

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

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**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): May 10, 2017

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

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

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

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

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

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**Item 7.01 Regulation FD Disclosure.**

**Investor and Analyst Meetings**

Pinnacle West Capital Corporation (“Pinnacle West”) will be participating in various meetings with securities analysts and investors on May 12, 2107 and will be utilizing handouts during those meetings. Copies of the handouts are attached hereto as Exhibit 99.1.

**Item 9.01 Financial Statements and Exhibits.**

**(d) Exhibits**

Exhibit No.	Registrant(s)	Description
99.1	Pinnacle West Arizona Public Service Company	Pinnacle West handouts for use at meetings on May 12, 2017

## 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: May 10, 2017

By: /s/ James R. Hatfield

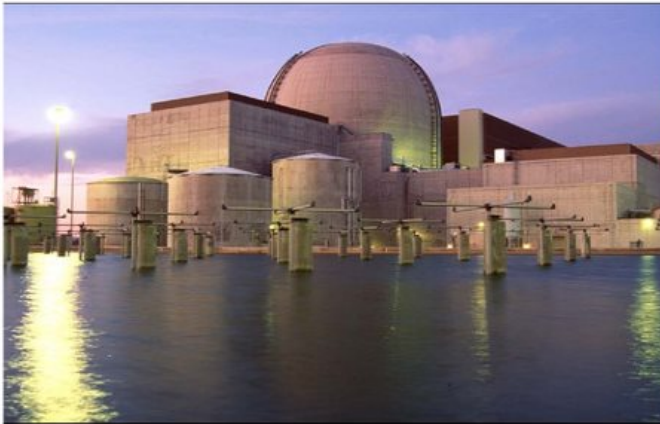
James R. Hatfield  
Executive Vice President and  
Chief Financial Officer

ARIZONA PUBLIC SERVICE COMPANY  
(Registrant)

Dated: May 10, 2017

By: /s/ James R. Hatfield

James R. Hatfield  
Executive Vice President and  
Chief Financial Officer



# POWERING GROWTH DELIVERING VALUE

Investor Meetings | May 12, 2017

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" and similar words. Because actual results may differ materially from expectations, we caution you not to place undue reliance on these statements. A number of factors could cause future results to differ materially from historical results, or from outcomes currently expected or sought by Pinnacle West or APS. These factors include, but are not limited to: our ability to manage capital expenditures and operations and maintenance costs while maintaining high reliability and customer service levels; variations in demand for electricity, including those due to weather seasonality, the general economy, customer and sales growth (or decline), and the effects of energy conservation measures and distributed generation; power plant and transmission system performance and outages; competition in retail and wholesale power markets; regulatory and judicial decisions, developments and proceedings; new legislation, ballot initiatives and regulation, including those relating to environmental requirements, regulatory policy, nuclear plant operations and potential deregulation of retail electric markets; fuel and water supply availability; our ability to achieve timely and adequate rate recovery of our costs, including returns on and of debt and equity capital investments; our ability to meet renewable energy and energy efficiency mandates and recover related costs; risks inherent in the operation of nuclear facilities, including spent fuel disposal uncertainty; current and future economic conditions in Arizona, including in real estate markets; the development of new technologies which may affect electric sales or delivery; the cost of debt and equity capital and the ability to access capital markets when required; environmental, economic and other concerns surrounding coal-fired generation, including regulation of greenhouse gas emissions; volatile fuel and purchased power costs; the investment performance of the assets of our nuclear decommissioning trust, pension, and other postretirement benefit plans and the resulting impact on future funding requirements; the liquidity of wholesale power markets and the use of derivative contracts in our business; potential shortfalls in insurance coverage; new accounting requirements or new interpretations of existing requirements; generation, transmission and distribution facility and system conditions and operating costs; the ability to meet the anticipated future need for additional generation and associated transmission facilities in our region; the willingness or ability of our counterparties, power plant participants and power plant land owners to meet contractual or other obligations or extend the rights for continued power plant operations; and restrictions on dividends or other provisions in our credit agreements and ACC orders. These and other factors are discussed in Risk Factors described in Part I, Item 1A of the Pinnacle West/APS Annual Report on Form 10-K for the fiscal year ended December 31, 2016, which you should review carefully before placing any reliance on our financial statements, disclosures or earnings outlook. Neither Pinnacle West nor APS assumes any obligation to update these statements, even if our internal estimates change, except as required by law.



# PINNACLE WEST: WHO WE ARE

We are a vertically integrated,  
regulated electric utility in the  
growing southwest United States

## **Pinnacle West (NYSE: PNW)**

- Market Capitalization\*: \$9.5 billion
- Enterprise Value\*: \$13.9 billion
- Consolidated Assets: \$16.2 billion
- Indicated Annual Dividend\*: \$2.62
- Dividend Yield\*: 3.1%

## **Principal subsidiary:** **aps**

- Arizona Public Service Company, Arizona's largest and longest-serving electric utility

**Customers:** 1.2 million (89% residential)

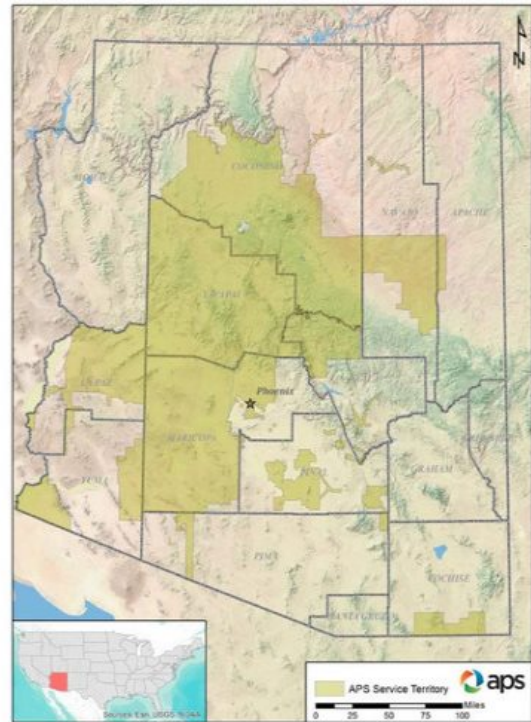
**2016 Peak Demand:** 7,051 MW

- All time high of 7,236 in July 2006

**Generation Capacity:** About 6,200 MW of owned or leased capacity (~8,600 MW with long-term contracts)

- Including 29.1% interest in Palo Verde Nuclear Generating Station, the largest in the U.S.
- Regulated utility provides stable, regulated earnings and cash flow base for Pinnacle West

\* As of April 28, 2017



# VALUE PROPOSITION

*We are executing on our financial and operational objectives ...*

## Financial Strength

- Annual dividend growth target of 5%, subject to declaration at Board of Director's discretion
- Strong credit ratings and balance sheet
- Rate base growth of 6-7% (2015-2019); investing in a portfolio that is cost-effective and sustainable in a variety of future state scenarios

## Leverage to Economic Growth

- Arizona's long-term growth fundamentals remain largely intact, including population growth, job growth and economic development

## Operational Excellence

- Best safety performance among peers and top quartile ratings in Power Quality and Reliability
- APS operates the Palo Verde Nuclear Generating Station, the largest nuclear plant in the United States
- Disciplined cost management

*... while also advocating to ensure Pinnacle West and Arizona have a sustainable energy future*

## Developing Technology to Modernize the Grid

- At the forefront of utilities studying and deploying advanced infrastructure to enable reliable and cost-efficient integration of emerging technologies into the grid and with customers

## Proactively Addressing Rate Design

- Working with Arizona Corporation Commission and key stakeholders to modernize rates

