

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):

February 27, 2024

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	<div>PINNACLE WEST CAPITAL CORPORATION</div> <div>(an Arizona corporation)</div> <div>400 North Fifth Street, P.O. Box 53999</div> <div>Phoenix Arizona 85072-3999</div> <div>(602) 250-1000</div>	86-0512431
1-4473	<div>ARIZONA PUBLIC SERVICE COMPANY</div> <div>(an Arizona corporation)</div> <div>400 North Fifth Street, P.O. Box 53999</div> <div>Phoenix Arizona 85072-3999</div> <div>(602) 250-1000</div>	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 February 27, 2024, 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, 2023 and its earnings outlook for 2024. 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 27, 2024. This information contains Company operating results for the fiscal quarter and fiscal year ended December 31, 2023, earnings outlook for 2024 and a quarterly and full year 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](http://www.pinnaclewest.com).

**Item 9.01. Financial Statements and Exhibits.****(d) Exhibits**

Exhibit No.	Registrant(s)	Description
99.1	Pinnacle West APS	<a href="#">Earnings News Release issued on February 27, 2024</a>
99.2	Pinnacle West APS	<a href="#">Pinnacle West Fourth Quarter and Full-Year 2023 Results slide presentation accompanying February 27, 2024 conference call</a>

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 27, 2024

By: /s/ Andrew Cooper  
\_\_\_\_\_  
Andrew Cooper  
Senior Vice President and  
Chief Financial Officer

ARIZONA PUBLIC SERVICE COMPANY  
(Registrant)

Dated: February 27, 2024

By: /s/ Andrew Cooper  
\_\_\_\_\_  
Andrew Cooper  
Senior Vice President and  
Chief Financial Officer

FOR IMMEDIATE RELEASE

Media Contact: Alan Bunnell (602) 250-3376  
Analyst Contacts: Amanda Ho (602) 250-3334  
Website: pinnaclewest.com

February 27, 2024

PINNACLE WEST REPORTS 2023 FULL-YEAR AND FOURTH-QUARTER RESULTS,  
SHARES 2024 FINANCIAL OUTLOOK

- *Full-year financial results positively impacted by the effects of weather, robust customer growth and strong operational performance*
- *Constructive regulatory outcome achieved in 2022 rate case*
- *Company files Transmission System Plan to ensure reliability and meet Arizona's substantial growth*

PHOENIX – Pinnacle West Capital Corp. (NYSE: PNW) today reported consolidated net income attributable to common shareholders of \$501.6 million, or \$4.41 per diluted share, for full-year 2023. This result compares with net income of \$483.6 million, or \$4.26 per diluted share, in 2022.

For the quarter ended Dec. 31, 2023, Pinnacle West reported a consolidated net loss attributable to common shareholders of \$23,000, or \$0.00 per diluted share, compared with a net loss of \$24.0 million, or a loss of \$0.21 per share, for the same period in 2022.

The higher 2023 full-year results reflect an increase of approximately \$18 million, primarily as a result of the effects of weather; higher revenue resulting from Arizona Public Service Co.'s (APS) Lost Fixed Cost Recovery (LFCR) adjustor mechanism and a surcharge resulting from the outcome of the utility's 2019 Rate Case appeal; higher transmission revenue; and increased sales and usage. These positive factors were partially offset by higher interest charges, net of AFUDC; higher operations and maintenance expense; lower pension and other postretirement non-service credits; and higher depreciation and amortization expense mostly due to increased plant assets.

"Two years ago, we outlined a plan following an unfavorable rate case decision that created financial hurdles and moved us to reset our financial outlook. We made significant progress on that plan, adapting and reaching our revised targets," said Pinnacle West Chairman, President and CEO Jeff Guldner. "That progress is reflected in our solid 2023 financial results and a constructive outcome in our 2022 rate case that was decided late last week.

"The Arizona Corporation Commission's (ACC) decision affirms important aspects of our rate filing and supports investments in our energy infrastructure to increase grid resilience, while also ensuring customers receive the reliability they count on – without compromising affordability."

Guldner also lauded the efforts of employees who worked tenaciously to keep the lights on and air conditioners running throughout the year, but especially during the hottest U.S. summer on record. "Our diverse generation fleet delivered high-level performance when our customers were in critical need of reliable and resilient power. Palo Verde attained its 32<sup>nd</sup> consecutive year as the nation's largest power producer, all of it carbon-free, and our combination of solar generation plus utility-scale battery storage provided record levels of renewable power for our customers.

---

“By executing on comprehensive operational and financial strategies, we enter 2024 in a solid position to provide top-level service for our customers and further energize Arizona’s economic expansion.”

#### **Arizona’s Economy: Planning for Growth**

Arizona’s economy is more diverse than ever, and Arizona’s population continues to grow. Maricopa County, home of the Phoenix metropolitan area, has been the county with the highest annual population gains in the United States since 2016. With this record number of people, businesses and large industrial customers moving to the state, APS’s service territory remains among the fastest growing in the nation.

APS, the company’s principal subsidiary, experienced customer growth of 2% in 2023 and anticipates projected average annual growth in the range of 1.5% to 2.5% through 2026. Not surprisingly, these changes are driving a significant increase in energy consumption. APS experienced weather-normalized, year-over-year retail electricity sales growth of 1.5% in 2023, and future sales are expected to increase between 4% and 6% annually through 2026 due in large part to the expected additions of several large data centers and new large manufacturing facilities.

To prioritize reliability and meet substantial growth in residential and commercial energy needs, APS filed a future-focused Transmission System Plan with the ACC late last month.

“This 10-year plan includes significant upgrades to APS’s transmission system to support load growth, mitigate outage risks, connect the APS grid to additional generation resources and procure more cost-competitive energy for customers through the wholesale power market,” Guldner said, adding that in 2023, APS spent \$361 million on capital expenditures for transmission, up from \$217 million in 2022. Capital spending on transmission projects is projected to total nearly \$1.2 billion from 2024 through 2026.

#### **Staying Focused on Serving Customers**

Employees remain committed to putting customers first and achieving an industry-leading best-in-class customer experience. Company-wide efforts to provide a more frictionless customer experience continue to pay off, as measured by J.D. Power. For 2023, APS ranked in the second quartile of large investor-owned utilities for both business and residential customers. This is a meaningful accomplishment considering APS was fourth quartile as recently as 2021. In fact, residential customers ranked APS second in our peer set in 2023 for both “Perfect Power” (no brief or lengthy outages) and “Phone Customer Care.”

Additionally, in 2023, APS continued to improve customers’ experience by:

- Improving the ease-of-use and increasing functionality of our digital experience, including increasing use of text and email notifications to keep customer informed about their service;
  - Adding more than 1,100 in-person payment locations across the state, as well as introducing new customer payment channels, including Google and Apple Pay;
  - Continuing to communicate with customers in their preferred channels about topics that matter most to them, including reliability, energy efficiency, financial assistance, the environment, and programs that enable them to design their own personalized energy experience; and
  - Offering assistance and discount programs to qualified limited-income customers, as well as other non-income-based assistance programs for those struggling to pay their bills, including several assistance programs through the State of Arizona. Collectively, these programs provided funding and discounts exceeding more than \$69 million in 2023 alone.
-

## Financial Outlook

Following the recent conclusion of APS's rate case, the company estimates its consolidated 2024 earnings guidance will be in the range of \$4.60 to \$4.80 per diluted share on a weather-normalized basis. Key factors and assumptions underlying the 2024 outlook can be found in the year-end/fourth-quarter 2023 earnings presentation slides at [pinnaclewest.com/investors](https://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 financial results and recent developments, and to provide an update on the company's longer-term financial outlook, at 11 a.m. ET (9 a.m. Arizona time) today, Feb. 27. The webcast can be accessed at [pinnaclewest.com/presentations](https://pinnaclewest.com/presentations) and will be available for replay on the website for 30 days. To access the live conference call by telephone, dial (888) 506-0062 or (973) 528-0011 for international callers and enter participant access code 933756. A replay of the call also will be available at [pinnaclewest.com/presentations](https://pinnaclewest.com/presentations) or by telephone until 11:59 p.m. ET, Tuesday, March 5, 2024, by calling (877) 481-4010 in the U.S. and Canada or (919) 882-2331 internationally and entering replay passcode 49749.

