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

FORM 8-K

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

Date of report (Date of earliest event reported): January 9, 2019

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

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

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

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

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

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

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

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

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

Item 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 January 10, 2019 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 January 10, 2019

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)

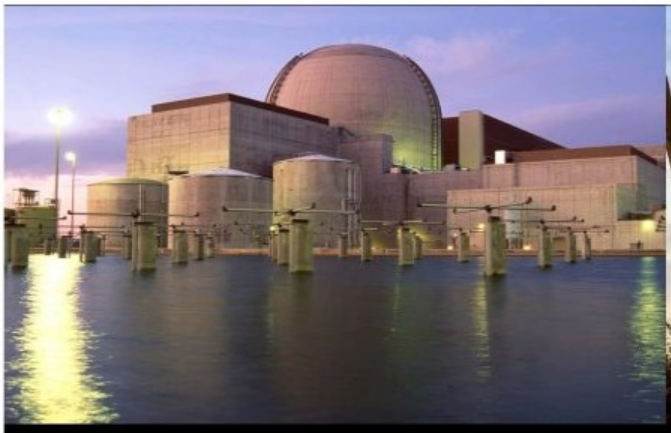
Dated: January 9, 2019

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

ARIZONA PUBLIC SERVICE COMPANY
(Registrant)

Dated: January 9, 2019

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



POWERING GROWTH DELIVERING VALUE

PINNACLE WEST
CAPITAL CORPORATION

Evercore ISI Utility Conference I January 10, 2019

FORWARD LOOKING STATEMENTS AND NON-GAAP FINANCIAL MEASURES

This presentation contains forward-looking statements based on current expectations, including statements regarding our earnings guidance and financial outlook and goals. These forward-looking statements are often identified by words such as "estimate," "predict," "may," "believe," "plan," "expect," "require," "intend," "assume," "project" and similar words. Because actual results may differ materially from expectations, we caution you not to place undue reliance on these statements. A number of factors could cause future results to differ materially from historical results, or from outcomes currently expected or sought by Pinnacle West or APS. These factors include, but are not limited to: our ability to manage capital expenditures and operations and maintenance costs while maintaining high reliability and customer service levels; variations in demand for electricity, including those due to weather seasonality, the general economy, customer and sales growth (or decline), and the effects of energy conservation measures and distributed generation; power plant and transmission system performance and outages; competition in retail and wholesale power markets; regulatory and judicial decisions, developments and proceedings; new legislation, ballot initiatives and regulation, including those relating to environmental requirements, regulatory policy, nuclear plant operations and potential deregulation of retail electric markets; fuel and water supply availability; our ability to achieve timely and adequate rate recovery of our costs, including returns on and of debt and equity capital investments; our ability to meet renewable energy and energy efficiency mandates and recover related costs; risks inherent in the operation of nuclear facilities, including spent fuel disposal uncertainty; current and future economic conditions in Arizona, including in real estate markets; the 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, 2017, which you should review carefully before placing any reliance on our financial statements, disclosures or earnings outlook. Neither Pinnacle West nor APS assumes any obligation to update these statements, even if our internal estimates change, except as required by law.

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

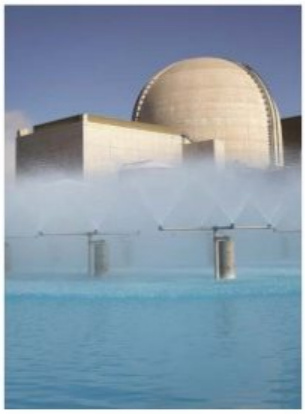
We present "adjusted income taxes" that shows the impact of tax reform. Adjusted income taxes is a "non-GAAP financial measure," as defined in accordance with SEC rules. The appendix contains a reconciliation to show the impact of tax reform. We believe the information provided in the reconciliation provides investors with useful indicators of our results that are comparable among periods because they exclude the effects of unusual items that may occur on an irregular basis, such as tax reform impacts.

PINNACLE WEST: OUR FUTURE

We are making clean energy and infrastructure investments to support Arizona's growth

Our future includes:

- More clean energy
- A healthier environment
- Palo Verde Generating Station, the largest clean energy producer in the country
- Infrastructure to power Arizona's growth



To get there we will:

- Continue Arizona's solar leadership
- Invest in battery storage and other clean technologies
- Invest in infrastructure to support electric vehicles
- Partner with customers to achieve their clean-energy goals

We expect 340,000 new customers and a 30% increase in our customer's energy needs by 2030.

PINNACLE WEST CAPITAL CORPORATION

SUSTAINABILITY

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

Progress and Achievements

Five critical areas of our sustainability efforts

Carbon Management

- Plan to **reduce carbon intensity by 23%** over the next 15 years
- MSCI Environmental Sustainability and Governance **A rating**[1]

Energy Innovation

- **More than 1,300 MW** of installed solar capacity
- Plan to add over **500 MW of energy storage** in next 15 years

Safety & Security

- Yucca Power Plant team achieved **10 years OSHA injury free**
- Remain **top decile for safety** performance in U.S. electric utilities industry

Water Resources

- **16% reduction** in groundwater use since 2014
- **20 billion gallons of water recycled** each year to cool Palo Verde

People

- Average **employee tenure of 13 years** due to strong talent strategy
- More than 20% of our employees are **veterans**

✓ Board of Directors Nuclear and Operating Committee Charter was amended in 2018 to assign oversight of sustainability initiatives and strategy

✓ We continue to be recognized for our sustainability leadership

✓ Obtained a "Leadership" rating from CDP for climate change and water management — one of only two U.S. utilities to earn the highest rating in both categories