## 2016 HIGHLIGHTS & ACCOMPLISHMENTS

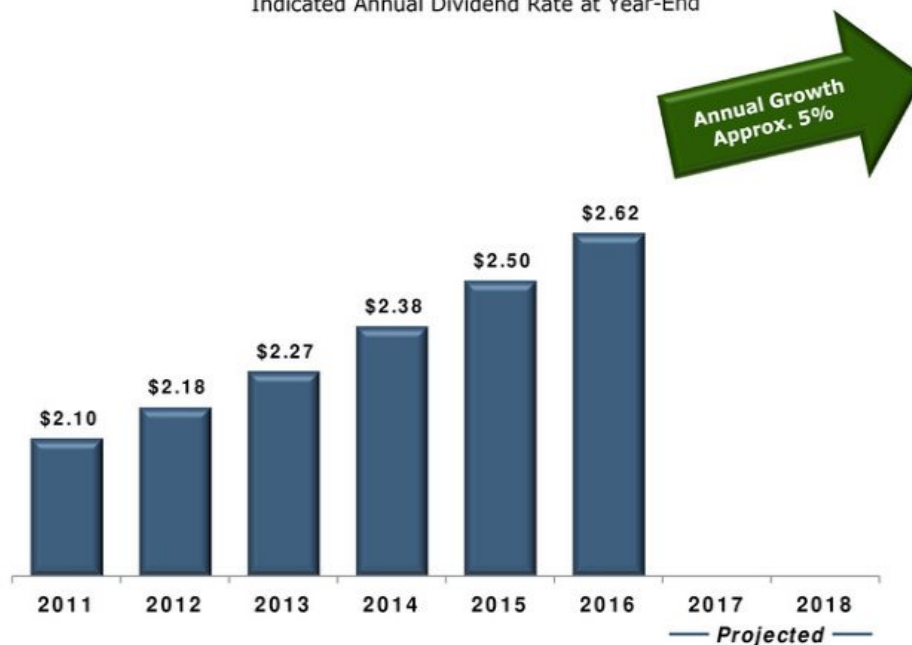
- ✓ PNW Total Shareholder Return of 25.3%, outperforming the electric utilities index and broad market
- ✓ Increased indicated annual dividend for fifth straight year, by 5%
- ✓ Maintained strong credit ratings (mid to low A) from all three rating agencies
- ✓ Completed 40MW Red Rock Solar Power Plant – APS’s largest utility-scale solar plant
- ✓ Completed installation of 1,600 utility-owned residential rooftop solar systems
- ✓ Began construction on \$500M Ocotillo Modernization Project, including air permit approval
- ✓ Completed major outages on Four Corners Units 4 and 5 and on-track with \$400M SCR installation
- ✓ Developed 37MW of Microgrids, including 25MW for the Department of the Navy at Yuma Marine Corp Air Station
- ✓ Completed 3 new transmission lines worth \$146.5M investment
- ✓ Joined the CAISO Energy Imbalance Market, with go live operations effective October 1<sup>st</sup>
- ✓ Launched our Advanced Distribution Management System, including 200+ grid technology devices
- ✓ Ranked in the top 10 nationally among large IOUs in the 2016 JD Power residential customer satisfaction survey for Power Quality and Reliability
- ✓ Successfully completed both Spring and Fall outages at Palo Verde Nuclear Generating Station
- ✓ Palo Verde site average capacity factor maintained above 95%
- ✓ Filed our first rate review in 5 years; proposing industry leading rate design
- ✓ Concluded the Value and Cost of Distributed Generation docket – retiring net metering and replacing with a more formula-driven approach



# DIVIDEND GROWTH

Pinnacle West's indicated annual dividend is \$2.62 per share; targeting ~ 5% annual dividend growth

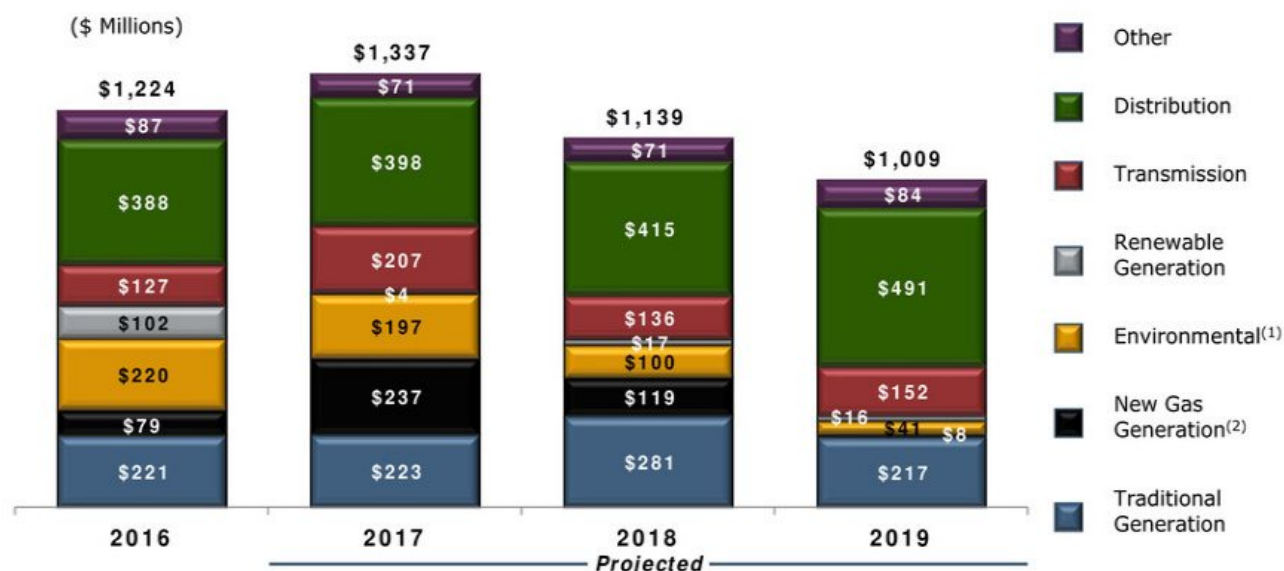
**Dividend Growth Goal**  
Indicated Annual Dividend Rate at Year-End



Future dividends subject to declaration at Board of Directors' discretion.

# APS CAPITAL EXPENDITURES

Capital expenditures are funded primarily through internally generated cash flow



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

- 2017 – 2019 as disclosed in First Quarter 2017 Form 10-Q.

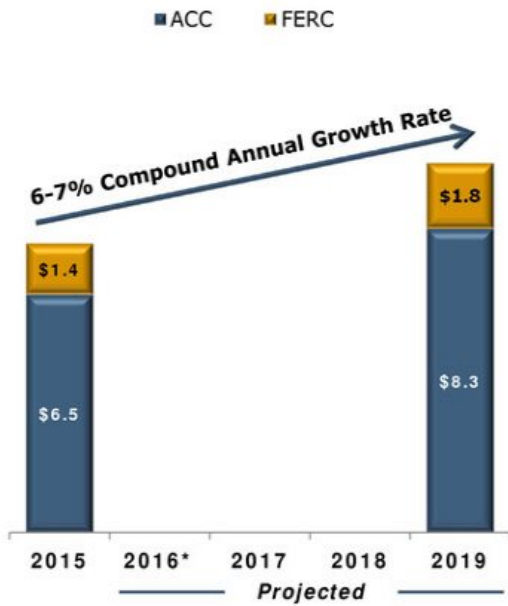
<sup>(1)</sup> Includes Selective Catalytic Reduction controls at Four Corners with in-service dates of Q4 2017 (Unit 5) and Q1 2018 (Unit 4)

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

# RATE BASE

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

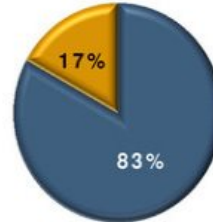
**APS Rate Base Growth**  
Year-End



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

**Total Rate Base**

■ Generation & Distribution ■ Transmission

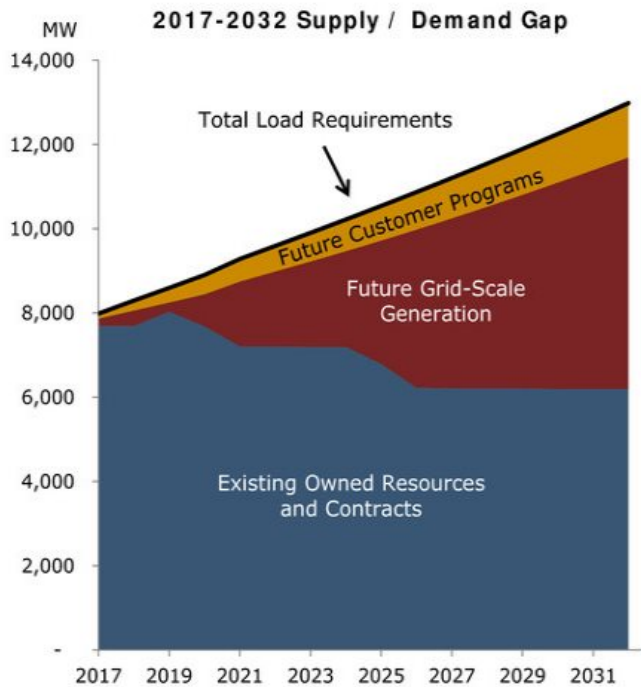


	ACC	FERC
	<i>As Filed 6/1/2016</i>	
Rate Effective Date	7/1/2017	6/1/2016
Test Year Ended	12/31/2015 <sup>1</sup>	12/31/2015
Rate Base	\$6.8B	\$1.4B
Equity Layer	56%	56%
Allowed ROE	10.5%	10.75%