## General Information

Pinnacle West Capital Corp., an energy holding company based in Phoenix, has consolidated assets of approximately \$25 billion, about 6,500 megawatts of generating capacity and nearly 6,100 employees in Arizona and New Mexico. Through its principal subsidiary, Arizona Public Service, the company provides retail electricity service to approximately 1.4 million Arizona homes and businesses. For more information about Pinnacle West, visit the company's website at [pinnaclewest.com](https://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](https://pinnaclewest.com/investors).

## FORWARD-LOOKING STATEMENTS

This press release contains forward-looking statements based on current expectations. These forward-looking statements are often identified by words such as "estimate," "predict," "may," "believe," "plan," "expect," "require," "intend," "assume," "project," "anticipate," "goal," "seek," "strategy," "likely," "should," "will," "could," and similar words. Because actual results may differ materially from expectations, we caution 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:

- uncertainties associated with the current and future economic environment, including economic growth, labor market conditions, inflation, supply chain delays, increased expenses, volatile capital markets, or other unpredictable effects;
  - our ability to manage capital expenditures and operations and maintenance costs while maintaining reliability and customer service levels;
  - variations in demand for electricity, including those due to weather, seasonality (including large increases in ambient temperatures), the general economy or social conditions, customer, and sales growth (or decline), the effects of energy conservation measures and distributed generation, and technological advancements;
  - the potential effects of climate change on our electric system, including as a result of weather extremes such as prolonged drought and high temperature variations in the area where APS conducts its business;
  - power plant and transmission system performance and outages;
  - competition in retail and wholesale power markets;
  - regulatory and judicial decisions, developments, and proceedings;
  - new legislation, ballot initiatives and regulation or interpretations of existing legislation or regulations, including those relating to environmental requirements, regulatory and energy policy, nuclear plant operations and potential deregulation of retail electric markets;
  - fuel and water supply availability;
  - our ability to achieve timely and adequate rate recovery of our costs through our rates and adjustor recovery mechanisms, including returns on and of debt and equity capital investment;
  - our ability to meet renewable energy and energy efficiency mandates and recover related costs;
-

- the ability of APS to achieve its clean energy goals (including a goal by 2050 of 100% clean, carbon-free electricity) and, if these goals are achieved, the impact of such achievement on APS, its customers, and its business, financial condition, and results of operations;
- risks inherent in the operation of nuclear facilities, including spent fuel disposal uncertainty;
- current and future economic conditions in Arizona;
- the direct or indirect effect on our facilities or business from cybersecurity threats or intrusions, data security breaches, terrorist attack, physical attack, severe storms, or other catastrophic events, such as fires, explosions, pandemic health events or similar occurrences;
- the development of new technologies which may affect electric sales or delivery, including as a result of delays in the development and application of new technologies;
- the cost of debt, including increased cost as a result of rising interest rates, and equity capital and the ability to access capital markets when required;
- environmental, economic, and other concerns surrounding coal-fired generation, including regulation of GHG emissions;
- volatile fuel and purchased power costs;
- the investment performance of the assets of our nuclear decommissioning trust, pension, and other postretirement benefit plans and the resulting impact on future funding requirements;
- the liquidity of wholesale power markets and the use of derivative contracts in our business;
- potential shortfalls in insurance coverage;
- new accounting requirements or new interpretations of existing requirements;
- generation, transmission and distribution facility and system conditions and operating costs;
- the ability to meet the anticipated future need for additional generation and associated transmission facilities in our region;
- the willingness or ability of our counterparties, power plant participants and power plant landowners to meet contractual or other obligations or extend the rights for continued power plant operations; and
- restrictions on dividends or other provisions in our credit agreements and Arizona Corporation Commission orders.

These and other factors discussed in the most recent Pinnacle West/APS Form 10-K along with other public filings with the Securities and Exchange commission, 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 DECEMBER 31,		TWELVE MONTHS ENDED DECEMBER 31,	
	2023	2022	2023	2022
<b>Operating Revenues</b>	\$ 991,574	\$ 1,009,314	\$ 4,695,991	\$ 4,324,385
<b>Operating Expenses</b>				
Fuel and purchased power	375,879	455,316	1,792,657	1,629,343
Operations and maintenance	281,388	271,680	1,058,725	987,072
Depreciation and amortization	203,598	189,704	794,043	753,195
Taxes other than income taxes	56,064	54,779	224,013	220,370
Other expenses	265	1,084	1,913	2,494
Total	917,194	972,563	3,871,351	3,592,474
<b>Operating Income</b>	74,380	36,751	824,640	731,911
<b>Other Income (Deductions)</b>				
Allowance for equity funds used during construction	13,047	14,297	53,118	45,263
Pension and other postretirement non-service credits - net	10,135	24,748	40,648	98,487
Other income	5,242	2,311	33,666	7,916
Other expense	(9,140)	(37,634)	(25,056)	(52,385)
Total	19,284	3,722	102,376	99,281
<b>Interest Expense</b>				
Interest charges	96,027	77,892	374,887	283,569
Allowance for borrowed funds used during construction	(9,433)	(8,983)	(43,564)	(28,030)
Total	86,594	68,909	331,323	255,539
<b>Income (loss) Before Income Taxes</b>	2,787	(8,750)	595,693	575,653
<b>Income Taxes</b>	4,283	(19,686)	76,912	74,827
<b>Net Income (loss)</b>	4,283	(19,686)	518,781	500,826
Less: Net income attributable to noncontrolling interests	4,306	4,306	17,224	17,224
<b>Net Income (loss) Attributable To Common Shareholders</b>	\$ (23)	\$ (23,992)	\$ 501,557	\$ 483,602
<b>Weighted-Average Common Shares Outstanding - Basic</b>	113,534	113,298	113,442	113,196
<b>Weighted-Average Common Shares Outstanding - Diluted</b>	114,060	113,535	113,804	113,416
<b>Earnings Per Weighted-Average Common Share Outstanding</b>				
Net income (loss) attributable to common shareholders - basic	\$ —	\$ (0.21)	\$ 4.42	\$ 4.27
Net income (loss) attributable to common shareholders - diluted	\$ —	\$ (0.21)	\$ 4.41	\$ 4.26

# Renewed, Reliable and Resilient

Fourth-Quarter and Full-Year  
2023 Financial Results, and  
Future Outlook

February 27, 2024

PINNACLE WEST  
CAPITAL CORPORATION



## Forward Looking Statements



This presentation contains forward-looking statements based on current expectations, including statements regarding our earnings guidance and financial outlook and goals. These forward-looking statements are often identified by words such as "estimate," "predict," "may," "believe," "plan," "expect," "require," "intend," "assume," "project," "anticipate," "goal," "seek," "strategy," "likely," "should," "will," "could," and similar words. Because actual results may differ materially from expectations, we caution you not to place undue reliance on these statements. A number of factors could cause future results to differ materially from historical results, or from outcomes currently expected or sought by Pinnacle West or APS. These factors include, but are not limited to: uncertainties associated with the current and future economic environment, including economic growth rates, labor market conditions, inflation, supply chain delays, increased expenses, volatile capital markets, or other unpredictable effects; our ability to manage capital expenditures and operations and maintenance costs while maintaining reliability and customer service levels; variations in demand for electricity, including those due to weather, seasonality (including large increases in ambient temperatures), the general economy or social conditions, customer, and sales growth (or decline), the effects of energy conservation measures and distributed generation, and technological advancements; the potential effects of climate change on our electric system, including as a result of weather extremes such as prolonged drought and high temperature variations in the area where APS conducts its business; power plant and transmission system performance and outages; competition in retail and wholesale power markets; regulatory and judicial decisions, developments, and proceedings; new legislation, ballot initiatives and regulation or interpretations of existing legislation or regulations, including those relating to environmental requirements, regulatory and energy policy, nuclear plant operations and potential deregulation of retail electric markets; fuel and water supply availability; our ability to achieve timely and adequate rate recovery of our costs through our rates and adjutor recovery mechanisms, including returns on and of debt and equity capital investment; our ability to meet renewable energy and energy efficiency mandates and recover related costs; the ability of APS to achieve its clean energy goals (including a goal by 2050 of 100% clean, carbon-free electricity) and, if these goals are achieved, the impact of such achievement on APS, its customers, and its business, financial condition, and results of operations; risks inherent in the operation of nuclear facilities, including spent fuel disposal uncertainty; current and future economic conditions in Arizona; the direct or indirect effect on our facilities or business from cybersecurity threats or intrusions, data security breaches, terrorist attack, physical attack, severe storms, or other catastrophic events, such as fires, explosions, pandemic health events or similar occurrences; the development of new technologies which may affect electric sales or delivery, including as a result of delays in the development and application of new technologies; the cost of debt, including increased cost as a result of rising interest rates, and equity capital and the ability to access capital markets when required; environmental, economic, and other concerns surrounding coal-fired generation, including regulation of GHG emissions; volatile fuel and purchased power costs; the investment performance of the assets of our nuclear decommissioning trust, pension, and other postretirement benefit plans and the resulting impact on future funding requirements; the liquidity of wholesale power markets and the use of derivative contracts in our business; potential shortfalls in insurance coverage; new accounting requirements or new interpretations of existing requirements; generation, transmission and distribution facility and system conditions and operating costs; the ability to meet the anticipated future need for additional generation and associated transmission facilities in our region; the willingness or ability of our counterparties, power plant participants and power plant landowners to meet contractual or other obligations or extend the rights for continued power plant operations; and restrictions on dividends or other provisions in our credit agreements and ACC orders. These and other factors are discussed in the most recent Pinnacle West/APS Form 10-K along with other public filings with the Securities and Exchange Commission, which you should review carefully before placing any reliance on our financial statements, disclosures or earnings outlook. Neither Pinnacle West nor APS assumes any obligation to update these statements, even if our internal estimates change, except as required by law.