[1] *As of November 6, 2018*

PINNACLE WEST CAPITAL CORPORATION

CLEAN ENERGY

Clean energy plays an important role in meeting Arizona's energy needs today

Looking ahead to Arizona's growing population and expanding economic activity, APS continues supporting resources and technology to ensure our energy is clean, reliable and affordable for all Arizonans

50% CARBON-FREE

Today, we serve customers with an energy mix that is 50% clean

1 MILLION solar panels

Our 10 grid-scale solar plants are powered by more than 1 million solar panels

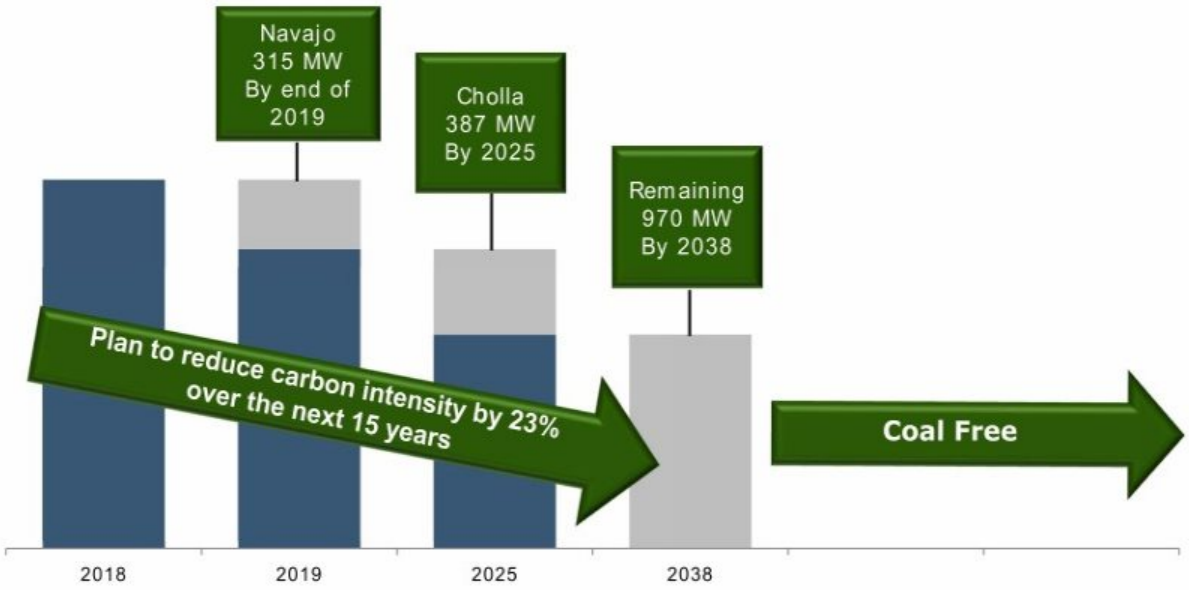
70%

The Palo Verde Generating Station provides more than 70% of Arizona's carbon-free energy and uses recycled wastewater to cool the plant

We are accomplishing this through innovative customer programs, next-generation energy efficiency programs, energy storage, the APS Solar Partner and APS Solar Communities programs and microgrids

COAL EXIT STRATEGY

We have already retired 849 MWs of coal-fired generation



- Pinnacle West has a long history of transitioning to clean energy resources that reduce carbon emissions.
- Since 2005, baseline carbon emissions have been reduced by more than six million tons per year, which represents a 35% reduction.

PINNACLE WEST
CAPITAL CORPORATION

CARBON AVOIDANCE AND EMISSION REDUCTIONS

APS has reduced carbon dioxide emissions by 35% since 2005

Carbon Avoidance Metric

- Metric used to measure our overall carbon reduction, not just generation but Company wide

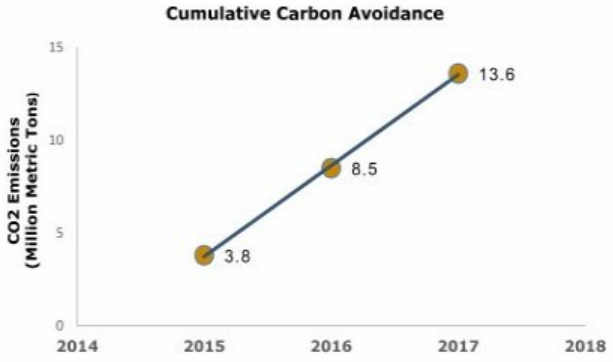
Carbon Avoidance Opportunities

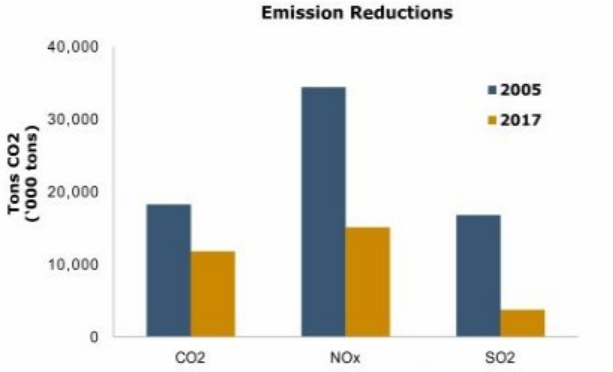
- Retiring coal plants
- Renewable energy generation
- Purchase power agreements
- Energy efficiency programs for customers
- Energy efficient buildings
- Fleet electrification

Since 2015 APS has avoided 13.6 million metric tons of carbon dioxide emissions that would have been emitted – equivalent of removing almost 3 million automobiles from the road