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

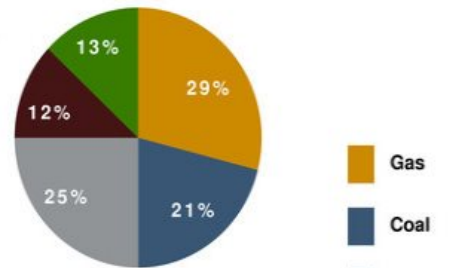
# RESOURCE PLANNING

Over 1.3 gigawatts of new quick start, combustion turbine capacity needed by 2025

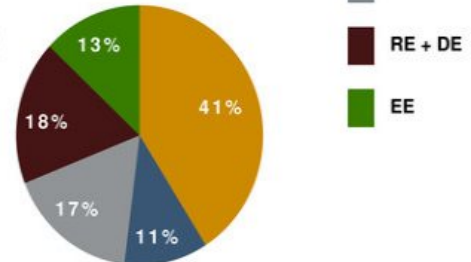


**Composition of Energy Mix by Resource\***

**2017**



**2032**

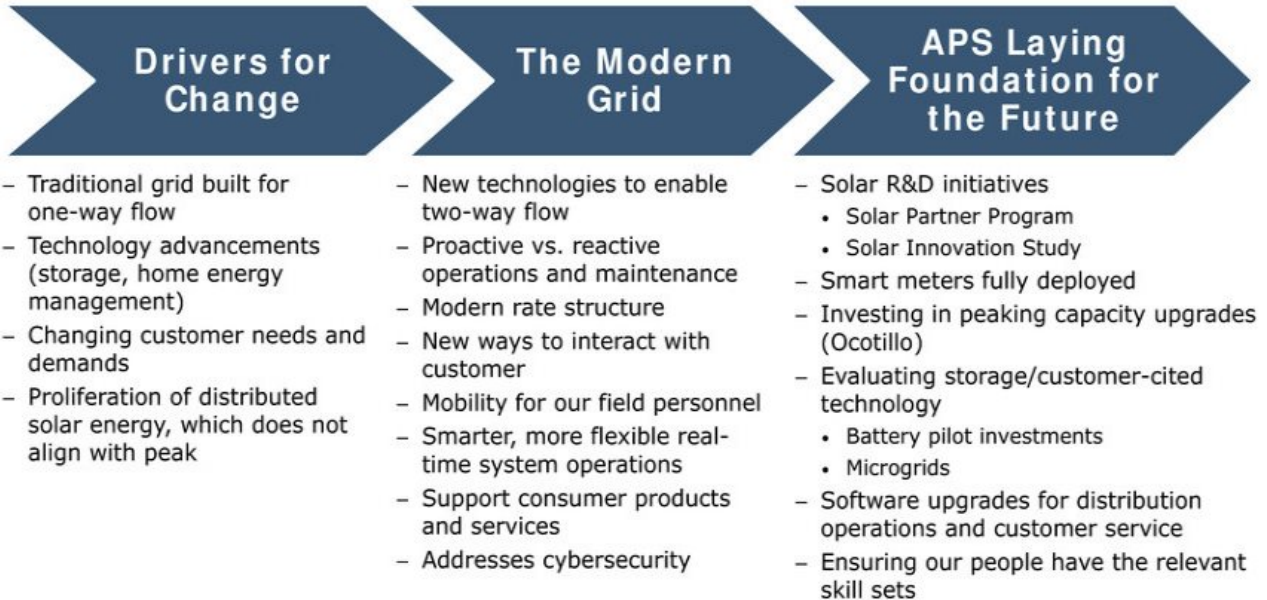


\*Data shown is based on the 2017 Integrated Resource Plan filed April 10, 2017.

Note: RE = Renewable Energy ; DE = Distributed Energy EE= Energy Efficiency

# THE GRID IS EVOLVING – DRIVING NEW INVESTMENTS IN TECHNOLOGY

- Grid stability, power quality and reliability remain the core of a sustainable electrical system
- APS is at the forefront of utilities designing and planning for the next generation electric grid
- New technology advances and changing customer needs are transforming the way we use the grid





# DISTRIBUTION GRID INVESTMENTS

Modernizing the distribution grid with advanced technology investments – resulting in improved reliability for customers and more efficient operations

## Utility-Scale Technology

Integrated Volt/ VAR Control (IVVC)



Substation Health Monitoring



Advanced Distribution Management System



Smart Meters



Strategic Fiber



Supervisory Controlled Switches

## Customer Facing Technology

Rooftop Solar



Battery Storage



Home Energy Management



Electric Vehicles



Microgrids

Grid Operations & Investment

*\$1.3 Billion over next 3 years*

# SUSTAINABILITY

APS's vision is to create a sustainable energy future for Arizona

We assessed our sustainability actions to identify our highest priority elements. These elements are: Carbon Management, Energy Innovation, Safety and Security, Water Resources and People. Examples of 2016 accomplishments in these areas include:

**Carbon Management:** By the end of 2016, 50 percent of our diverse energy mix was carbon-free, and we saw a 26 percent reduction in our year-over-year carbon emissions. The CDP recognized Pinnacle West's action on climate change management to be above industry averages.

**Energy Innovation:** APS launched one of the nation's first utility-owned research and development projects to study the offset of peak energy usage with solar energy production. The project makes solar available to a limited number of APS customers who are not typical customers for rooftop solar or have limited income. The 1,600 rooftop solar systems and 4 megawatts of battery storage won Renewable Integration Project of the Year at the annual Distributech Conference.

**Safety and Security:** APS had its lowest number of OSHA recordables and expects to remain within the top decile for electric utilities; additionally, APS continued to implement physical enhancements and cyber security defenses to protect our people and assets.

**Water Resources:** 74 percent of our total water usage for energy generation was from reclaimed water, which produced over 37 million megawatt hours of energy.

**People:** APS's efforts to improve the workplace experience of our employees yielded positive results. We improved our 2016 employee engagement survey scores in all categories, including our overall engagement score, which placed us above other benchmarked utility organizations.

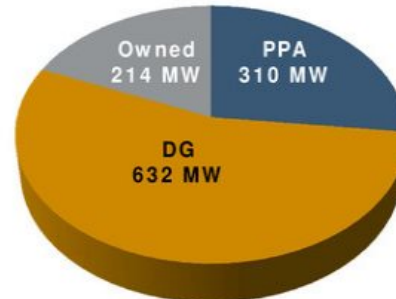
# RENEWABLE RESOURCES

APS is a leader in solar

APS currently has 1,475 MW of renewable resources:

- Solar\* 1,156 MW
- Wind 289 MW
- Biomass 14 MW
- Geothermal 10 MW
- Biogas 6 MW

APS Solar Portfolio\*



*Owned solar includes 170 MW AZ Sun Program, 4 MW of other APS owned utility scale solar and 40 MW Red Rock Solar Plant; Distributed Generation (DG) includes 25 MW of APS owned. PPA is primarily 250 MW Solana Concentrated Solar Facility.*



Yuma Foothills  
Solar  
35 MW



Aragonne Mesa  
Wind  
90 MW



Snowflake  
Biomass  
14 MW



Salton Sea  
Geothermal  
10 MW



Glendale Landfill  
Biogas  
2.8 MW

\* As of First Quarter 2017 Form 10-Q – with additional 45 MW under development

# SOLAR PARTNER PROGRAM

Learning how to efficiently enable the integration of rooftop solar and battery storage with our grid

- Overview
  - Installed 10 MW of APS-owned residential PV systems; approximately 1,600 systems with average system size of 6kW
  - Advanced controllable inverters that can vary power output depending on grid conditions
  - 4 MW of grid-tied battery storage on 2 of the participating feeders
  - Collect and analyze real time data on energy production, energy usage, power regulation capabilities and curtailment options
  - Participating customers receive monthly bill credits through 20-year life
- Benefits
  - Study system benefits (i.e. strategic deployment orientation, advanced inverters, etc.)
  - Provides support for advanced rate structure
  - Provides an alternative for customers who cannot afford solar or do not want a lease
- Timeline
  - Installations through mid-2016
  - Technology evaluation in 2016/2017