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

## Table of Contents

1. Fourth-Quarter & Full-Year 2023 Financial Results
2. Accomplished Previous Goals & 2022 Rate Case Outcome
3. Growth Outlook & Energy Future
4. Financial Outlook Update







# Fourth-Quarter & Full-Year Financial Results

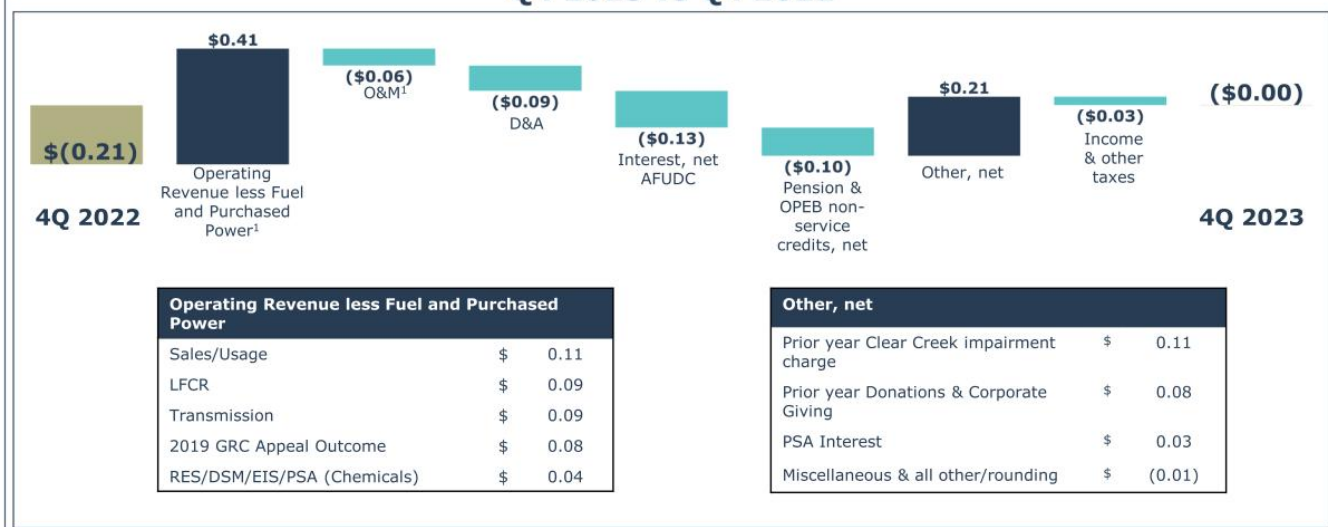
PINNACLE WEST  
CAPITAL CORPORATION

---

## Fourth-Quarter results

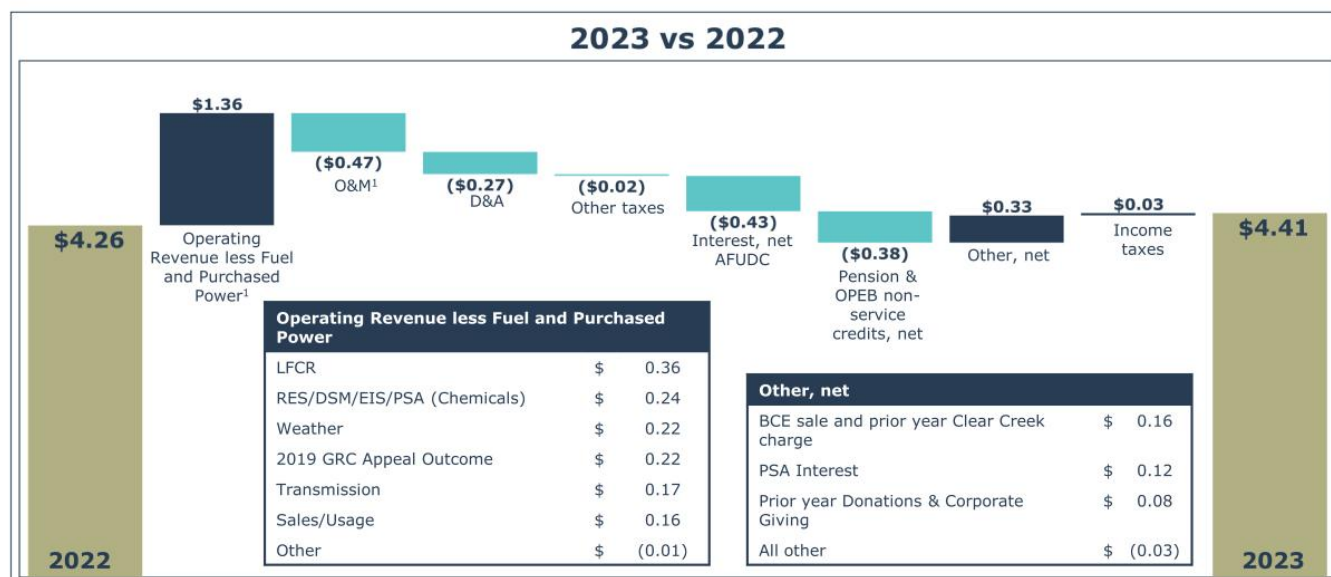


### Q4 2023 vs Q4 2022



<sup>1</sup> Includes costs and offsetting operating revenues associated with renewable energy and demand side management programs, see slide 44 for more information.

## 2023 EPS lifted by record-breaking weather



<sup>1</sup> Includes costs and offsetting operating revenues associated with renewable energy and demand side management programs, see slide 44 for more information.



