASURE RECONCILIATION

\$ in millions pretax, except per share amounts	Three Months Ended June 30,										
	2019 ¹	RES/ DSM	Four Corners and Ocotillo Deferrals ²	Income tax expense at statutory rate	2019 Adjusted	2018 ¹	RES/ DSM	Four Corners Deferral ²	Income tax expense at statutory rate	2018 Adjusted	EPS Impact
	Operating revenues	\$ 870	\$ (32)	\$ -	\$ -	\$ 838	\$ 974	\$ (42)	\$ -	\$ -	\$ 932
Fuel and purchased power expenses	(242)	13	-	-	(229)	(257)	13	-	-	(244)	
Gross margin	628	(19)	-	-	609	717	(29)	-	-	688	\$(0.53)
Operations and maintenance	228	(19)	-	-	209	268	(29)	-	-	239	\$ 0.20
Depreciation and amortization	147	-	(2)	-	145	145	-	-	-	145	\$ -
Other taxes	55	-	(2)	-	53	54	-	-	-	54	\$ 0.01
Allowance for equity funds used during construction	(8)	-	-	-	(8)	(13)	-	-	-	(13)	
Interest charges	57	-	(10)	-	47	61	-	(4)	-	57	
Allowance for borrowed funds used during construction	(4)	-	-	-	(4)	(6)	-	-	-	(6)	
Interest expense, net of AFUDC	45	-	(10)	-	35	42	-	(4)	-	38	\$ 0.02
Other expenses (operating)	1	-	-	-	1	7	-	-	-	7	
Other income	(13)	-	10	-	(3)	(7)	-	4	-	(3)	
Other expense	4	-	-	-	4	4	-	-	-	4	
Other	(8)	-	10	-	2	4	-	4	-	8	\$ 0.04
Income taxes	17	-	-	(41)	(24)	44	-	-	(53)	(9)	\$ 0.13

¹ Line items from Consolidated Statements of Income.

² See Note 4, Regulatory Matters, in Form 10-Q for the period ended June 30, 2019, for total Four Corners and Ocotillo deferral impacts.

NON-GAAP MEASURE RECONCILIATION

	<u>2019 Guidance</u>
\$ in millions pretax	
Operating revenues¹	\$ 3,625 - \$ 3,695
Fuel and purchased power expenses¹	<u>(1,045) - (1,055)</u>
Gross margin	2,580 - 2,640
Adjustments:	
Renewable energy and demand side management programs	<u>(80) - (80)</u>
Adjusted gross margin	<u>\$ 2,500 - \$ 2,560</u>
Operations and maintenance¹	\$ 945 - \$ 965
Adjustments:	
Renewable energy and demand side management programs	<u>(80) - (80)</u>
Adjusted operations and maintenance	<u>\$ 865 - \$ 885</u>

¹ Line items from Consolidated Statements of Income.

CONSOLIDATED STATISTICS

	3 Months Ended June 30,			6 Months Ended June 30,		
	2019	2018	Incr (Decr)	2019	2018	Incr (Decr)
ELECTRIC OPERATING REVENUES (Dollars in Millions)						
Retail						
Residential	\$ 433	\$ 500	(68)	\$ 784	\$ 817	\$ (33)
Business	396	436	(40)	729	779	(50)
Total Retail	828	936	(107)	1,513	1,596	(83)
Sales for Resale (Wholesale)	22	15	6	58	28	31
Transmission for Others	15	15	(0)	30	30	0
Other Miscellaneous Services	3	5	(2)	7	9	(2)
Total Electric Operating Revenues	\$ 868	\$ 971	(103)	\$ 1,608	\$ 1,662	\$ (54)
ELECTRIC SALES (GWH)						
Retail						
Residential	2,994	3,337	(344)	5,571	5,685	(113)
Business	3,593	3,771	(179)	6,790	6,920	(130)
Total Retail	6,587	7,109	(522)	12,362	12,604	(243)
Sales for Resale (Wholesale)	1,015	448	567	1,861	739	1,122
Total Electric Sales	7,602	7,557	45	14,223	13,343	880
RETAIL SALES (GWH) - WEATHER NORMALIZED						
Retail						
Residential	3,243	3,245	(2)	5,737	5,698	39
Business	3,704	3,728	(24)	6,899	6,913	(14)
Total Retail Sales	6,947	6,973	(26)	12,637	12,611	26
Retail sales (GWH) (% over prior year)	(0.4)%	(1.4)%		0.2%	(1.2)%	
AVERAGE ELECTRIC CUSTOMERS						
Retail Customers						
Residential	1,117,422	1,095,913	21,509	1,118,865	1,096,953	21,912
Business	135,318	134,317	1,001	135,131	134,282	848
Total Retail	1,252,740	1,230,230	22,509	1,253,995	1,231,235	22,760
Wholesale Customers	46	37	9	50	33	16
Total Customers	1,252,786	1,230,267	22,519	1,254,045	1,231,268	22,776
Total Customer Growth (% over prior year)	1.8%	1.6%		1.8%	1.6%	
RETAIL USAGE - WEATHER NORMALIZED (KWh/Average Customer)						
Residential	2,902	2,961	(58)	5,128	5,194	(67)
Business	27,375	27,757	(382)	51,056	51,479	(423)

CONSOLIDATED STATISTICS

	3 Months Ended June 30,			6 Months Ended June 30,		
	2019	2018	Incr (Decr)	2019	2018	Incr (Decr)
ENERGY SOURCES (GWH)						
Generation Production						
Nuclear	2,200	2,137	63	4,712	4,615	96
Coal	1,965	1,733	232	3,738	2,831	907
Gas, Oil and Other	1,626	1,564	61	3,474	3,210	264
Renewables	185	180	6	304	311	(7)
Total Generation Production	5,976	5,613	362	12,228	10,968	1,260
Purchased Power						
Conventional	1,267	1,861	(594)	1,491	2,111	(620)
Resales	98	298	(200)	122	320	(198)
Renewables	620	599	21	1,080	1,037	43
Total Purchased Power	1,985	2,758	(773)	2,692	3,468	(776)
Total Energy Sources	7,960	8,371	(411)	14,920	14,435	485
POWER PLANT PERFORMANCE						
Capacity Factors - Owned						
Nuclear	88%	85%	3%	95%	93%	2%
Coal	54%	47%	6%	51%	39%	12%
Gas, Oil and Other	25%	22%	3%	26%	23%	3%
Renewable	37%	37%	0%	31%	32%	(1)%
System Average	45%	41%	4%	46%	41%	5%
WEATHER INDICATORS - RESIDENTIAL						
Actual						
Cooling Degree-Days	357	513	(156)	357	513	(156)
Heating Degree-Days	-	-	-	605	323	282
Average Humidity	21%	16%	5%	21%	16%	5%
10-Year Averages (2007 - 2016)						
Cooling Degree-Days	489	489	-	489	489	-
Heating Degree-Days	9	9	-	450	450	-
Average Humidity	17%	17%	-	17%	17%	-