# SOLAR INNOVATION STUDY

Examining the integration of behind the meter advanced technologies with demand-based rates

- Overview
  - Installing APS-owned residential PV systems on 75 homes with various configurations of battery storage, energy efficiency, demand controls and smart thermostats connected to a cloud based energy management system
- Benefits
  - Identify effective technology packages that can shift load and minimize grid challenges
  - Gain insight into customer behavior and preferences in use of 'next generation' demand control and load shifting technologies
  - Identify strategies to support sustainable growth of renewable resources
  - Inform rate design in development of modernized demand based residential rates
- Timeline
  - Design and installation in 2016/2017
  - 5-year study





# ENVIRONMENTAL PLAN

Regional Haze compliance is the biggest driver of environmental spend over the next few years

	Regional Haze / BART (SCR)	Mercury and Other Hazardous Air Pollutants (ACI + Baghouse)	Coal Combustion Residuals
EPA Ruling	Announced in 1999, with site-specific requirements announced more recently	MATS compliance by April 2015, with potential for one-year extension	Announced on December 19, 2014 (Subtitle D)
Four Corners Units 4 & 5	Approximately \$400M for SCRs in 2016-2018 (does not include CAPEX related to 4CA 7% interest)	\$0	APS estimates its share of incremental costs to comply with the CCR rule for Four Corners is approximately \$15 million, and its share of incremental costs for Cholla is in the range of \$5 million to \$40 million. APS expects to incur certain of these costs during 2016-2018 timeframe.
Cholla Units 1-3	On April 26, 2017, APS's BART Reassessment for Cholla took effect, which avoids the need for additional pollution controls. This BART compliance approach required the closure of Unit 2 by April 2016 and the cessation of coal-burning for Units 1 and 3 by April 2025. <sup>1</sup>	\$8M	
Navajo Units 1-3 <sup>2</sup>	Up to ~\$200M for SCRs and baghouses; on March 20, 2017, the Ninth Circuit Court of Appeals denied petitions for review challenging this better-than-BART compliance alternative	Approximately \$1 million	Approximately \$1 million

<sup>1</sup> Parties opposed to this BART compliance approach have until May 27, 2017 to file petitions for review in the Ninth Circuit as to EPA's final rule approving this approach.

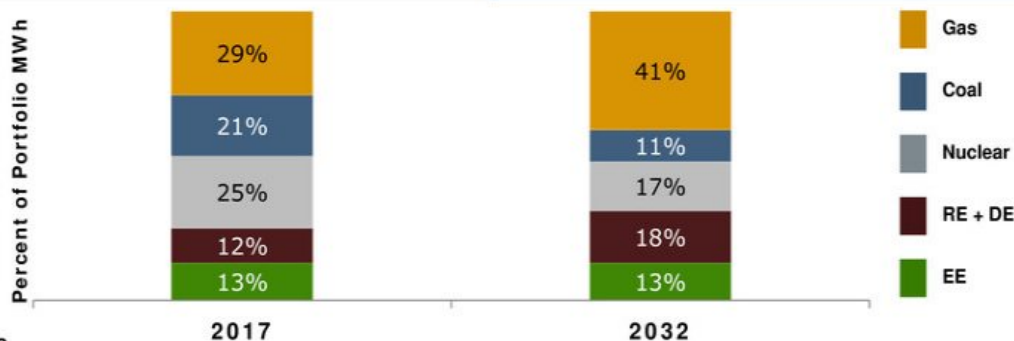
<sup>2</sup> On February 13, 2017, the co-owners of the Navajo Plant voted not to pursue continued operation beyond December 2019, the expiration of the current lease term.

Note: Dollars shown at ownership. Estimates as of March 31, 2017.

- Cholla: Unit 1 is not BART-eligible; Unit 2 retired on October 1, 2015; Unit 4 is owned by PacifiCorp.
- SO<sub>2</sub> NAAQS and greenhouse gas-related costs will be determined based upon EPA rule makings, with no spend occurring before 2016.
- ACI = Activated Carbon Injection; NAAQS = National Ambient Air Quality Standard; SCR = Selective Catalytic Reduction control technology

# COAL FLEET STRATEGY

APS's proactive approach to reducing emissions leads to coal's expected share of the energy mix being reduced to 11%



## Emissions

- 820 MW of coal has been retired including 560 MW at Four Corners Units 1-3 in 2013 and 260 MW at Cholla Unit 2 as of October 1, 2015.
- Four Corners:** The 2013 transaction to purchase Southern California Edison's ownership in Units 4 and 5 led to the closure of units 1, 2 & 3. We are currently installing \$400 million in pollution control equipment on Units 4 and 5 that is designed to reduce NOx emissions from those units up to 90%. When the new pollution control equipment comes on line in 2018, the total NOx emissions from all APS power plants will be 83% lower than our total NOx emissions were in 2012.
- Cholla Power Plant:** Closure of Unit 2 as of October 1, 2015 will reduce mercury emissions by 51%, particulates by 34%, NOx by 32%, and CO2 and SO2 by 23% each. We also announced plans to work with the U.S. EPA to stop burning coal at our remaining Cholla units by the mid-2025.
- Navajo Generating Station:** On February 13, 2017, the co-owners voted not to pursue continued operation of the plant beyond December 2019, the expiration of the current lease term (*2032 includes NGS generation*).

Note: RE = Renewable Energy; DE = Distributed Energy; EE = Energy Efficiency

Data shown is based on the 2017 Integrated Resource Plan filed April 10, 2017.

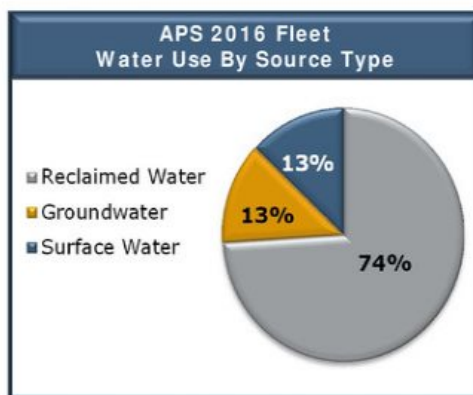
# WATER STRATEGY

APS, and Palo Verde in particular, has provided national and international leadership on the use of reclaimed water for power generation

**Vision:** APS continues to strive for sustainable and cost-effective water supplies for energy production for APS customers.

**Mission:** To execute a strategic water resource management program that provides APS timely and reliable information to manage our water resources portfolio efficiently and effectively, and helps ensure long-term water supplies and water contingency plans for each of our facilities, even in times of extended drought.

- Each APS power plant has a unique water strategy, developed to promote efficient and sustainable use of water. In 2016, we reduced groundwater use by 28% compared to 2014 usage, far surpassing our goal of 8%.



**Water Usage and Intensity:** Over the next 10 years, our goal is to reduce water intensity company-wide by 20% compared to a 2014 baseline. Our current initiatives include:

- Reducing consumption of non-renewable water resources by 10% in 2017 over 2014 baseline, and
- Reducing consumption of non-renewable water resources by 12% in 2018 over 2014 baseline.

**Palo Verde Nuclear Generating Station:** The only nuclear power plant in the world that is not located next to a large body of water. Instead, it uses treated effluent, or wastewater, from several area municipalities, recycling approximately 20 billion gallons of wastewater each year

**Ocotillo Modernization Project:** State-of-the-art hybrid cooling technology for new units being constructed will decrease water use from 900 gallons per MWh to 140 per gallon, a reduction of more than 80%.

# PALO VERDE NUCLEAR GENERATING STATION

Largest nuclear generating plant in the United States

- Total Capacity: 4,000 MW (3 units)
  - APS operated
  - APS share: 1,146 MW
  - Output: 32.2 million MWh in 2016
  - Approximately 2,700 employees

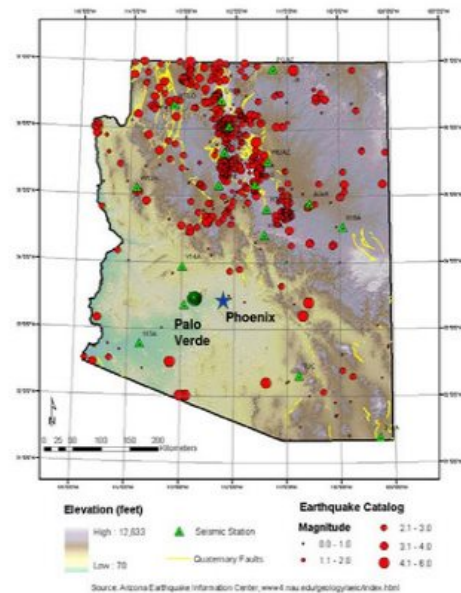
	In Service	License*
Unit 1	1985	2045
Unit 2	1986	2046
Unit 3	1987	2047

\* NRC approved 20-year license extensions in April 2011.  
Note: Each of the pressurized water reactor units has a planned refueling outage every 18 months (i.e. two total outages per year).