Clean Energy

- Since 2005 we have reduced
  - CO2 emissions by 35%
  - SO2 emissions by 78%
  - NOx emissions by 56%
- As a result of the recent emission controls added to our Four Corners Plant, NOx emission have been reduced by 88% compared to 2005





PINNACLE WEST CAPITAL CORPORATION

STORAGE PROJECTS

We are leading the solar-plus-battery-storage effort, advancing innovation and conducting ground-breaking research

2018 Battery Storage RFP

- Up to 106 MW located on APS solar plant sites
- Utility owned
- Anticipated in-service by June 2020

Punkin Center Battery Storage Project

- 2 MW/8 MWH lithium ion battery
- Placed in service March 2018
- Deferred the rebuild of around 20 miles of 21 kV distribution line for approximately 5-10 years
- Acts as generating capacity to the system
- Helps regulate the voltage on the feeder

APS, First Solar Battery Storage Project

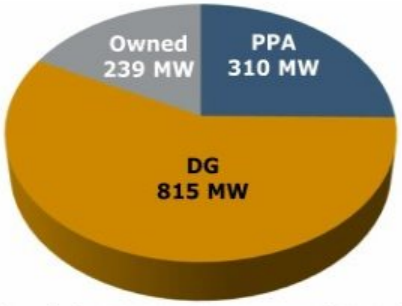
- 50 MW battery energy storage; 65 MW solar
- 15-year power purchase agreement
- Anticipated in-service 2021
- APS will be able to store power and deliver energy during peak hours (3-8 p.m.)

RENEWABLE RESOURCES

APS currently has 1,683 MW of renewable resources:

• Solar*	1,364 MW
• Wind	289 MW
• Biomass	14 MW
• Geothermal	10 MW
• Biogas	6 MW

APS Solar Portfolio*



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

Yuma Foothills
Solar
35 MW

Aragonne Mesa
Wind
90 MW

Snowflake
Biomass
14 MW

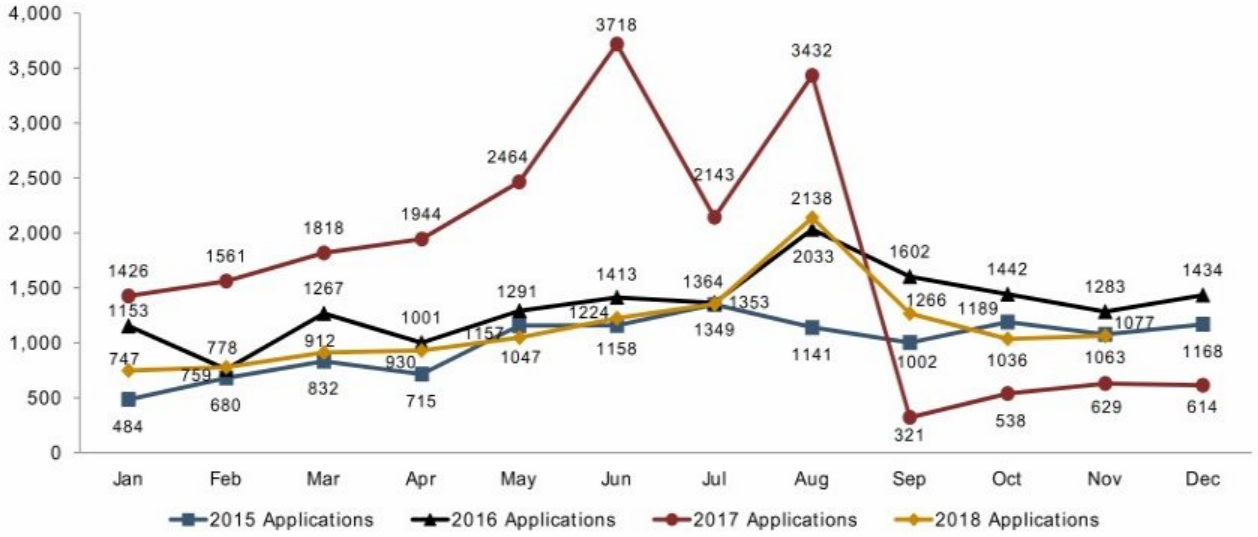
Salton Sea
Geothermal
10 MW

Glendale Landfill
Biogas
3 MW

* As of 9/30/18 as reported in the Third Quarter 2018 Form 10-Q – with additional 110 MW under development

PINNACLE WEST
CAPITAL CORPORATION

RESIDENTIAL PV APPLICATIONS[1]



[1] Monthly data equals applications received minus cancelled applications. As of November 30, 2018, approximately 87,300 residential grid-tied solar photovoltaic (PV) systems have been installed in APS's service territory, totaling approximately 694 MWdc of installed capacity. Excludes APS Solar Partner Program residential PV systems.

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

PINNACLE WEST CAPITAL CORPORATION

ECONOMIC DEVELOPMENT

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

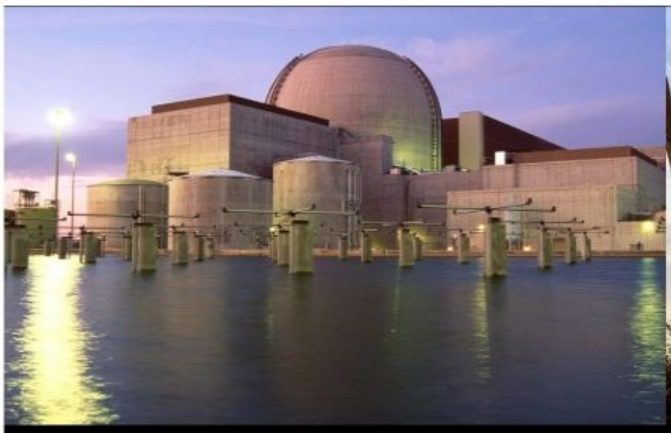
Arizona is the 4th fastest-growing state in the U.S. according to new Census data.[1]