## **Accomplished Previous Goals & 2022 Rate Case Outcome**

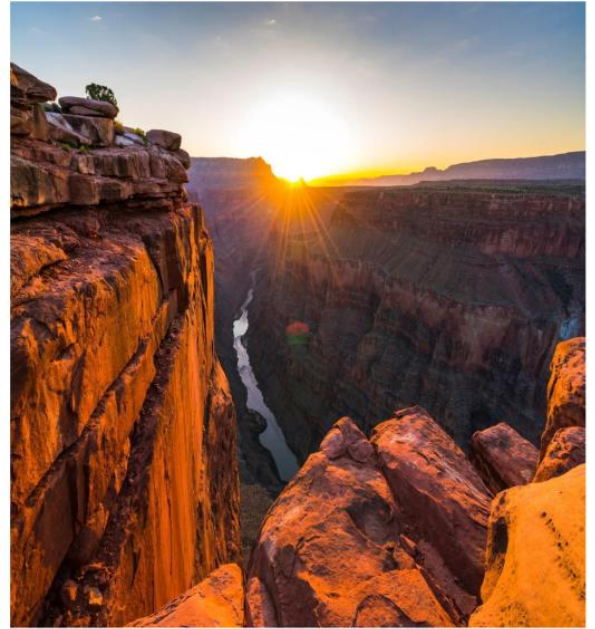
**PINNACLE WEST**  
CAPITAL CORPORATION

---

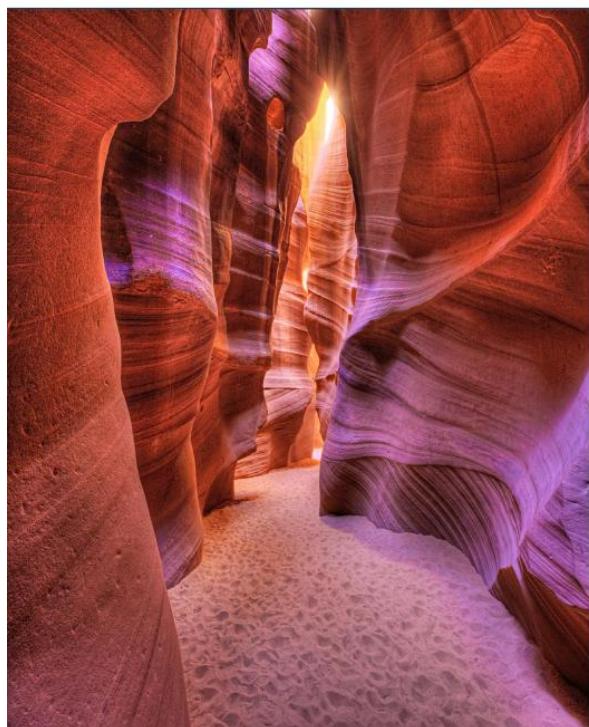


## Accomplished previous goals set during the financial reset

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



## The 2022 rate case outcome was reasonable and constructive



### Key Components of Final Decision

Return on Equity	9.55%
Fair Value Increment	0.25%
Equity Ratio	51.93%
Post Test-Year Plant	12 months + Four Corners ELG
New Capital Tracking Mechanism	System Reliability Benefit surcharge approved
Existing Adjustors	<ul style="list-style-type: none"><li>• Partial transfer of LFCR funds to base rates</li><li>• PSA annual cap increase approved</li></ul>
Total Base Rate Increase	\$491.7M
Total Net Increase	\$253.4M
Customer Net Impact on Day 1	8%



## Growth Outlook & Energy Future

PINNACLE WEST  
CAPITAL CORPORATION

---

### **KEY REASONS**

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





## REASON #1

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

### Arizona economy continues to be robust and attractive

- Latest census data places Maricopa County as the fastest-growing county in the nation with the most net domestic migration
- Phoenix housing is affordable compared to major cities in the region
- Phoenix is ranked #1 out of 15 top growth markets for manufacturing by Newmark Group, a global real estate firm
- Maricopa County leads the nation in attracting talent according to Lightcast, a global leader in labor market analytics



## REASON #1

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

### Arizona is an attractive location for business growth

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

### Large C&I customers as a growth driver

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



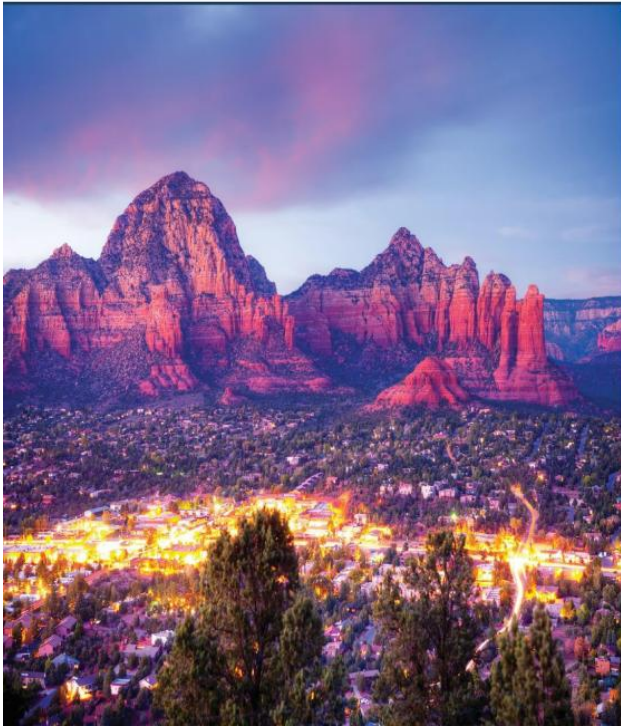
REASON #1

Arizona’s commercial and industrial growth is diverse



Source: Arizona Commerce Authority

## We have an improved regulatory environment



### Improvements at the Arizona Corporation Commission

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

### Commitments by the Company

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



We are making progress towards our Clean Energy Commitment

Progress

- ➡ Since 2020, have contracted over 4,900 MW of clean energy and storage to be in service for APS customers by end of 2025
- ➡ Issued 2023 All-Source RFP for approximately 1,000 MW of reliable capacity, including at least 700 MW of renewable resources
- ➡ Successfully received approval of the System Reliability Benefit Surcharge that will expand our capacity to self-build generation to meet customer need with reduced lag



Pathway



REASON #4

Transmission expansion will drive increased capital investment



Increase  
resiliency



Support  
customer  
growth



Access to  
markets

Future Transmission Projects

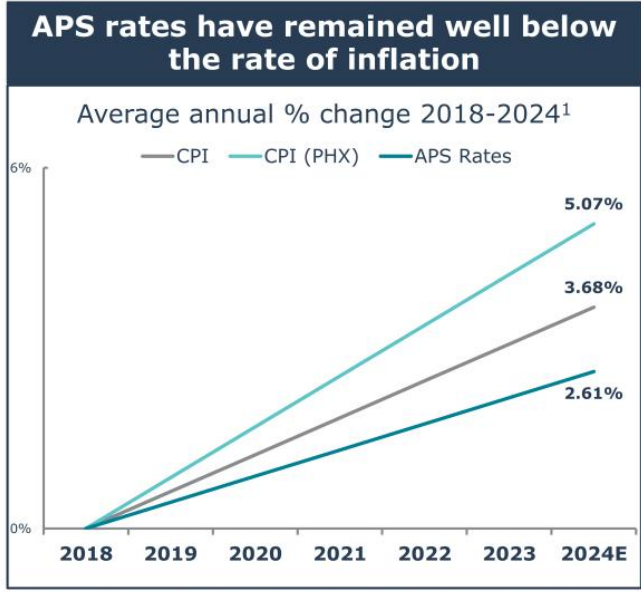
Line	Length (miles)	Voltage	Est. In-Service
Sundance to Pinal Central & Pinal Central to Milligan	7 + 15	230 kV	2027
Ocotillo to Pinnacle Peak	25	230 kV	2031
Panda to Freedom	40	230 kV	2031
Jojoba to Rudd	25	500 kV	2032
Four Corners to Pinnacle Peak	290 (x2)	345 kV	2035

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

Source: APS 2024-2033 Ten Year Transmission System Plan

REASON #5

We are focused on maintaining customer affordability and increasing customer satisfaction



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

Improved J.D. Power Customer Satisfaction Survey Rankings			
	2021		2023
Residential Customers	4 <sup>th</sup> Quartile	↑	2 <sup>nd</sup> Quartile
Business Customers	4 <sup>th</sup> Quartile	↑	2 <sup>nd</sup> Quartile