- Fukushima-related impacts
  - Project completed in Q2 2016
  - Total Fukushima-related costs approximately \$126 million (APS share is 29.1%)
  - National Strategic Alliance for FLEX Emergency Response (SAFER) Centers are located in Phoenix and Memphis, opened in 2014

## Low risk of natural events at Palo Verde

### Arizona Earthquakes and Faults





# APS RATE CASE

- Filed June 1, 2016
- Docket Number: E-01345A-16-0036
- Additional details, including filing, can be found at <http://www.azenergyfuture.com/rate-review/>

## Procedural Schedule

File Settlement Agreement	March 27, 2017
Direct Testimony in Support of/in Opposition to the Settlement Agreement (All Parties)	April 3, 2017
Rebuttal Testimony in Support of/in Opposition to the Settlement Agreement (All Parties)	April 17, 2017
Hearing Commencement Date	April 24, 2017



# 2017 PROPOSED RATE CASE SETTLEMENT

## Key Financial Proposals – Base Rate Changes

### Annualized Base Rate Revenue Changes (\$ millions)

Non-fuel, Non-depreciation Base Rate Increase	\$ 87.2
Decrease fuel and Purchased Power over Base Rates	(53.6)
Increase due to Changes in Depreciation Schedules	61.0
<b>Total Base Rate Increase</b>	<b>\$ 94.6</b>

## Key Financial Assumptions

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

# 2017 PROPOSED RATE CASE SETTLEMENT

## Key Proposals – Revenue Requirement

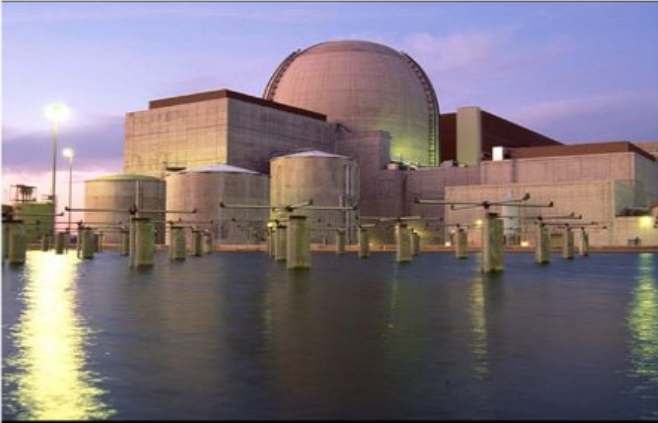
<b>Four Corners</b>	<ul style="list-style-type: none"> <li>Cost deferral order from in-service dates to incorporation of SCRs in rates using a step-increase no later than January 1, 2019</li> </ul>
<b>Ocotillo Modernization Project</b>	<ul style="list-style-type: none"> <li>Cost deferral order from in-service dates to effective date in next rate case</li> </ul>
<b>Power Supply Adjustor (PSA)</b>	<ul style="list-style-type: none"> <li>Modified to include certain environmental chemical costs and third-party battery storage</li> </ul>
<b>Property Tax Deferral</b>	<ul style="list-style-type: none"> <li>Defer for future recovery the Arizona property tax expense above or below the test year rate</li> </ul>

## Key Proposals – Rate Design

<b>Lost Fixed Cost Recovery (LFCR)</b>	<ul style="list-style-type: none"> <li>Modified to be applied as a capacity (demand) charge per kW for customer with a demand rate and as a kWh charge for customers with a two-part rate without demand</li> </ul>
<b>Environmental Improvement Surcharge (EIS)</b>	<ul style="list-style-type: none"> <li>Increase cumulative per kWh cap rate from \$0.00016 to a new rate of \$0.00050 and include a balancing account</li> </ul>
<b>Time-of-Use Rates (TOU)</b>	<ul style="list-style-type: none"> <li>Modified on-peak period for residential, and extra small through large general service of 3:00 pm – 8:00 pm weekdays</li> <li>After May 1, 2018, a new TOU rate will be the standard rate for all new customers (except small use)</li> </ul>
<b>Distributed Generation</b>	<ul style="list-style-type: none"> <li>New DG customers eligible for TOU rate with Grid Access Charge or Demand rates</li> <li>Resource Comparison Proxy (RCP) for exported energy of \$0.129/kWh in year one</li> </ul>
<b>AZ Sun II</b>	<ul style="list-style-type: none"> <li>Proposed new program for utility-owned solar distributed generation, recoverable through the Renewable Energy Adjustment Clause (RES), to be no less than \$10 million per year, and not more than \$15 million per year</li> </ul>

## Other Considerations

<b>Rate Case Moratorium</b>	<ul style="list-style-type: none"> <li>No new general rate case application before June 1, 2019 (3-year stay-out)</li> </ul>
<b>Self-Build Moratorium</b>	<ul style="list-style-type: none"> <li>APS will not pursue any new self-build generation (with exceptions) having an in-service date prior to January 1, 2022 (extended to December 31, 2027 for combined-cycle generating units) unless expressly authorized by the ACC</li> </ul>



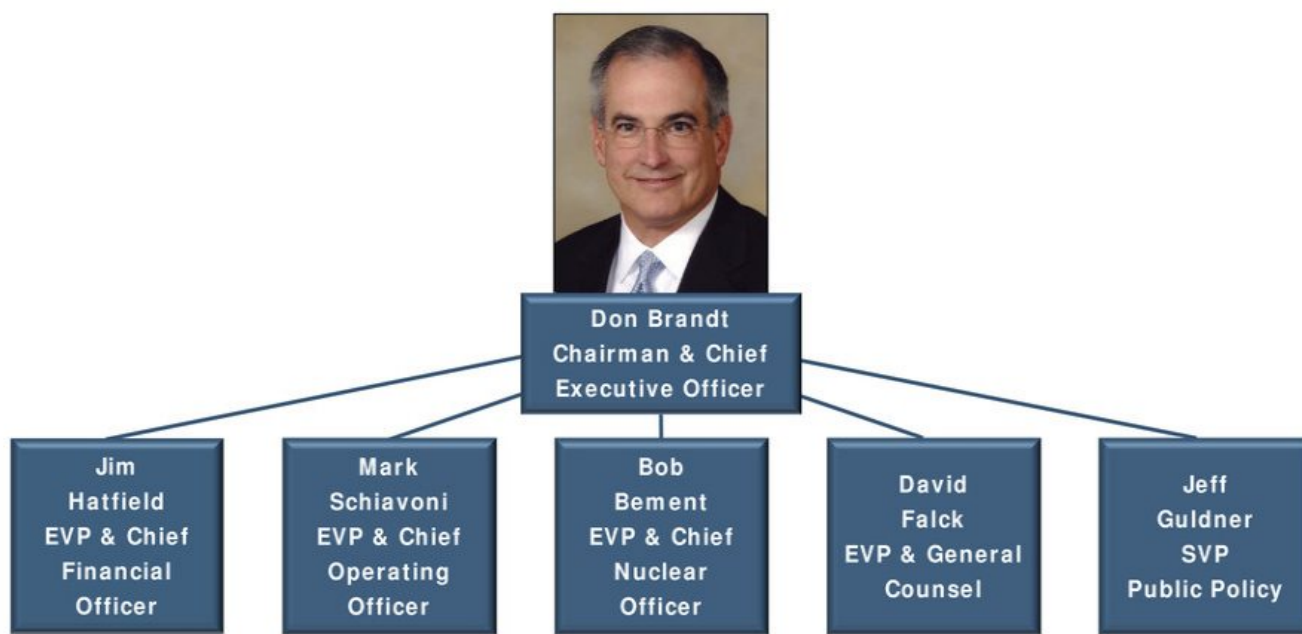
## APPENDIX

PINNACLE WEST  
CAPITAL CORPORATION



## LEADERSHIP TEAM

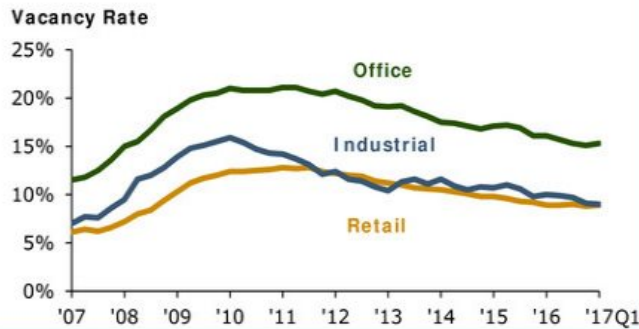
Our top executives have more than 100 combined years of creating shareholder value in the energy industry