2018 – APS partnered with Greater Phoenix Economic Council and Arizona Commerce Authority to welcome 17 new companies to the state, adding an estimated:

- 43 MW
- 3,800 new jobs
- $1.3B in capital investment
- Notable corporations include Anderson Windows, Nikola Motors and Seattle Box Company

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

[1] "Arizona one of the fastest-growing states, Census says," Phoenix Business Journal, https://www.bizjournals.com/phoenix/news/2018/12/20/arizona-one-of-the-fastest-growing-states-census.html?ana=e_phx_bn_breakingnews&u=pcR1pSxgF6wglCVQko3euQ02582bd6&t=1546012673&j=85664821, by Tim Gallen.
[2] "Arizona economy to shine in 2019," Chamber Business News, http://chamberbusinessnews.com/2018/11/30/arizona-economy-to-shine-in-2019/, by Victoria Harker.



APPENDIX

PINNACLE WEST
CAPITAL CORPORATION

SENIOR MANAGEMENT TEAM

Our management team has more than 100 combined years of creating shareholder value in the energy industry

Don Brandt
Chairman of the Board, President and Chief Executive Officer, Pinnacle West and Chairman and Chief Executive Officer, APS

- Joined Pinnacle West in 2002 from Ameren
- Elected to Pinnacle West Board and named Chairman, CEO in 2009
- Recognized industry leader with 30+ years in the nuclear and energy industries
- Vice Chairman of the Institute of Nuclear Power Operations and Chairman of the Nuclear Energy Institute

Jim Hatfield
Executive Vice President and Chief Financial Officer, Pinnacle West & APS

- Joined as SVP and CFO in 2008 from OGE Energy Corp.
- Responsible for corporate functions including finance, investor relations, and risk management
- 38+ years of financial experience in the utility and energy business

We maintain a robust pipeline of talent to serve our complex operations and facilitate effective succession planning in a highly competitive talent environment

Jeff Guldner
President, APS

- Joined APS in 2004 from Snell & Wilmer
- Promoted to President in 2018
- Responsible for all areas of APS excluding nuclear
- Significant experience in public utility and energy law and regulation

Daniel Froetscher
Executive Vice President of Operations, APS

- Joined APS in 1980
- Appointed EVP of Operations, February 2018
- Responsible for overseeing T&D, fossil generation, resource management, sustainability, supply chain, security and customer service
- Significant leadership and industry experience

Bob Bement
Executive Vice President and Chief Nuclear Officer, APS

- Joined APS in 2007 from Arkansas Nuclear One
- Promoted from SVP of Site Operations to EVP and Chief Nuclear Officer in 2016
- Responsible for all nuclear-related activities associated with Palo Verde
- Seasoned nuclear industry expert serving on several industry committees

PINNACLE WEST CAPITAL CORPORATION

DIVIDEND GROWTH

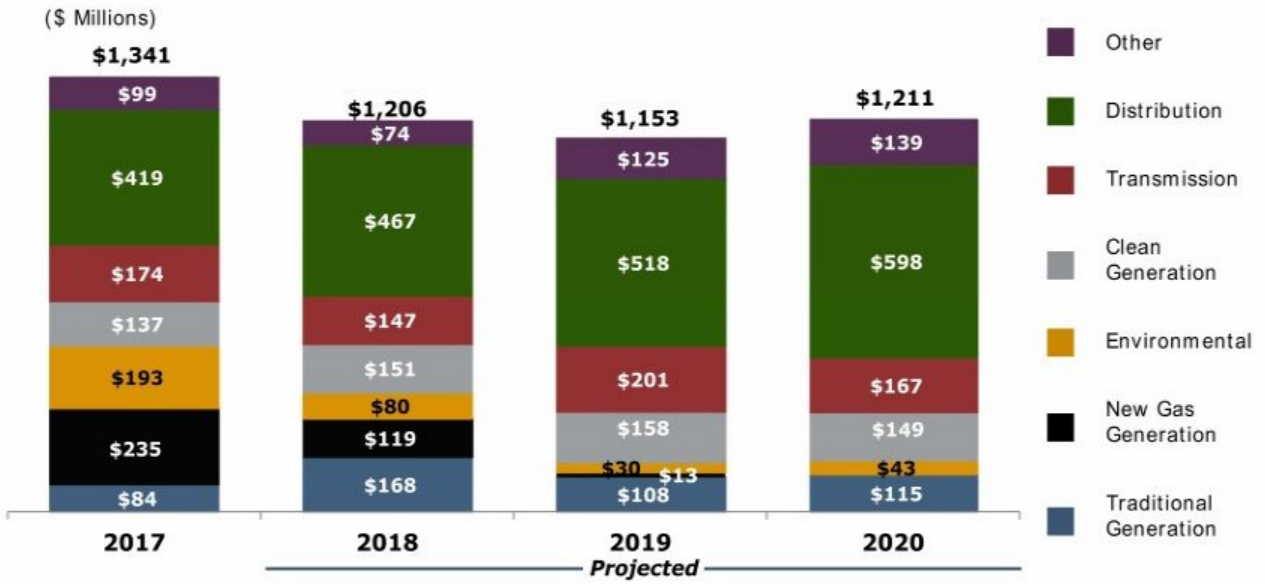
Pinnacle West's indicated annual dividend is $2.95 per share; targeting ~6% annual dividend growth

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

PINNACLE WEST CAPITAL CORPORATION

APS CAPITAL EXPENDITURES

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



- The chart does not include capital expenditures related to 4CA's 7% interest in the Four Corners Power Plant Units 4 and 5 of $29 million in 2017 and $10 million in 2018.
- 2018 – 2020 as disclosed in the Third Quarter 2018 Form 10-Q.