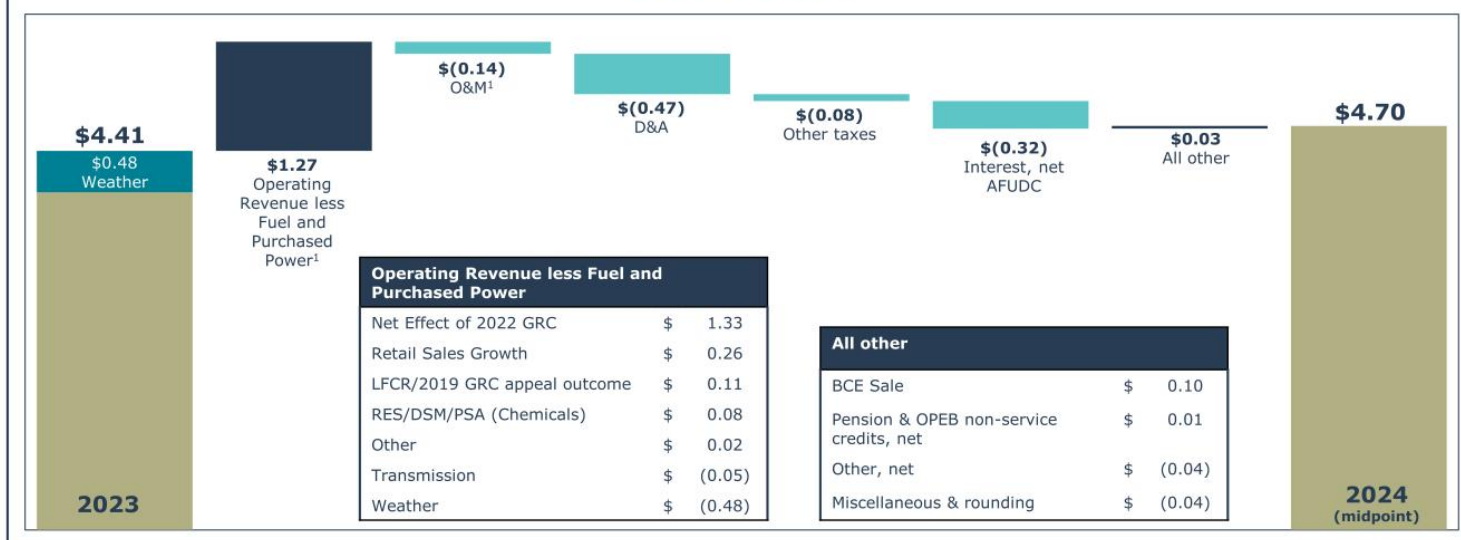
# Future Financial Outlook

PINNACLE WEST  
CAPITAL CORPORATION

---

## 2024 EPS Guidance of \$4.60 - \$4.80

### 2024 vs 2023



<sup>1</sup> Includes costs and offsetting operating revenues associated with renewable energy and demand side management programs, see slide 44 for more information.



## Key drivers for 2024 EPS guidance

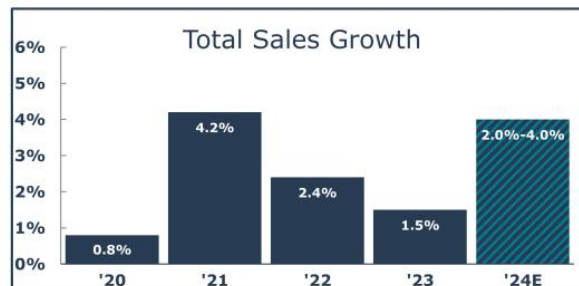
### 2024 EPS guidance of \$4.60-\$4.80 key drivers<sup>1</sup>

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

<sup>1</sup> Arrows represent expected comparative year-over-year impact of each driver on earnings.

### Long-term guidance and key drivers

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



## Our investor goals going forward

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



**EPS Growth off 2024**



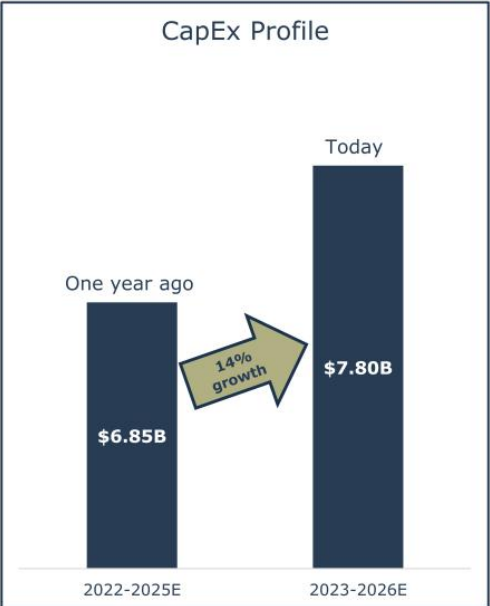
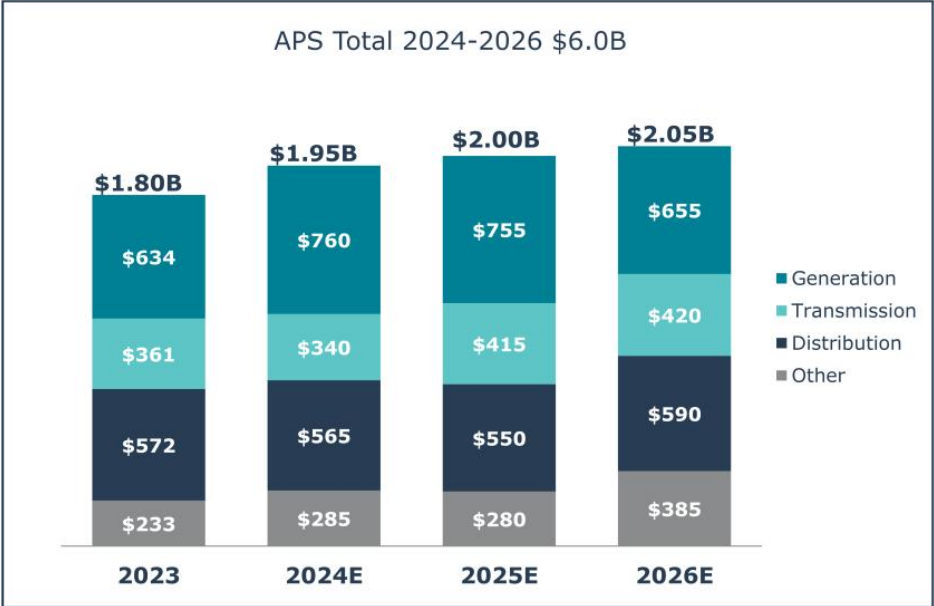
**Potential drivers for more consistent and timely cost recovery**

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



GOAL #2

Capital plan to support reliability and continued service territory growth



Source: 2024-2026 as disclosed in the 2023 Form 10-K

## GOAL #2

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



### System Reliability Benefit Surcharge Key Features

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

### Near term SRB Opportunities

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

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

## GOAL #2

# Rate Base growing with our service territory



### Current Approved Rate Base and Test Year Detail

	ACC	FERC
<b>Rate Effective Date</b>	03/08/2024	6/1/2023
<b>Test Year Ended</b>	6/30/2022 <sup>1</sup>	12/31/2022
<b>Equity Layer</b>	51.93%	50.3%
<b>Allowed ROE</b>	9.55%	10.75%
<b>Rate Base</b>	\$10.36B <sup>2</sup>	\$2.0B

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

<sup>1</sup> Adjusted to include post-test year plant in service through 06/30/2023.

<sup>2</sup> Rate Base excludes \$215M approved through Joint Resolution in Case No. E-01345A-19-0236.

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



<sup>1</sup> Derived from APS annual update of formula transmission service rates.

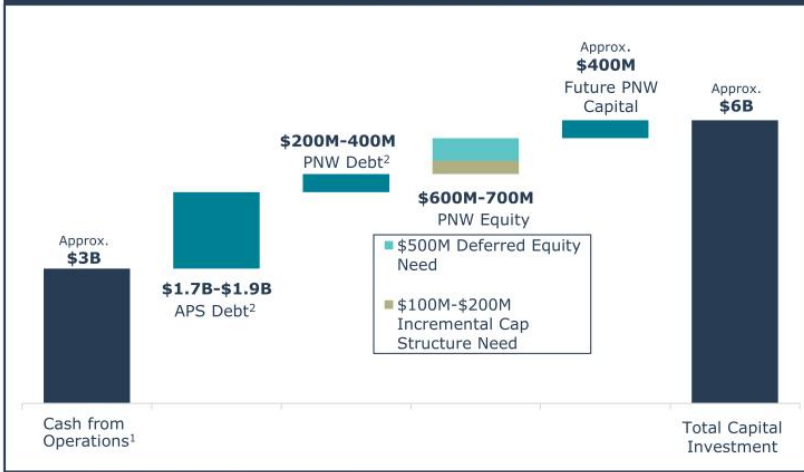
<sup>2</sup> Represents unadjusted ACC jurisdictional rate base consistent with regulatory filings.

