PINNACLE WEST NYSE-PNW

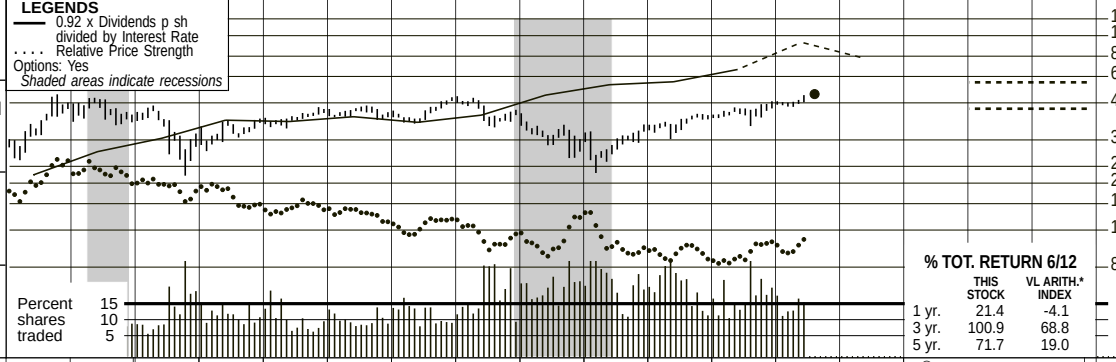
RECENT PRICE	52.86	P/E RATIO	16.5 (Trailing: 17.3 / Median: 14.0)	RELATIVE P/E RATIO	1.16	DIV'D YLD	4.1%	VALUE LINE

TIMELINESS 2 Raised 11/11/11
SAFETY 2 Raised 5/6/11
TECHNICAL 4 Lowered 6/22/12
BETA .70 (1.00 = Market)

High:	50.7	46.7	40.5	45.8	46.7	51.0	51.7	42.9	38.0	42.7	48.9	53.9
Low:	37.7	21.7	28.3	36.3	39.8	38.3	36.8	26.3	22.3	32.3	37.3	45.9

Target Price Range
2015 | 2016 | 2017

LEGENDS
— 0.92 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
Options: Yes
Shaded areas indicate recessions



2015-17 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	60	(+15%)	7%
Low	45	(-15%)	1%

Insider Decisions

	S	O	N	D	J	F	M	A	M
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	1	0	0

Institutional Decisions

	3Q2011	4Q2011	1Q2012
to Buy	144	166	152
to Sell	150	142	171
Hld's(000)	79647	77718	80986

% TOT. RETURN 6/12

	THIS STOCK	VL ARITH.* INDEX
1 yr.	21.4	-4.1
3 yr.	100.9	68.8
5 yr.	71.7	19.0

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
20.77	23.52	25.12	28.57	43.50	53.66	28.90	30.87	31.59	30.16	34.03	35.07	33.37	32.50	30.01	29.67	*30.90*	*32.00*	Revenues per sh	*33.00*
5.90	7.12	7.34	7.73	7.99	8.72	7.01	7.33	6.93	5.76	9.70	9.29	8.13	8.08	6.85	7.52	*7.80*	*8.15*	"Cash Flow" per sh	*8.75*
2.47	2.76	2.85	3.18	3.35	3.68	2.53	2.52	2.58	2.24	3.17	2.96	2.12	2.26	3.08	2.99	*3.20*	*3.45*	Earnings per sh A	*3.75*
1.03	1.13	1.23	1.33	1.43	1.53	1.63	1.73	1.83	1.93	2.03	2.10	2.10	2.10	2.10	2.10	*2.12*	*2.20*	Div'd Decl'd per sh B ■	*2.45*
2.95	3.63	3.76	4.05	7.76	12.27	9.81	7.60	5.86	6.39	7.59	9.37	9.46	7.64	7.03	8.26	*8.45*	*9.60*	Cap'l Spending per sh	*8.50*
22.51	23.90	25.50	26.00	28.09	29.46	29.44	31.00	32.14	34.57	34.48	35.15	34.16	32.69	33.86	34.98	*36.00*	*37.10*	Book Value per sh C	*41.00*
87.52	84.83	84.83	84.83	84.83	84.83	91.26	91.29	91.79	99.08	99.96	100.49	100.89	101.43	108.77	109.25	*110.00*	*111.00*	Common Shs Outst'g D	*118.50*
11.8	11.8	15.2	11.9	11.3	12.0	14.4	14.0	15.8	19.2	13.7	14.9	16.1	13.7	12.6	14.6	*Bold figures are*		Avg Ann'l P/E Ratio	*13.5*
.74	.68	.79	.68	.73	.61	.79	.80	.83	1.02	.74	.79	.97	.91	.80	.92	*Value Line*		Relative P/E Ratio	*.90*
3.5%	3.5%	2.8%	3.5%	3.8%	3.5%	4.5%	4.9%	4.5%	4.5%	4.7%	4.8%	6.2%	6.8%	5.4%	4.8%	*estimates*		Avg Ann'l Div'd Yield	*4.8%*