PINNACLE WEST CAPITAL CORPORATION

DISTRIBUTION GRID INVESTMENTS

Grid Operations and Investment Projected to be $1.6 billion from 2018-2020

Customer Growth
Approximately 51% of distribution capex

Reclosers – Supervisory Controlled Switches, Trip Savers
Average annual spend ~ $13M

- Automated switches controlled from the Distribution Operations Center
- Manage load without sending field personnel to manually operate the switch

Monitors – Transformers, Breakers, Bushings
Average annual spend ~ $0.5M

- New technologies such as APS's Transformer Oil Analysis & Notification system leverage advances in communications and sensing to remotely monitor health of transformers, enabling proactive maintenance actions to prevent critical failures and increase reliability

Grid Modernization
Approximately 9% of distribution capex

Advanced Distribution System Platform
Project in planning phase

- Integrated operational platform
- Increases efficiency and life of distribution system; improves safety and communication; increases ability to manage overall reliability; and enables Distributed Energy Resources

Communications Backhaul
Average annual spend ~ $4M

- Leveraging AMI for distribution automation
- Strategically deploying Fiber for communications backhaul
- Transitioning to Internet Protocol based networks for future growth & scalability

Run and Maintain
Approximately 40% of distribution capex

Cap Bank Controllers, Substation Regulators, Voltage Management Algorithms
Average annual spend ~ $7M

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

Sensors – Current, Voltage
Average annual spend ~ $2.5M

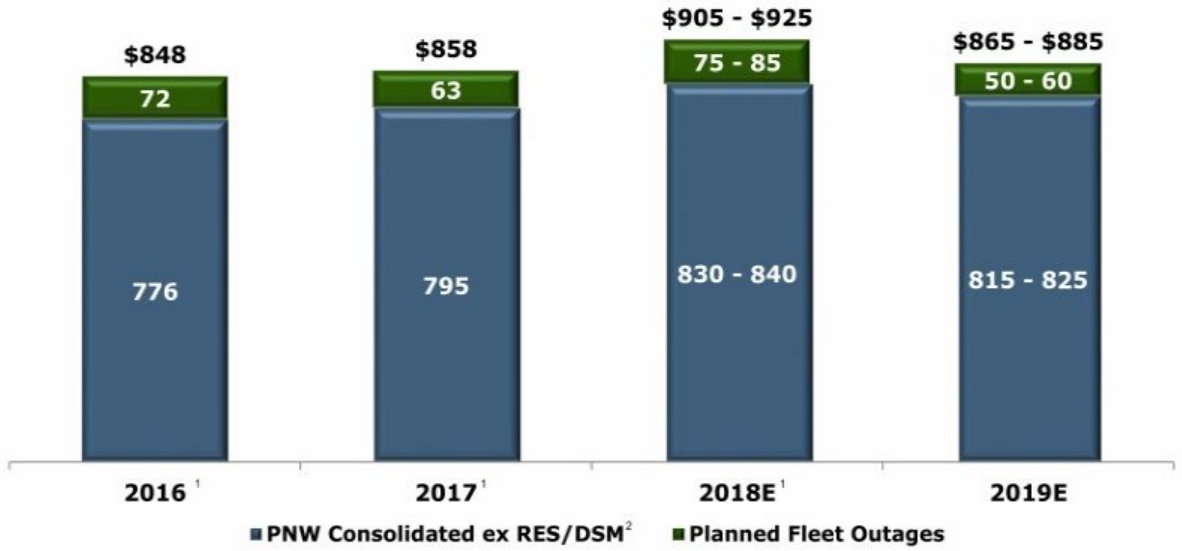
- Line sensors to measure & identify fault current, fault location and voltage
- Improves outage restoration time and operations efficiency

PINNACLE WEST CAPITAL CORPORATION

OPERATIONS & MAINTENANCE

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

($ Millions)



[1] Reclassified to reflect the adoption of the new accounting requirements for presenting pension and other postretirement non-service costs ("Pension & OPEB Presentation"). Increases in O&M due to the Pension & OPEB Presentation change are approximately $20 million in 2016, $25 million in 2017 and $35 million in 2018, which are offset in pension and other postretirement non-service credits on the income statement. See Notes 5 and 13 in the Third Quarter 2018 Form 10-Q for additional information.

[2] Excludes RES/DSM of $83 million in 2016, $91 million in 2017, $105 million in 2018E, and $80 million in 2019E.

PINNACLE WEST CAPITAL CORPORATION

2019 PLANNED OUTAGE SCHEDULE

Coal, Nuclear and Large Gas and Oil Planned Outages

Q1		
Plant	Unit	Estimated Duration in Days
Four Corners	4	12
Four Corners	5	12
Cholla*	1	30
Redhawk*	2	29

Q2		
Plant	Unit	Estimated Duration in Days
Palo Verde	1	30
Cholla*	1	16
Redhawk*	2	28