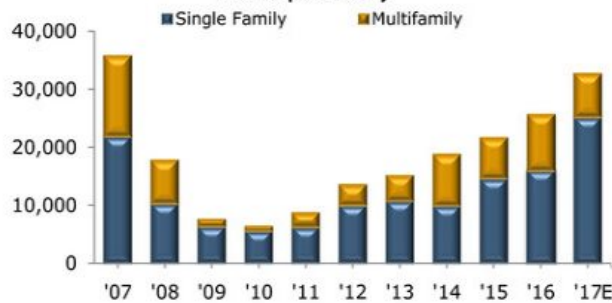
# ECONOMIC INDICATORS

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

Nonresidential Building Vacancy – Metro Phoenix



Single Family & Multifamily Housing Permits Maricopa County



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



# FINANCIAL OUTLOOK

Key Factors & Assumptions as of  
May 2, 2017

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

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

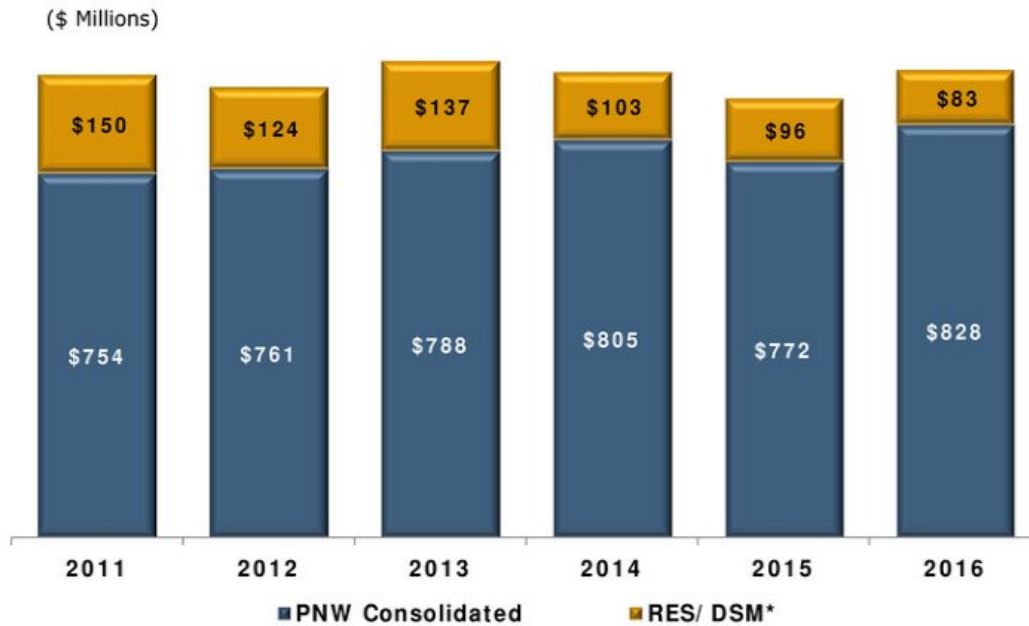
## Gross Margin – Related to 2012 Retail Rate Settlement

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

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

## OPERATIONS & MAINTENANCE

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



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

# BALANCE SHEET STRENGTH

## Debt Maturity Schedule



## Credit Ratings

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

## 2017 Major Financing Activities

- \$250 million re-opening in March of APS's outstanding 4.35% senior unsecured notes due November 2045
- Currently expect up to \$600 million of long-term debt issuance from two transactions, one at PNW (including refinancing of its \$125 million term loan) and one at APS

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

# CREDIT RATINGS AND METRICS

Key credit metrics remain strong

	APS	Parent
<b>Corporate Credit Ratings</b>		
Moody's	A2	A3
S&P	A-	A-
Fitch	A-	A-
<b>Senior Unsecured</b>		
Moody's	A2	-
S&P	A-	-
Fitch	A	-
Note: Moody's, S&P, and Fitch all rate Outlook for APS and Parent as "Stable"		

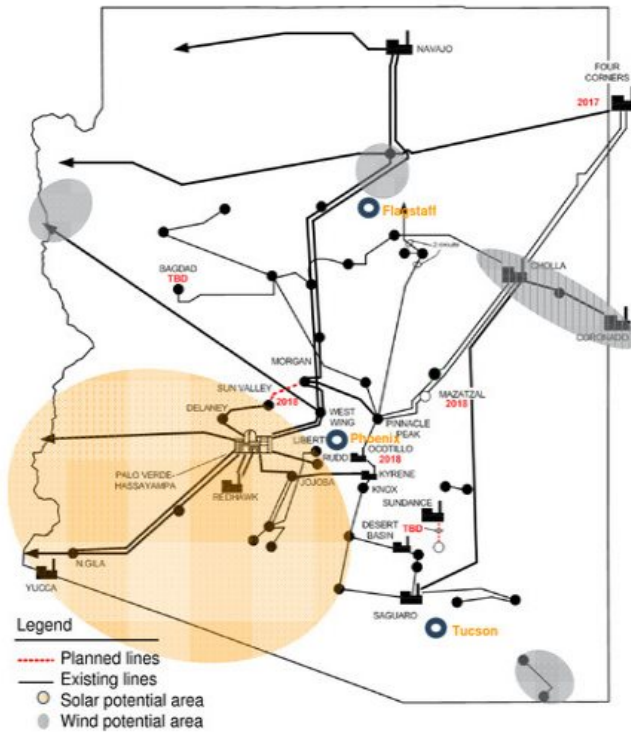
	2011	2012	2013	2014	2015	2016
<b>APS</b>						
FFO / Debt	23.6%	27.7%	31.5%	27.5%	29.7%	26.5%
FFO / Interest	4.2x	4.8x	5.6X	5.5x	5.8x	5.0x
Debt / Capitalization	52.9%	50.7%	47.7%	45.3%	45.8%	47.8%
<b>Pinnacle West</b>						
FFO / Debt	23.0%	26.7%	29.8%	26.5%	28.9%	25.1%
FFO / Interest	3.8x	4.4x	4.9X	5.2x	5.6x	4.9x
Debt / Capitalization	54.4%	52.1%	49.1%	46.7%	47.0%	49.1%

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

Source: Standard & Poor's

# APS TRANSMISSION

Strategic transmission investment is essential to maintain reliability and deliver diversified resources to customers



- 10-Year Transmission Plan filed January 2017 (115 kV and above)
  - 52 miles of new lines
  - 5 bulk transformer additions
- Also includes:
  - Sun Valley-Morgan 500kV (2018)
  - North Gila-Orchard 230kV (2021)
- 2 of 3 Projects to deliver renewable energy approved by ACC have been completed
- Transmission investment diversifies regulatory risk
  - Constructive regulatory treatment
  - FERC formula rates and retail adjustor



# BRIGHT CANYON ENERGY

## BRIGHT CANYON ENERGY

Pinnacle West subsidiary formed to pursue long-term growth opportunities in the electric energy industry



## TRANSCANYON

A 50/50 Joint Venture formed with BHE U.S. Transmission, a subsidiary of Berkshire Hathaway Energy, to develop, build and own transmission infrastructure for the western United States. In 2016, formed a strategic alliance with Pacific Gas and Electric Company to jointly pursue competitive transmission opportunities solicited by the California Independent System Operator (CAISO)