CAPITAL STRUCTURE as of 3/31/12
Total Debt $3659.5 mill. **Due in 5 Yrs** $1739.3 mill.
LT Debt $3341.2 mill. **LT Interest** $192.5 mill.
Incl. $65.5 mill. Palo Verde sale leaseback lessor notes.
(LT interest earned: 3.4x)
Leases, Uncapitalized Annual rentals $21.0 mill.
Pension Assets-12/11 $1.85 bill. **Oblig.** $2.70 bill.
Pfd Stock None

Common Stock 109,477,427 shs.
as of 4/27/12
MARKET CAP: $5.8 billion (Large Cap)

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013		15-17
2637.3	2817.9	2899.7	2988.0	3401.7	3523.6	3367.1	3297.1	3263.6	3241.4	*3400*	*3550*	Revenues ($mill)	*3900*
215.2	230.6	235.2	223.2	317.1	298.8	213.6	229.2	330.4	328.2	*350*	*385*	Net Profit ($mill)	*445*
39.1%	31.4%	35.4%	36.2%	33.0%	33.6%	23.4%	36.9%	31.9%	34.0%	*34.0%*	*34.0%*	Income Tax Rate	*34.0%*
20.5%	6.2%	6.9%	10.4%	11.1%	14.8%	17.5%	11.2%	11.7%	12.8%	*13.0%*	*12.0%*	AFUDC % to Net Profit	*9.0%*
51.8%	50.6%	46.7%	43.2%	48.4%	47.0%	46.8%	50.4%	45.3%	44.1%	*47.5%*	*44.0%*	Long-Term Debt Ratio	*42.5%*
48.2%	49.4%	53.3%	56.8%	51.6%	53.0%	53.2%	49.6%	54.7%	55.9%	*52.5%*	*56.0%*	Common Equity Ratio	*57.5%*
5567.9	5727.5	5535.2	6033.4	6678.7	6658.7	6477.6	6686.6	6729.1	6840.9	*7565*	*7365*	Total Capital ($mill)	*8450*
6479.4	7480.1	7535.5	7577.1	7881.9	8436.4	8916.7	9257.8	9578.8	9962.3	*10385*	*10930*	Net Plant ($mill)	*12450*
5.4%	5.5%	5.6%	5.0%	6.2%	5.9%	4.7%	4.8%	6.5%	6.4%	*6.0%*	*6.5%*	Return on Total Cap'l	*6.5%*
8.0%	8.1%	8.0%	6.5%	9.2%	8.5%	6.2%	6.9%	9.0%	8.6%	*9.0%*	*9.5%*	Return on Shr. Equity	*9.0%*
8.0%	8.1%	8.0%	6.5%	9.2%	8.5%	6.2%	6.9%	9.0%	8.6%	*9.0%*	*9.5%*	Return on Com Equity E	*9.0%*
2.9%	2.6%	2.3%	1.0%	3.4%	2.5%	.3%	.7%	3.1%	2.8%	*3.0%*	*3.5%*	Retained to Com Eq	*3.0%*
64%	68%	71%	85%	63%	70%	96%	89%	66%	68%	*66%*	*63%*	All Div'ds to Net Prof	*65%*

ELECTRIC OPERATING STATISTICS

	2009	2010	2011
% Change Retail Sales (KWH)	-2.2	-1.6	+1.8
Avg. Indust. Use (MWH)	619	619	632
Avg. Indust. Revs. per KWH (¢)	8.11	7.83	7.78
Capacity at Peak (Mw)	8635	8682	8577
Peak Load, Summer (Mw)	7218	6396	7087
Annual Load Factor (%)	49.3	50.0	50.0
% Change Customers (yr-end)	+.5	+.4	+.8
Fixed Charge Cov. (%)	248	296	308

