

PINNACLE WEST CAPITAL CORP

Form U-3A-2

February 28, 2003

Adopted November 9, 1939

File No. 69-306

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C.

FORM U-3A-2

STATEMENT BY HOLDING COMPANY  
CLAIMING EXEMPTION UNDER RULE U-3A-2  
FROM THE PROVISIONS OF THE  
PUBLIC UTILITY HOLDING COMPANY ACT OF 1935

To Be Filed Annually Prior to March 1

Pinnacle West Capital Corporation

-----  
(Name of Company)

hereby files with the Securities and Exchange Commission, pursuant to Rule 2, its statement claiming exemption as a holding company from the provisions of the Public Utility Holding Company Act of 1935, and submits the following information:

1. NAME, STATE OF ORGANIZATION, LOCATION AND NATURE OF BUSINESS OF CLAIMANT AND EVERY SUBSIDIARY THEREOF, OTHER THAN ANY EXEMPT WHOLESALE GENERATOR (EWG) OR FOREIGN UTILITY COMPANY IN WHICH CLAIMANT DIRECTLY OR INDIRECTLY HOLDS AN INTEREST.

Pinnacle West Capital Corporation ("Claimant"), having been incorporated on February 20, 1985 under the laws of the State of Arizona, and having its principal executive offices at 400 North Fifth Street, Phoenix, Arizona 85004, was organized principally to acquire and hold securities of other corporations for investment purposes. The following are the subsidiaries of the Claimant:

a. Arizona Public Service Company ("APS" or the "Company"), is engaged principally in serving electricity in the State of Arizona. Incorporated in 1920 under the laws of the State of Arizona and having its principal executive offices at 400 North Fifth Street, Phoenix, Arizona 85004, APS became a subsidiary of the Claimant pursuant to a corporate restructuring plan approved by the Company's shareholders on April 18, 1985.

b. APS Energy Services Company, Inc. ("APSES") -- an Arizona corporation having been incorporated on November 6, 1998 and having its principal executive offices at 400 East Van Buren, Phoenix, Arizona 85004, was organized primarily to sell energy, products and services. APSES is a wholly-owned subsidiary of the Claimant.

c. SunCor Development Company ("SunCor") - an Arizona corporation having been incorporated on June 30, 1965 and having its principal executive offices at 80 East Rio Salado Parkway, Tempe, Phoenix, Arizona 85281, is a wholly-owned subsidiary of Claimant engaged primarily in the owning, holding and development of real property.

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d. El Dorado Investment Company -- an Arizona corporation having been incorporated on July 27, 1983 and having its principal executive offices at 400 North Fifth Street, Phoenix, Arizona 85004, is a wholly-owned subsidiary of Claimant engaged primarily in the acquisition and holding of stocks and securities of other companies for investment purposes.

e. Pinnacle West Energy Corporation ("PWEC" or "Pinnacle West Energy") - an Arizona corporation having been incorporated on September 27, 1999, and having its principal executive offices at 400 North Fifth Street, Phoenix, Arizona 85004, was organized primarily for the development, production and sale of wholesale energy. PWEC is a wholly-owned subsidiary of the Claimant.

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2. A BRIEF DESCRIPTION OF THE PROPERTIES OF CLAIMANT AND EACH OF ITS SUBSIDIARY PUBLIC UTILITY COMPANIES USED FOR THE GENERATION, TRANSMISSION AND DISTRIBUTION OF ELECTRIC ENERGY FOR SALE, OR FOR THE PRODUCTION, TRANSMISSION AND DISTRIBUTION OF NATURAL OR MANUFACTURED GAS, INDICATING THE LOCATION OF PRINCIPAL GENERATING PLANTS, TRANSMISSION LINES, PRODUCING FIELDS, GAS MANUFACTURING PLANTS AND ELECTRIC AND GAS DISTRIBUTION FACILITIES, INCLUDING ALL SUCH PROPERTIES WHICH ARE OUTSIDE THE STATE IN WHICH CLAIMANT AND ITS SUBSIDIARIES ARE ORGANIZED AND ALL TRANSMISSION OR PIPELINES WHICH DELIVER OR RECEIVE ELECTRIC ENERGY OR GAS AT THE BORDERS OF SUCH STATE.

Neither the Claimant nor any of its subsidiaries own property used for the production, transmission and distribution of natural or manufactured gas at retail. APS and PWEC, each a "public utility company" as that term is defined in the Public Utility Holding Company Act of 1935, are the only two of Claimant's subsidiaries that own property used for the generation, transmission and distribution of electric energy for sale.