Bright Canyon  
ENERGY



# ARIZONA CORPORATION COMMISSION

## Terms to January 2019



**Tom  
Forese (R)  
Chairman**



**Doug  
Little (R)**

## Terms to January 2020



**Bob  
Burns (R)\***



**Boyd  
Dunn (R)**



**Andy  
Tobin (R)**

## Other State Officials

ACC Executive Director – Ted Vogt  
RUCO Director – David Tenney

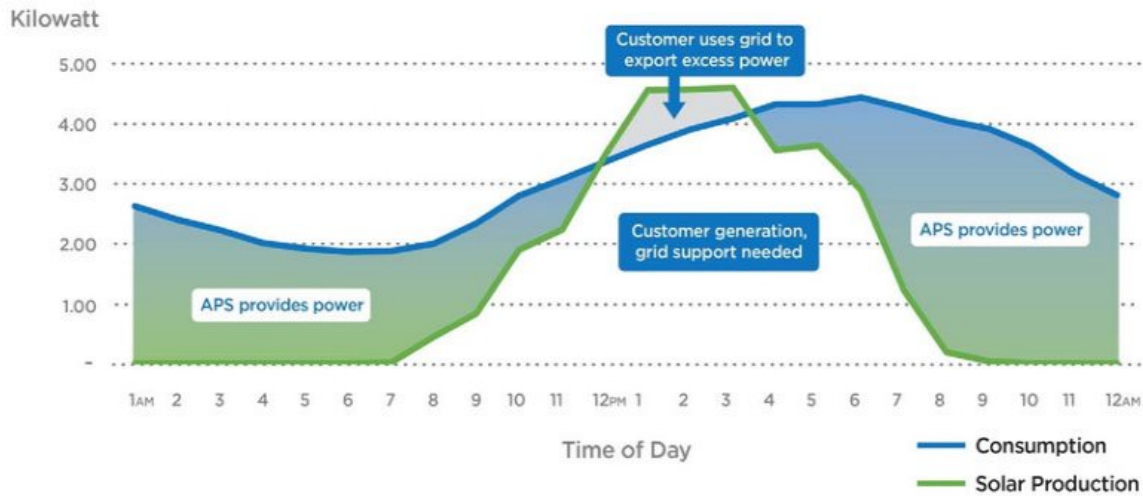
\* Term limited - elected to four-year terms (limited to two consecutive)

# 2017 KEY DATES

ACC Key Dates / Docket #	Q1	Q2	Q3	Q4
<b>Key Recurring Regulatory Filings</b>				
Lost Fixed Cost Recovery E-01345A-11-0224	Jan 15			
Transmission Cost Adjustor E-01345A-11-0224		May 15		
2018 DSM/EE Implementation Plan		Jun 1		
2018 RES Implementation Plan for Reset of Renewable Energy Adjustor			Jul 1	
APS Rate Case E-01345A-16-0036	----- See Slide 20 -----			
Resource Planning and Procurement E-00000V-15-0094		April 10: Final 2017 IRP		Oct 1: Staff Report Due
Reducing System Peak Demand Costs E-00000J-16-0257	----- TBD -----			
Review, Modernization and Expansion of Arizona Renewable Energy Standards E-00000Q-16-0289		Jun 7: Workshop		
Investigation Concerning the Future of the Navajo Generating Station E-00000C-17-0039	----- TBD -----			
ACC Open Meetings	ACC Open Meetings Held Monthly			
<b>Other Key Dates</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
Arizona State Legislature	In session Jan 9 – End of Q2			

# ROOFTOP SOLAR CUSTOMERS USE THE GRID 24 HOURS PER DAY

## TYPICAL GRID INTERACTION FOR ROOFTOP SOLAR

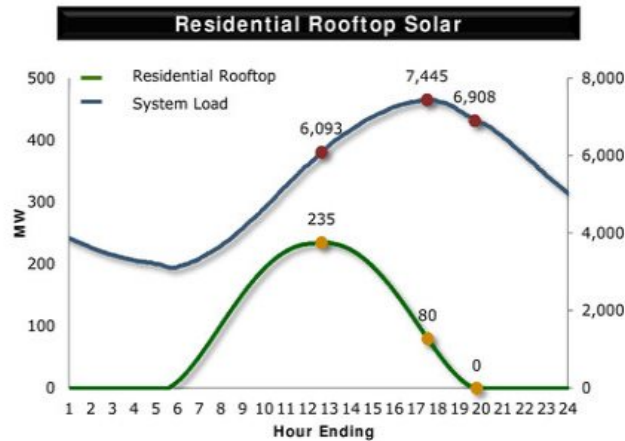


- Customers with rooftop solar systems **do not pay for all of the electric services they use**
- These **unpaid costs** are then **paid by other customers** (through higher rates) that can't have or don't want solar
- This issue will only get **bigger over time**

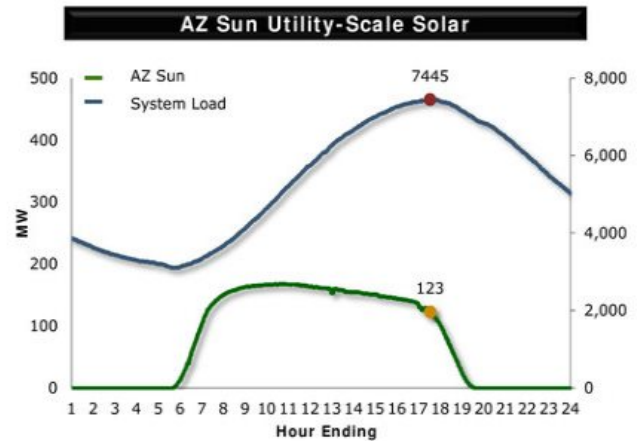
# RESIDENTIAL VS. UTILITY-SCALE SOLAR

## Performance at system peak

On June 19<sup>th</sup>, APS customers hit “peak demand” for 2016 using more than 7,400 MW of electricity



- Noon: Customer demand still increasing; rooftop solar peaks and begins to decline
- 5:30PM: Customer demand peaks; rooftop solar producing at 28% of total capacity
- 7:30PM: Rooftop output at zero, but demand still above 6,900 MW of power

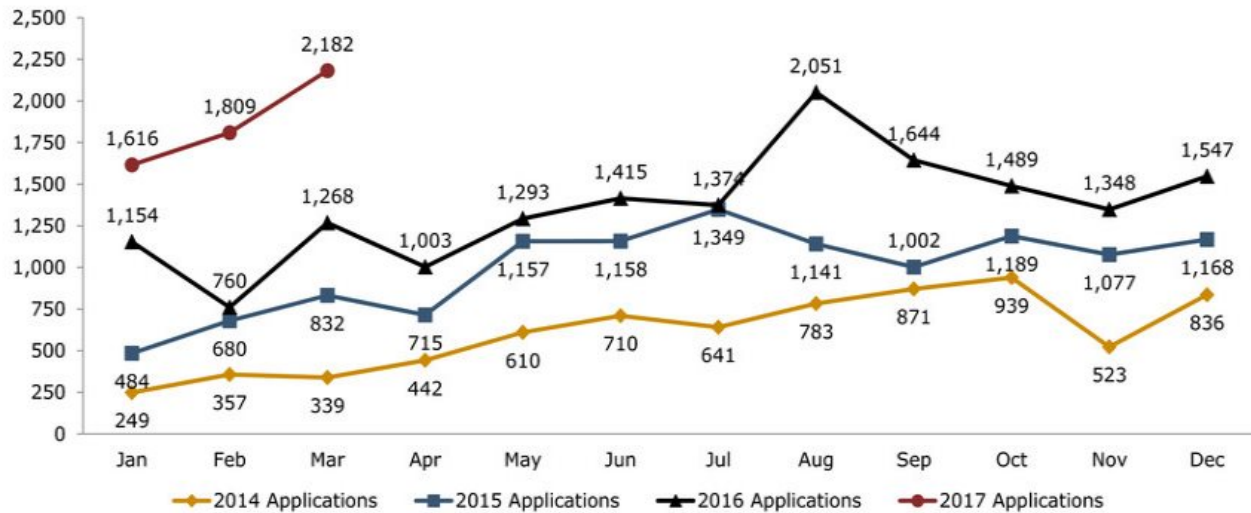


- Solar panels at 8 of the AZ Sun plants rotate to track the sun, achieving highest production earlier in the day and maintaining it later
- At peak demand, utility-scale solar producing at 72% of total capacity



# RESIDENTIAL PV APPLICATIONS\*

Residential DG (MWdc) Annual Additions



\* Monthly data equals applications received minus cancelled applications. As of March 31, 2017 approximately 58,000 residential grid-tied solar photovoltaic (PV) systems have been installed in APS's service territory, totaling more than 445 MWdc of installed capacity. Excludes APS Solar Partner Program residential PV systems.

Note: [www.arizonagoessolar.org](http://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.