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '15-'17
Revenues	-3.0%	-1.0%	*1.0%*
"Cash Flow"	-1.0%	- -	*2.5%*
Earnings	-2.0%	1.0%	*5.0%*
Dividends	4.0%	1.5%	*2.5%*
Book Value	2.0%	- -	*3.0%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	625.9	836.0	1142.2	693.0	3297.1
2010	620.3	820.6	1139.1	683.6	3263.6
2011	648.9	799.8	1124.8	667.9	3241.4
2012	620.6	*879.4*	*1200*	*700*	*3400*
2013	*650*	*875*	*1300*	*725*	*3550*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	d.36	.74	2.07	d.19	2.26
2010	.07	.83	2.08	.06	3.08
2011	d.15	.78	2.24	.11	2.99
2012	d.07	*.90*	*2.30*	*.07*	*3.20*
2013	*Nil*	*1.00*	*2.35*	*.10*	*3.45*

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.525	.525	.525	.525	2.10
2009	.525	.525	.525	.525	2.10
2010	.525	.525	.525	.525	2.10
2011	.525	.525	.525	.525	2.10
2012	.525	.525	.525		

BUSINESS: Pinnacle West Capital Corporation is a holding company for Arizona Public Service Company (APS), which supplies electricity to 1.1 million customers in most of Arizona, except about half of the Phoenix metro area, the Tucson metro area, and Mohave County in northwestern Arizona. Discontinued SunCor real estate subsidiary in '10. Electric revenue breakdown: residential, 47%; commercial, 39%; industrial, 5%; other, 9%. Generating sources: coal, 37%; nuclear, 27%; gas, 17%; purchased, 19%. Fuel costs: 31% of revenues. Has 6,700 employees. '11 reported deprec. rate: 3.0%. Chairman, President & CEO: Donald E. Brandt. Inc.: Arizona. Address: 400 North Fifth Street, P.O. Box 53999, Phoenix, Arizona 85072-3999. Tel.: 602-250-1000. Internet: www.pinnaclewest.com.

Pinnacle West's utility subsidiary received a base rate increase in mid-2012. Arizona Public Service's tariffs were raised by $116.3 million (4%), based on a return of 10% on a common-equity ratio of 53.94%. In addition, APS' fuel adjustment clause will now reflect the entire change in fuel and purchased-power costs, compared with 90% of any changes previously. Base rates will be frozen until mid-2016, except for a moderate increase that would occur in mid-2013. This would place the Four Corners asset acquisition (see below) in the rate base, provided that the purchase is approved by the Federal Energy Regulatory Commission and the utility reaches a new coal supply contract.

The utility hopes to complete the Four Corners purchase in December. APS would pay $294 million for another utility's 739-megawatt stake in units 4 and 5 of the coal-fired station. It would have to spend $300 million on environmental upgrades for these two units, but would avoid $600 million of environmental improvements that would have been required for units 1, 2, and 3, which would be shut down. The company would finance the purchase with debt. Note that our figures will not reflect the Four Corners acquisition until after it has been completed.

Earnings are likely to rise in 2012 and 2013. Rate relief should be the key factor each year. Management wasn't providing earnings guidance until June-quarter results were released, which was expected shortly after this report went to press.

We look for a dividend increase later this year. The rate case has been concluded, Pinnacle's earning power is improving, and the payout ratio is low enough to allow the board of directors to raise the disbursement. We estimate that the board will hike the quarterly dividend by $0.02 a share (3.8%). This would be Pinnacle's first dividend increase since the fourth quarter of 2006.

The price of this timely stock has risen 10% so far this year, far outperforming most utility equities. We think this is due to the outcome of the rate case and the prospective dividend increase. This issue's yield is about average for a utility, but total return potential to 2015-2017 is low.

Paul E. Debbas, CFA *August 3, 2012*

(A) Diluted egs. Excl. nonrec. losses: '02, 77¢; '09, $1.45; excl. gains (losses) from disc. ops.: '00, 22¢; '05, (36¢); '06, 10¢; '08, 28¢; '09, (13¢); '10, 18¢; '11, 10¢. '10 EPS don't add due to change in shares, '11 due to rounding. Next earnings report due early Nov. (B) Div'ds historically paid in early Mar., June, Sept. and Dec. ■ Div'd reinvestment plan avail. (C) Incl. deferred charges. In '11: $14.32/sh. (D) In mill. (E) Rate base: Fair value. Rate allowed on com. eq. in '12: 10%; earned on avg. com. eq., '11: 8.8%. Regulatory Climate: Average.

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	35
Earnings Predictability	65

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