Q4		
Plant	Unit	Estimated Duration in Days
Palo Verde	3	44
West Phoenix	4	62

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

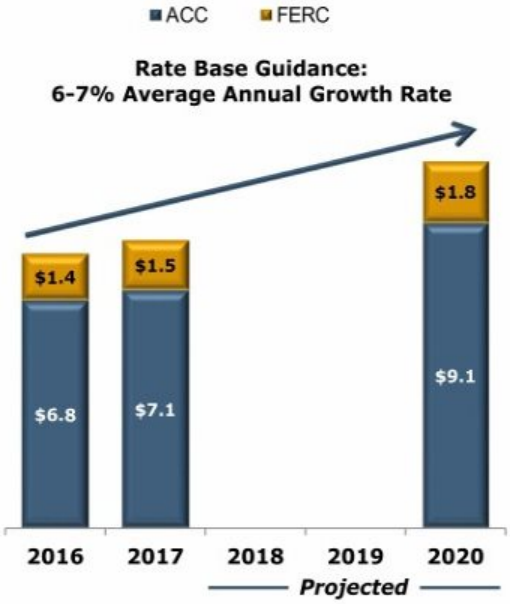
PINNACLE WEST CAPITAL CORPORATION

RATE BASE

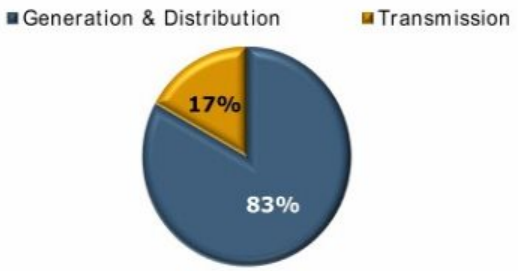
APS's revenues come from a regulated retail rate base and meaningful transmission business

APS Rate Base Growth

Year-End



Total Approved Rate Base



	ACC	FERC
Rate Effective Date	8/19/2017	6/1/2018
Test Year Ended	12/31/2015[1]	12/31/2017[1]
Rate Base	$6.8B	$1.6B
Equity Layer	55.8%	53.4%
Allowed ROE	10.0%	10.75%

[1] Adjusted to include post test-year plant in rates

Rate base $ in billions, rounded

PINNACLE WEST CAPITAL CORPORATION

TAX REFORM

Tax Cuts and Jobs Act provides benefits to both our customers and shareholders

- **TEAM PHASE I**: The ACC approved $119 million annual rate reduction reflecting the lower federal tax rate. Effective for the March 2018 billing cycle
- **TEAM PHASE II**: Filed in August 2018, returns an additional $86.5 million in "excess" deferred taxes previously collected to ACC customers. Currently pending subject to ACC approval

APS Retail Customer Savings
(in millions)

- **FERC FORMULA**: In May 2018, APS received approval from FERC to provide for a $57 million annual rate reduction, beginning June 1, 2018 through its wholesale transmission rates

EPS Impacts

- The impact of the lower federal income tax rate is based on our quarterly pre-tax earnings
- The reduction to customers' rates through the TEAM is based on a per kWh sales credit

EPS Variances

	Q1	Q2	Q3	YTD
Gross Margin (Rate Refunds)	($0.20)	($0.20)	($0.34)	($0.74)
Adjusted Income Taxes	$0.00	$0.30	$0.48	$0.78

Rate Base Growth

- Higher incremental rate base of $110 million in 2018 and $150 million in 2019

Cash Taxes

- Minimal cash tax payments in 2018 and 2019 due to utilization of existing tax credit carryforwards
- Cash taxes trend to normalized level in 2020 after tax credit carryforward balance is fully utilized

PINNACLE WEST CAPITAL CORPORATION

BALANCE SHEET STRENGTH

Long-Term Debt Maturity Schedule

Credit Ratings[1]

- **APS Senior Unsecured:** A- or equivalent ratings or better at S&P, Moody's and Fitch
- **PNW Senior Unsecured:** BBB+ or equivalent ratings or better at S&P, Moody's and Fitch

2018 Major Financing Activities

- $300 million 30-year 4.20% APS senior unsecured notes issued August 2018
- $150 million PNW unsecured term loan due December 2020

2019 Major Financing Activities

- Currently expect up to $950 million of term debt issuance at APS

[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.

PINNACLE WEST CAPITAL CORPORATION

CREDIT RATINGS AND METRICS

	APS	Pinnacle West
Corporate Credit Ratings[1]		
Moody's	A2	A3
S&P	A-	A-
Fitch	A-	A-
Senior Unsecured[1]		
Moody's	A2	A3
S&P	A-	BBB+
Fitch	A	A-

Note: Moody's, Fitch and S&P rate the outlooks for APS and Pinnacle West as Stable.

	2015	2016	2017
APS			
FFO / Debt	29.7%	26.5%	26.9%
FFO / Interest	5.8x	5.0x	5.2x
Debt / Capitalization	45.8%	47.7%	47.3%
Pinnacle West			
FFO / Debt	28.9%	25.1%	24.7%
FFO / Interest	5.6x	4.9x	4.8x
Debt / Capitalization	47.0%	49.0%	50.3%

Source: Standard & Poor's

[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.

PINNACLE WEST CAPITAL CORPORATION

OCOTILLO MODERNIZATION PROJECT AND FOUR CORNERS SCRs

- Included in the 2017 Rate Review Order[1], APS has been granted Accounting Deferral Orders for two large generation-related capital investments
  - Ocotillo Modernization Project: Retiring two aging, steam-based, natural gas units, and replacing with 5 new, fast-ramping, combustion turbine units
  - Four Corners Power Plant: Installed Selective Catalytic Reduction (SCR) equipment to comply with Federal environmental standards

	Ocotillo Modernization Project	Four Corners SCRs
In-Service Dates	Units 6, 7 – Fall 2018 Units 3, 4 and 5 – Spring 2019	Unit 5 – Late 2017 Unit 4 – Spring 2018
Total Cost (APS)	$500 million	$400 million
Estimated Cost Deferral	$45 million (through 2019)	$30 million (through 2018)
Accounting Deferral	• Cost deferral from date of commercial operation to the effective date of rates in next rate case • Includes depreciation, O&M, property taxes, and capital carrying charge[2]	• Cost deferral from time of installation to incorporation of the SCR costs in rates using a step increase beginning in 2019 • Includes depreciation, O&M, property taxes, and capital carrying charge[2]

[1] The ACC's decision is subject to appeals.
[2] APS will calculate the capital carrying charge using the 5.13% embedded cost of debt established in the 2017 Rate Review Order.