### GOAL #3

## Optimized financing plan to support balanced capital structure



### 2024-2026 Financing Plan



<sup>1</sup> Cash from operations is net of shareholder dividends.

<sup>2</sup> APS and PNW debt issuance is net of maturities.

### Funding Strategy

- External equity to support balanced APS capital structure and expanded, accretive investment
- Deferred capital structure need from end of 2019 rate case upsized modestly to true-up capital structure to targeted range
- Enhanced capex plan will require future financing matched to spend profile through 2026 (~40% of incremental capex in plan)
- Tools available for future capital need include ATM and alternatives (e.g., hybrid securities)

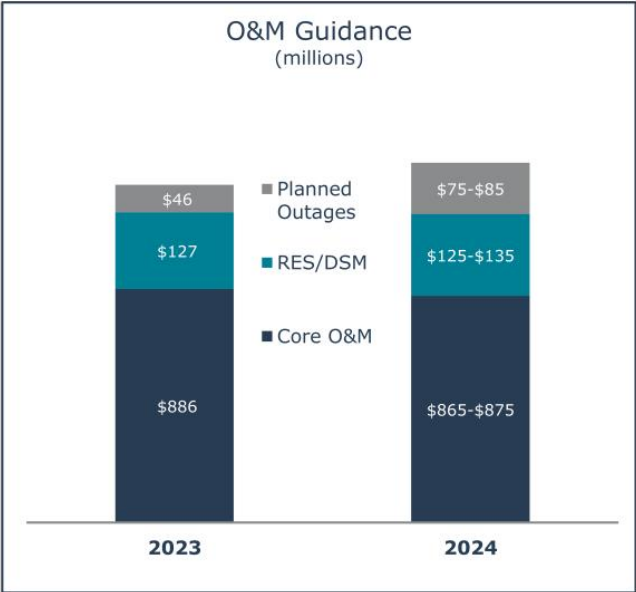
GOAL #4

We are focused on cost control and customer affordability



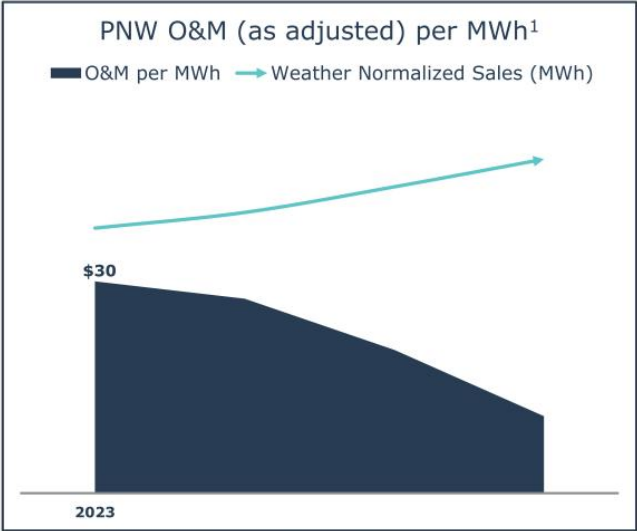
Operations & Maintenance Guidance

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

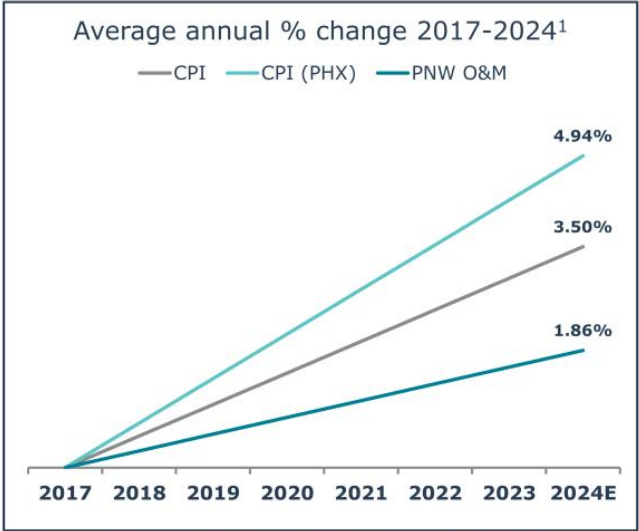


GOAL #4

Long term goal remains declining O&M per MWh



<sup>1</sup> O&M amounts, as adjusted, exclude RES/DSM of \$127M and include planned outage amounts of \$46M in 2023. For reconciliation, see slide 44.



<sup>1</sup> Includes 2024 estimates of 2.4% CPI, 2.6% CPI(PHX) & Company O&M guidance.



## GOAL #5

We have a proven dividend growth track record<sup>1</sup>



### Dividend Targets

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



<sup>1</sup> Future dividends are subject to declaration at Board of Directors' discretion.

**GOAL #6**

**We are focused on maintaining healthy credit ratings to support affordable growth<sup>1</sup>**

	<b>Corporate Ratings</b>	<b>Senior Unsecured Ratings</b>	<b>Short-Term Ratings</b>	<b>Outlook</b>
<b>APS</b>				
<b>Moody's</b>	A3	A3	P-2	Negative
<b>S&amp;P</b>	BBB+	BBB+	A-2	Negative
<b>Fitch</b>	BBB+	A-	F2	Negative
<b>Pinnacle West</b>				
<b>Moody's</b>	Baa1	Baa1	P-2	Negative
<b>S&amp;P</b>	BBB+	BBB	A-2	Negative
<b>Fitch</b>	BBB+	BBB+	F2	Negative

<sup>1</sup> We are disclosing credit ratings to enhance understanding of our sources of liquidity and the effects of our ratings on our costs of funds. Ratings are as of February 15, 2024.

**Balance Sheet  
Targets**

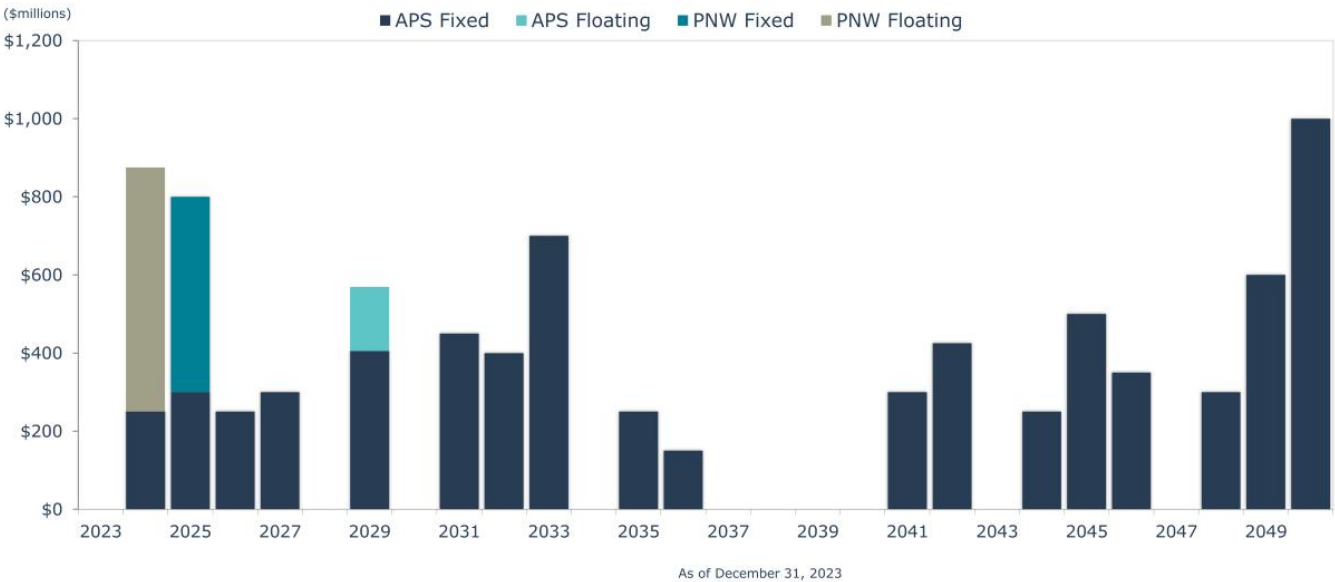
- Solid investment-grade credit ratings
- APS equity layer >50%
- PNW FFO/Debt range of 14%-16%