# ARIZONA'S RENEWABLE RESOURCE AND ENERGY EFFICIENCY STANDARDS

## Renewable Energy (RES) Requirements

- Portion of retail sales to be supplied by renewable resources\*
  - 7% by 2017
  - 15% by 2025
- Distributed energy component
  - 30% of total requirement



**APS currently on track to meet target**

## Energy Efficiency Requirements

- Cumulative savings from energy efficiency programs must be equivalent to 22% of annual retail sales by 2020
- Annual milestones in place to measure progress toward cumulative 2020 goal
  - 14.5% by 2017
  - 22% by 2020



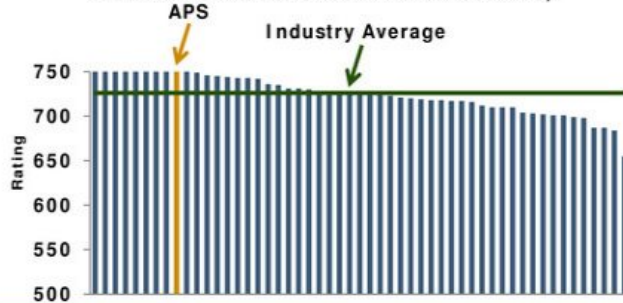
**APS currently on track to meet target**

\* Represents portion of retail sales to be supplied by renewable resources in compliance with the Arizona Renewable Energy Standard and Tariff (RES). Total portion of retail sales to be supplied by renewable resources in 2017 expected to be 11%.

# OPERATIONAL EXCELLENCE

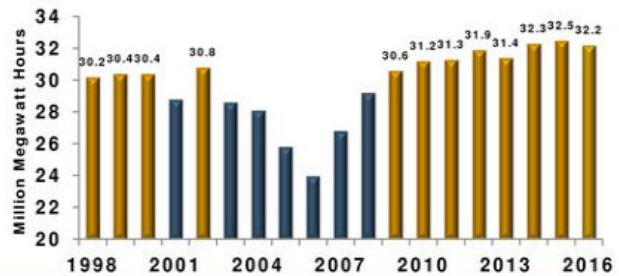
## Power Quality and Reliability

Ranked 9<sup>th</sup> highest nationally among 53 large investor-owned electric utilities in 2016 J.D. Power residential customer survey.



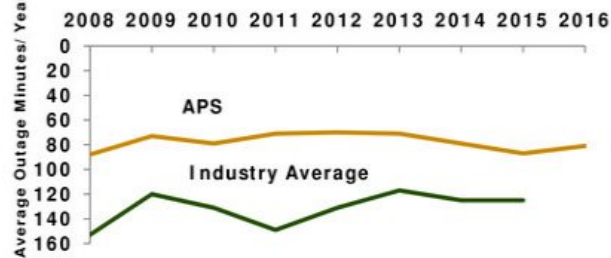
## Palo Verde

Palo Verde is the only plant in the U.S. to exceed 30M MW of annual production.



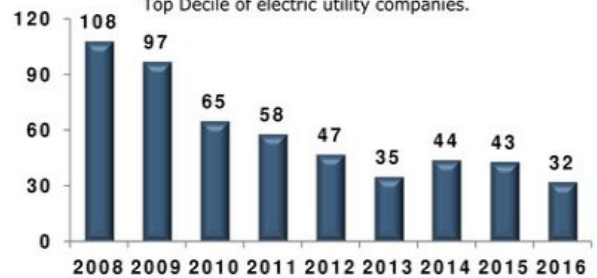
## Lowering Outage Time Per Customer

Well below industry average over past several years.



## Safety

APS achieved another safe year in 2016. APS ranks in the Top Decile of electric utility companies.



# GENERATION PORTFOLIO\*

	Plant	Location	No. of Units	Dispatch	COD	Ownership Interest <sup>1</sup>	Net Capacity (MW)
NUCLEAR 1,146 MW	Palo Verde	Wintersburg, AZ	3	Base	1986-1989	29.1%	1,146
	Cholla	Joseph City, AZ	2	Base	1962-1980	100	387
COAL 1,672 MW	Four Corners	Farmington, NM	2	Base	1969-1970	63	970
	Navajo	Page, AZ	3	Base	1974-1976	14	315
	Redhawk	Arlington, AZ	2	Intermediate	2002	100	984
GAS - COMBINED CYCLE 1,871 MW	West Phoenix	Phoenix, AZ	5	Intermediate	1976-2003	100	887
GAS - STEAM TURBINE 220 MW	Ocotillo	Tempe, AZ	2	Peaking	1960	100	220
GAS / OIL COMBUSTION TURBINE 1,088 MW	Sundance	Casa Grande, AZ	10	Peaking	2002	100	420
	Yucca	Yuma, AZ	6	Peaking	1971-2008	100	243
	Saguaro	Red Rock, AZ	3	Peaking	1972-2002	100	189
	West Phoenix	Phoenix, AZ	2	Peaking	1972-1973	100	110
	Ocotillo	Tempe, AZ	2	Peaking	1972-1973	100	110
	Douglas	Douglas, AZ	1	Peaking	1972	100	16
SOLAR 239 MW	Hyder & Hyder II	Hyder, AZ	-	As Available	2011-2013	100	30
	Paloma	Gila Bend, AZ	-	As Available	2011	100	17
	Cotton Center	Gila Bend, AZ	-	As Available	2011	100	17
	Chino Valley	Chino Valley, AZ	-	As Available	2012	100	19
	Foothills	Yuma, AZ	-	As Available	2013	100	35
	Distributed Energy	Multiple AZ Facilities	-	As Available	Various	100	25
	Gila Bend	Gila Bend, AZ	-	As Available	2015	100	32
	Luke Air Force Base	Glendale, AZ	-	As Available	2015	100	10
	Desert Star	Buckeye, AZ	-	As Available	2015	100	10
	Red Rock	Red Rock, AZ	-	As Available	2016	100	40
	Various	Multiple AZ Facilities	-	As Available	1996-2006	100	4
Total Generation Capacity							6,236 MW

\* As disclosed in 2016 Form 10-K.

<sup>1</sup> Includes leased generation plants

# PURCHASED POWER CONTRACTS\*

	Contract	Location	Owner/ Developer	Status <sup>1</sup>	PPA Signed	COD	Term (Years)	Net Capacity (MW)
SOLAR 310 MW	Solana	Gila Bend, AZ	Abengoa	IO	Feb-2008	2013	30	250
	RE Ajo	Ajo, AZ	Duke Energy Gen Svcs	IO	Jan-2010	2011	25	5
	Sun E AZ 1	Prescott, AZ	SunEdison	IO	Feb-2010	2011	30	10
	Saddle Mountain	Tonopah, AZ	SunEdison	IO	Jan - 2011	2012	30	15
	Badger	Tonopah, AZ	PSEG	IO	Jan-2012	2013	30	15
	Gillespie	Maricopa County, AZ	Recurrent Energy	IO	Jan-2012	2013	30	15
WIND 289 MW	Aragonne Mesa	Santa Rosa, NM	Ingifen Asset Mgmt	IO	Dec-2005	2006	20	90
	High Lonesome	Mountainair, NM	Foresight / EME	IO	Feb-2008	2009	30	100
	Perrin Ranch Wind	Williams, AZ	NextEra Energy	IO	Jul-2010	2012	25	99
GEOTHERMAL 10 MW	Salton Sea	Imperial County, CA	Cal Energy	IO	Jan-2006	2006	23	10
BIOMASS 14 MW	Snowflake	Snowflake, AZ	Novo Power	IO	Sep-2005	2008	15	14
BIOGAS 6 MW	Glendale Landfill	Glendale, AZ	Glendale Energy LLC	IO	Jul-2008	2010	20	3
	NW Regional Landfill	Surprise, AZ	Waste Management	IO	Dec-2010	2012	20	3
INTER-UTILITY 540 MW	PacifiCorp Seasonal Power Exchange	-	PacifiCorp	IO	Sep-1990	1991	30	480
	Not Disclosed	Not Disclosed	Not Disclosed	IO	May-2009	2010	10	60
CONVENTIONAL TOLLING 1,639 MW	CC Tolling	Not Disclosed	Not Disclosed	IO	Mar-2006	2007	10	514
	CC Tolling	Not Disclosed	Not Disclosed	IO	Aug-2007	2010	10	560
	CC Tolling	Arlington, AZ	Arlington Valley	IO	Dec-2016	2020	6	565
DEMAND RESPONSE 25 MW	Demand Response	Not Disclosed	Not Disclosed	IO	Sep-2008	2010	15	25
Total Contracted Capacity								2,833 MW

\* As disclosed in 2016 Form 10-K. <sup>1</sup> UD = Under Development; UC = Under Construction; IO = In Operation



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