PINNACLE WEST CAPITAL CORPORATION

FOUR CORNERS SCR STEP INCREASE

The Administrative Law Judge issued a Recommended Opinion and Order on November 27, 2018[2]

Key Components of APS's Filed Request

Financial	Cost of Capital	Bill Impact
• Consistent with prior disclosed estimates	• 7.85% Return on Rate Base[1] – Weighted Average Cost of Capital (WACC)	• Rate rider applied as a percentage of base rates for all applicable customers
• $390 million direct costs vs. $400 million[1] contemplated in APS's recent rate case	• 5.13% Return on Deferral[1] – Embedded Cost of Debt	• $67.5 million revenue requirement[2]
• $40 million in indirect costs (overhead, AFUDC)	• 5% Depreciation Rate – 20-year useful life (2038-depreciation study)	• ~2% bill impact
	• 5-year Deferral Amortization	

[1] Based on 2017 Rate Review Order
[2] Arizona Corporation Commission Staff recommended a $58.5 million revenue increase and the Administrative Law Judge issued a Recommended Opinion and Order consistent with Commission Staff's requests.

PINNACLE WEST CAPITAL CORPORATION

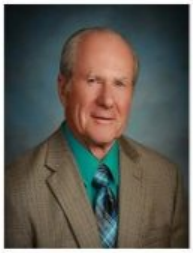
ARIZONA CORPORATION COMMISSION

Terms to January 2023

Sandra Kennedy (D)

Justin Olson (R)

Terms to January 2021



Bob Burns (R)*

Boyd Dunn (R)

Andy Tobin (R)

Other State Officials

ACC Interim Executive Director – Matthew Neubert

RUCO Director – David Tenney

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

PINNACLE WEST CAPITAL CORPORATION

2019 KEY DATES

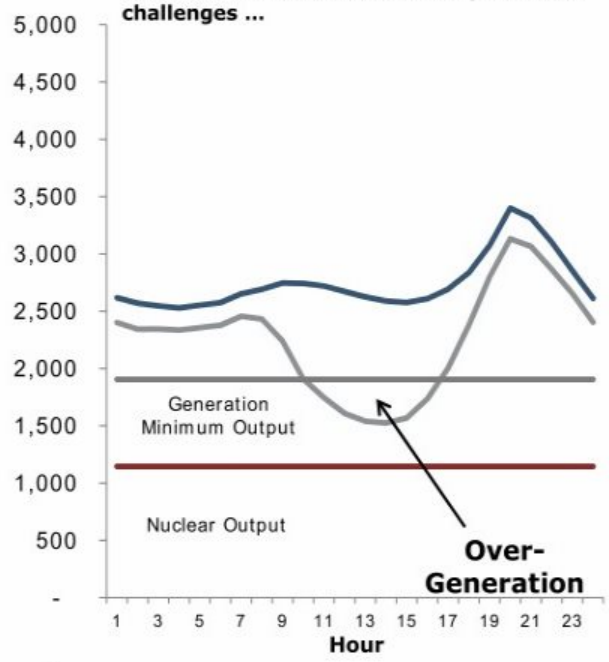
ACC Key Dates / Docket #	Q1	Q2	Q3	Q4
Power Supply Adjustor (PSA) **E-01345A-16-0036**	Implementation: Feb 1			
Lost Fixed Cost Recovery **E-01345A-16-0036**	To be Filed: Feb 15			
Transmission Cost Adjustor **E-01345A-16-0036**		To be Filed: May 1 Implementation: Jun 1		
2020 DSM/EE Implementation Plan **New Docket to be Assigned**		2020 To be Filed: Jun 1		
2020 RES Implementation Plan **New Docket to be Assigned**			To be Filed: Jul 1	
APS Rate Review/ Four Corners SCR Step Increase **E-01345A-16-0036**	Rate Review Expected to Begin	Rate Review Expected Completion: May		
Resource Planning and Procurement **New Docket to be Assigned**		Preliminary 2020 IRP To be Filed: Apr 1		
Tax Expense Adjustor (TEAM) **E-01345A-18-0003**				
Resource Comparison Proxy (RCP) **New Docket to be Assigned**		Year 3 To be Filed: May 1	Year 3 Implementation Anticipated: Sep 1	
Possible Modification to Commission's Energy Rules **RU-00000A-18-0284**				
Modification to Retail Competition Rules **RE-00000A-18-0405**				
Customer Complaint – Stacey Champion **E-01345A-18-0002**				

THE "DUCK CURVE"