GOAL #6

Debt maturity profile shows well managed and stable financing plan



## We have a stable foundation with solid execution going forward

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



**Thank You**

**Questions &  
Answers**

**PINNACLE WEST**  
CAPITAL CORPORATION





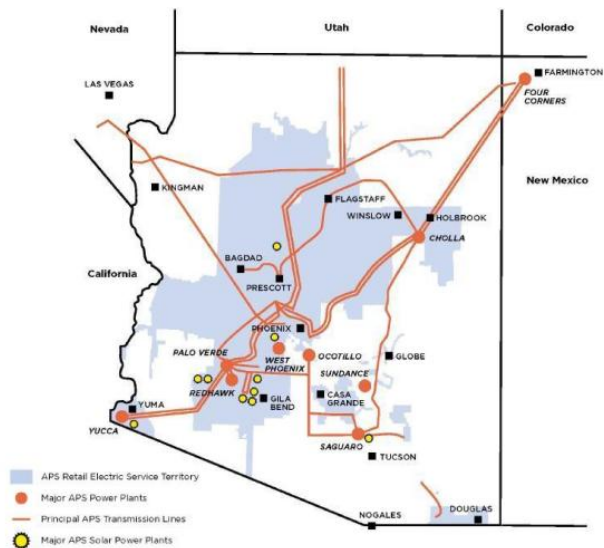
## Appendix

PINNACLE WEST  
CAPITAL CORPORATION

---



Service Territory



Key Facts as of Dec. 31, 2023

Consolidated assets	\$25B
Market cap	\$8.15B
Generating capacity owned or leased (year end)	6.5GW
Customers	1.4M
Current % from clean energy	51%
Retail Sales Mix (Non-Residential/Residential)	51%/49%



## 2024 EPS guidance

### Key Factors and Assumptions (as of February 27, 2024)

2024

<b>Adjusted gross margin</b> (operating revenues, net of fuel and purchased power expenses, x/RES,DSM,CCT) <sup>1</sup>	\$2.93 – \$3.00 billion
<ul style="list-style-type: none"> <li>Retail customer growth of 1.5%-2.5%</li> <li>Weather-normalized retail electricity sales growth of 2.0%-4.0%                             <ul style="list-style-type: none"> <li>Includes 2.5%-3.5% contribution to sales growth of new large manufacturing facilities and several large data centers</li> </ul> </li> <li>Assumes normal weather</li> </ul>	
<b>Adjusted operating and maintenance expense</b> (O&M x/RES,DSM,CCT) <sup>1</sup>	\$940 – \$960 million
<b>Other operating expenses</b> (depreciation and amortization, and taxes other than income taxes)	\$1.09 – \$1.11 billion
<b>Other income</b> (pension and other post-retirement non-service credits, other income and other expense)	\$58 – \$64 million
<b>Interest expense</b> , net of allowance for borrowed and equity funds used during construction (Total AFUDC ~\$96 million)	\$320 – \$340 million
<b>Net income attributable to noncontrolling interests</b>	\$17 million
<b>Effective tax rate</b>	13.75% – 14.25%
<b>Average diluted common shares outstanding</b>	114.9 million
<b>EPS Guidance</b>	<b>\$4.60 – \$4.80</b>



<sup>1</sup> Excludes costs and offsetting operating revenues associated with renewable energy and demand side management programs. For reconciliation, see slide 44.



## 2024 Key Regulatory Dates



Case/Docket #	Q1	Q2	Q3	Q4
2022 Rate Case: <b>E-01345A-22-0144</b>	Open Meeting completed on February 22			
Power Supply Adjustor (PSA) <b>E-01345A-22-0014</b> :	2024 PSA Rate Effective date (no change from 2023)			
Transmission Cost Adjustor <b>E-01345A-22-0014</b> :		To be filed May 15; effective June 1		
Environmental Improvement Surcharge <b>E-01345A-19-0236</b> :	EIS eliminated in 2022 Rate Case Decision			
Lost Fixed Cost Recovery <b>E-01345A-23-0228</b> :	2023 LFCR effective March (if approved)		2024 LFCR to be filed July 31	2024 LFCR effective date Nov. 1 (if approved)
Resource Planning and Procurement: <b>E-99999A-22-0046</b>				Anticipated 2023 IRP acknowledgment
2024 DSM/EE Implementation Plan <b>E-01345A-23-0088</b> :		2025 Plan to be filed May 31		
2024 RES Implementation Plan <b>E-01345A-23-0193</b> :	2024 REAC-1 effective (if approved)		2025 Plan to be filed July 1	
Resource Comparison Proxy <b>E-01345A-24-XXXX (TBD)</b> :		To be filed May 1	Effective Sep. 1 (if approved)	
Test Year Rules (Regulatory Lag) <b>AU-00000A-23-0012</b> :	Workshop on March 19th			

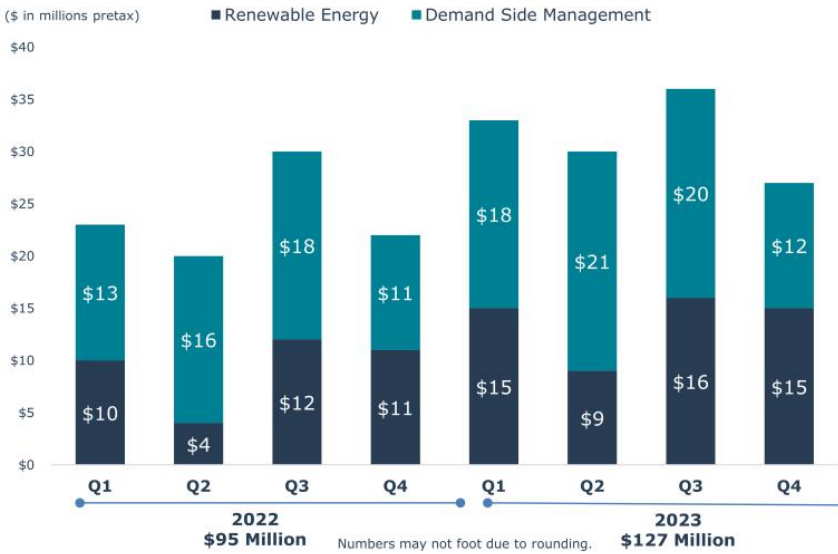
# Residential PV Applications



<sup>1</sup> Monthly data equals applications received minus cancelled applications. As of December 31, 2023, approximately 175,113 residential grid-tied solar photovoltaic (PV) systems have been installed in APS's service territory, totaling approximately 1,550 MWdc of installed capacity. Excludes APS Solar Partner Program, APS Solar Communities, and Flagstaff Community Partnership Program.

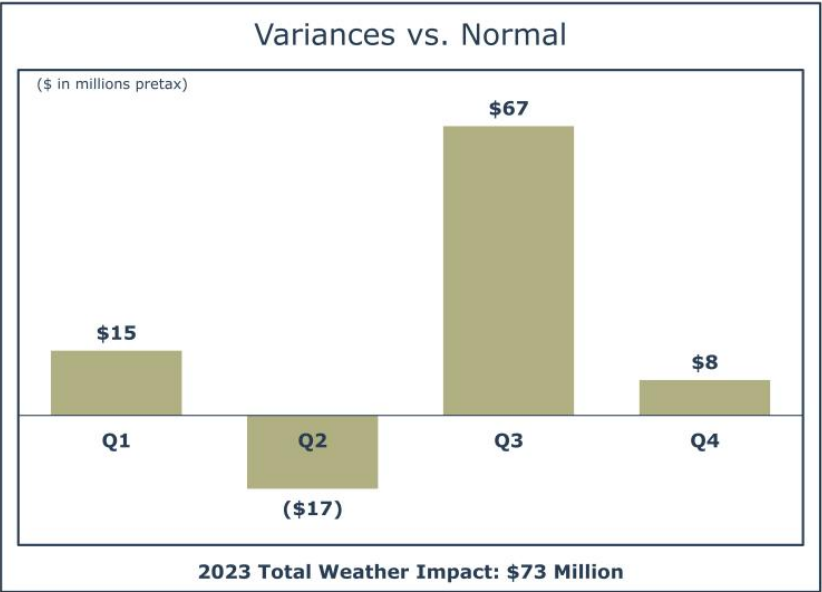
**Note:** [www.arizonagoessolar.org](http://www.arizonagoessolar.org) logs total residential application volume, including cancellations.