Distributed generation is changing the load shape of the grid

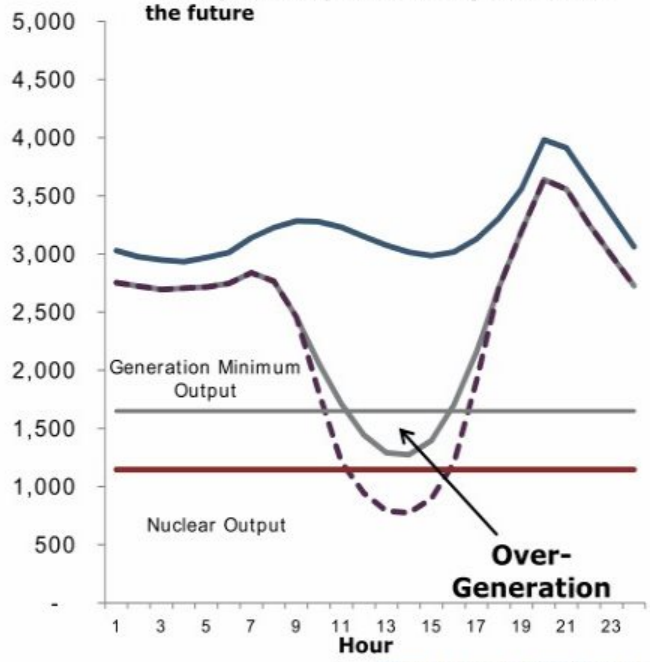
Current Spring Day

Excess renewables create over-generation challenges ...



Spring Day 2022

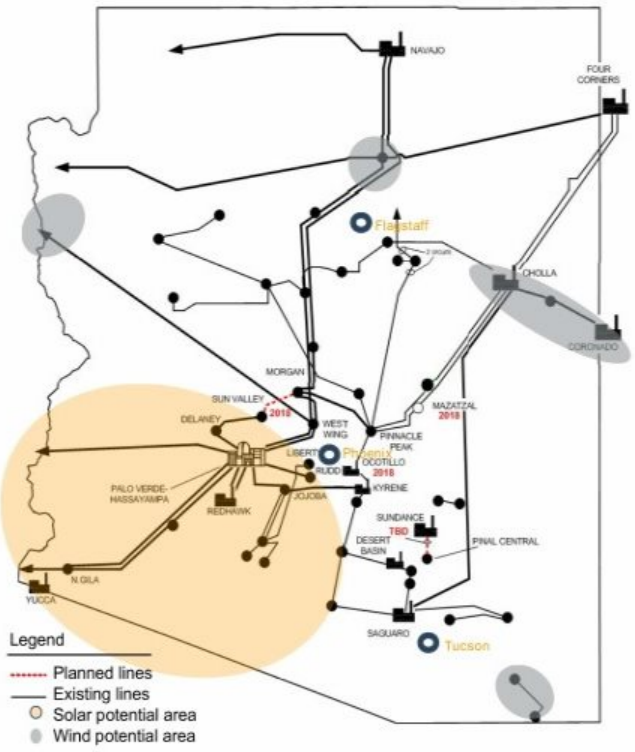
... and potentially for nuclear generation in the future



PINNACLE WEST CAPITAL CORPORATION

APS TRANSMISSION

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



- 10-Year Transmission Plan filed January 2018 (115 kV and above)
  - 52 miles of new lines
  - 13 bulk transformer additions
- Also includes:
  - Sun Valley-Morgan 500kV (2018)
  - North Gila-Orchard 230kV (2021)
  - Cholla Synchronous Condenser (2019)
- Transmission investment diversifies regulatory risk
  - Constructive regulatory treatment
  - FERC formula rates and retail adjustor

PINNACLE WEST CAPITAL CORPORATION

NON-GAAP MEASURE RECONCILIATION

$ millions pretax, except per share amounts	Three Months Ended September 30, 2018[1]	RES/ DSM	Four Corners Deferral[2]	Tax Benefit of Lower Pre-Tax Income	2018 Adjusted	2017[1,3]	RES/ DSM	2017 Adjusted	EPS Impact
Operating revenues	$1,268	$ (27)	$ -	$ -	$ 1,241	$1,183	$ (28)	$ 1,155	
Fuel and purchased power expenses	(390)	-	-	-	(390)	(310)	-	(310)	
Gross margin	**878**	**(27)**	**-**	**-**	**851**	**873**	**(28)**	**845**	**$ 0.04**
Operations and maintenance	**247**	**(26)**	**-**	**-**	**221**	**231**	**(28)**	**203**	**$(0.12)**
Allowance for equity funds used during construction	(12)	-	-	-	(12)	(13)	-	(13)	
Interest charges	62	-	(5)	-	57	56	-	56	
Allowance for borrowed funds used during construction	(6)	-	-	-	(6)	(6)	-	(6)	
Interest expense, net of AFUDC	**44**	**-**	**(5)**	**-**	**39**	**37**	**-**	**37**	**$(0.01)**
Other expenses (operating)	1	-	-	-	1	3	-	3	
Other income	(7)	-	5	-	(2)	(1)	-	(1)	
Other expense	5	-	-	-	5	5	-	5	
Renewable energy and demand side management and similar regulatory programs, net	-	(1)	-	-	(1)	-	-	-	
Other	**(1)**	**(1)**	**5**	**-**	**3**	**7**	**-**	**7**	**$ 0.03**
Income taxes	**84**	**-**	**-**	**6**	**90**	**144**	**-**	**144**	**$ 0.48**

[1] Line items from Consolidated Statements of Income.
[2] See Note 4, Regulatory Matters, in Form 10-Q for the period ended September 30, 2018, for total Four Corners deferral impacts.
[3] No impact to 2017 Consolidated Statements of Income related to Four Corners deferral.

Numbers may not foot due to rounding.

INVESTOR RELATIONS CONTACTS

Stefanie Layton
Director, Investor Relations
(602) 250-4541
stefanie.layton@pinnaclewest.com

Michelle Clemente
(602) 250-3752
michelle.clemente@pinnaclewest.com

Pinnacle West Capital Corporation
P.O. Box 53999, Mail Station 9998
Phoenix, Arizona 85072-3999

Visit us online at: www.pinnaclewest.com