# Renewable Energy & Demand Side Management expenses<sup>1</sup>



<sup>1</sup>Renewable Energy and Demand Side Management expenses are substantially offset by adjustment mechanisms.

# 2023 gross margin effects of weather



All periods recalculated to current 10-year rolling average (2012 – 2021). Numbers may not foot due to rounding.





### **Climate Resiliency**

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

### **Company Actions**

- 42% of new hires in 2023 were racially or ethnically diverse
- 35% of new hires in 2023 were female
- 39% of all officers are female
- 72% of water consumed by APS power plants in 2023 came from effluent water
  - Projected to be 79% by 2025 and 95% by 2035

### **Governance Actions**

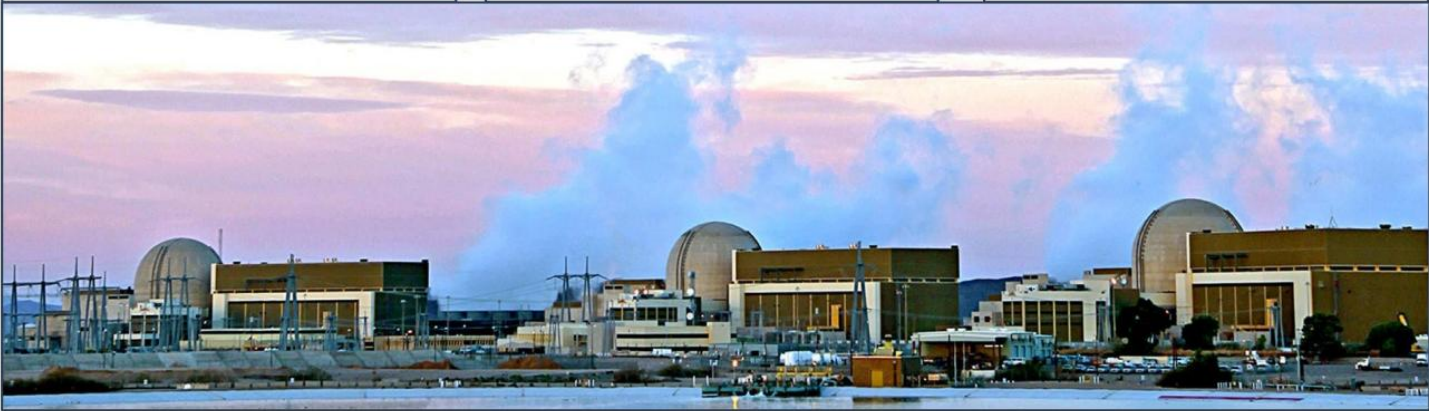
- 45% of independent directors are gender or ethnically diverse
- Board oversight of strategy and risk

# 2024 Planned Outage Schedule



## Coal, Nuclear and Large Gas Planned Outages

Q1			Q2			Q4		
Plant	Unit	Estimated Duration in Days	Plant	Unit	Estimated Duration in Days	Plant	Unit	Estimated Duration in Days
Redhawk	CC1	66	West Phoenix	CC5	18	Palo Verde	2	36
West Phoenix	CC5	71	Palo Verde	3	36	Four Corners	5	66





## Non-GAAP Measure Reconciliation



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

<sup>1</sup>Line items from Consolidated Statements of Income.

<sup>2</sup>Includes \$3.3M for CCT (Coal Community Transition) in 2023 and \$3.3M in 2024 which is recovered through REAC (Renewable Energy Adjustment Charge).

<sup>3</sup>O&M per MWh was \$35/MWh in 2023.

<sup>4</sup>Numbers may not foot due to rounding.

## Consolidated Statistics

	3 Months Ended December 31,			12 Months Ended December 31,		
	2023	2022	Incr (Decr)	2023	2022	Incr (Decr)
<b>ELECTRIC OPERATING REVENUES (Dollars in Millions)</b>						
Retail						
Residential	\$ 454	\$ 398	56	\$ 2,289	\$ 2,046	\$ 243
Business	476	397	79	2,048	1,768	281
Total Retail	930	796	135	4,338	3,814	524
Sales for Resale (Wholesale)	28	185	(156)	209	383	(174)
Transmission for Others	30	25	5	139	117	22
Other Miscellaneous Services	3	4	(1)	11	11	(0)
Total Operating Revenues	\$ 992	\$ 1,009	(18)	\$ 4,696	\$ 4,324	\$ 372
<b>ELECTRIC SALES (GWH)</b>						
Retail						
Residential	2,918	2,933	(14)	14,948	14,757	191
Business	3,952	3,664	288	16,422	15,765	657
Total Retail	6,870	6,597	273	31,370	30,522	848
Sales for Resale (Wholesale)	679	1,467	(788)	4,171	4,070	101
Total Electric Sales	7,549	8,064	(515)	35,541	34,592	949
<b>RETAIL SALES (GWH) - WEATHER NORMALIZED</b>						
Residential	2,871	2,833	38	14,328	14,391	(63)
Business	3,913	3,691	223	16,247	15,733	514
Total Retail Sales	6,784	6,524	261	30,576	30,124	452
Retail sales (GWH) (% over prior year)	4.0%	1.2%		1.5%	2.4%	
<b>AVERAGE ELECTRIC CUSTOMERS</b>						
Retail Customers						
Residential	1,239,306	1,214,164	25,142	1,228,022	1,202,975	25,047
Business	143,382	142,031	1,351	142,908	141,385	1,523
Total Retail	1,382,688	1,356,195	26,493	1,370,930	1,344,359	26,571
Wholesale Customers	55	55	1	56	55	2
Total Customers	1,382,743	1,356,249	26,494	1,370,986	1,344,414	26,572
Total Customer Growth (% over prior year)	2.0%	2.1%		2.0%	2.1%	
<b>RETAIL USAGE - WEATHER NORMALIZED (KWh/Average Customer)</b>						
Residential	2,316	2,333	(17)	11,668	11,963	(295)
Business	27,293	25,986	1,308	113,691	111,279	2,412

# Consolidated Statistics



	3 Months Ended December 31,			12 Months Ended December 31,		
	2023	2022	Incr (Decr)	2023	2022	Incr (Decr)
<b>ENERGY SOURCES (GWH)</b>						
Generation Production						
Nuclear	2,229	2,212	17	9,250	9,332	(82)
Coal	1,223	2,578	(1,354)	6,548	8,830	(2,282)
Gas, Oil and Other	2,247	2,319	(73)	9,047	8,770	276
Renewables	204	98	106	730	550	180
Total Generation Production	5,902	7,207	(1,304)	25,575	27,483	(1,908)
Purchased Power						
Conventional	1,296	514	782	7,137	4,807	2,330
Resales	108	150	(42)	1,332	1,431	(100)
Renewables	632	552	80	2,779	2,307	472
Total Purchased Power	2,036	1,216	820	11,248	8,545	2,702
Total Energy Sources	7,938	8,422	(484)	36,823	36,028	795
<b>POWER PLANT PERFORMANCE</b>						
Capacity Factors - Owned						
Nuclear	88%	87%	1%	92%	93%	(1)%
Coal	41%	86%	(45)%	55%	74%	(19)%
Gas, Oil and Other	28%	29%	(1)%	29%	28%	1%
Solar	40%	19%	21%	36%	27%	9%
System Average	42%	52%	(10)%	46%	50%	(4)%
	3 Months Ended December 31,			12 Months Ended December 31,		
	2023	2022	Incr (Decr)	2023	2022	Incr (Decr)
<b>WEATHER INDICATORS - RESIDENTIAL</b>						
Actual						
Cooling Degree-Days	112	56	56	2,158	1,892	266
Heating Degree-Days	178	454	(276)	878	908	(30)
Average Humidity	22%	33%	(11)%	21%	29%	(8)%
10-Year Averages (2012 - 2021)						
Cooling Degree-Days	41	41	-	1,795	1,795	-
Heating Degree-Days	314	314	-	751	751	-
Average Humidity	29%	29%	-	26%	26%	-