Exhibit C attached hereto shows the location of (i) APS' major generating plants (including those owned jointly with others), principal transmission lines (including those operated for others) and interconnections of transmission lines with out-of-state utilities at state lines; and (ii) PWEC's major generating plants. All of such facilities, except the Four Corners Generating Station ("Four Corners"), and all of APS' distribution facilities, are located within the State of Arizona. Four Corners is a mine-mouth power plant, located in the northwest corner of New Mexico, near the city of Farmington, approximately 40 miles east of the Arizona-New Mexico border.

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Claimant's present generating facilities have capacity as follows:

APS - NET ACCREDITED CAPACITY

APS' present generating facilities have an accredited capacity as follows:

|  | Capacity (kW) |
|--|---------------|
|  | -----         |
| Coal:  |               |
| Units 1, 2, and 3 at Four Corners.....               | 560,000       |
| 15% owned Units 4 and 5 at Four Corners.....         | 222,000       |
| Units 1, 2, and 3 at Cholla Plant.....               | 615,000       |
| 14% owned Units 1, 2, and 3 at the Navajo Plant..... | 315,000       |

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|   |             |
|---|-------------|
|   | -----       |
|   | 1,712,000   |
|   | -----       |
| Gas or Oil:   |             |
| Two steam units at Ocotillo and two steam units at Saguaro..... | 430,000 (1) |
| Eleven combustion turbine units.....                            | 493,000     |
| Three combined cycle units.....                                 | 255,000     |
|   | -----       |
|   | 1,178,000   |
|   | -----       |
| Nuclear:  |             |
| 29.1% owned or leased Units 1, 2, and 3 at Palo Verde.....      | 1,086,300   |
|   | -----       |
| Hydro and Solar.....  | 7,600       |
|   | -----       |
| Total APS facilities.....                                       | 3,983,900   |
|   | =====       |

PINNACLE WEST ENERGY - PERMITTED CAPACITY

PWEC's present generating facilities have a permitted capacity as follows:

|                                       |           |
|---------------------------------------|-----------|
| Gas or Oil:                           |           |
| Three combined cycle units.....       | 1,180,000 |
| One combustion turbine unit.....      | 80,000    |
|                                       | -----     |
| Total Pinnacle West Energy facilities | 1,260,000 |
|                                       | =====     |

-----  
(1) Does not include West Phoenix steam units (108,300 kW), which were retired in December 2002.

APS' transmission facilities consist of approximately 4,982 pole miles of overhead lines and approximately 28 miles of underground lines, all of which are located within the State of Arizona. APS' distribution facilities consist of approximately 12,019 pole miles of overhead lines and approximately 12,352 miles of underground lines, all of which are located within the State of Arizona.

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3. THE FOLLOWING INFORMATION FOR THE LAST CALENDAR YEAR WITH RESPECT TO CLAIMANT AND EACH OF ITS SUBSIDIARY PUBLIC UTILITY COMPANIES (EXCLUDING MARKETING AND TRADING ACTIVITIES FOR NON-PUBLIC UTILITY COMPANIES, INTERAFFILIATE TRANSFERS, AND FINANCIAL INSTRUMENTS):

(Data is not maintained in a format identifying the state in which the sales and purchases are made or the amount of their associated revenues or expenses.)

a. NUMBER OF KWH OF ELECTRIC ENERGY SOLD (AT RETAIL OR WHOLESALE), AND MCF. OF NATURAL OR MANUFACTURED GAS DISTRIBUTED AT RETAIL.

28,694,757,000 kwh of electric energy sold at wholesale or retail

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0 Mcf. of natural or manufactured gas distributed at retail

b. NUMBER OF KWH OF ELECTRIC ENERGY AND MCF. OF NATURAL OR MANUFACTURED GAS DISTRIBUTED AT RETAIL OUTSIDE THE STATE IN WHICH EACH SUCH COMPANY IS ORGANIZED.

61,154,000 kwh of electric energy was distributed at retail outside Arizona

0 Mcf. of natural or manufactured gas distributed at retail outside Arizona

c. NUMBER OF KWH OF ELECTRIC ENERGY AND MCF. OF NATURAL OR MANUFACTURED GAS SOLD AT WHOLESALE OUTSIDE THE STATE IN WHICH EACH SUCH COMPANY IS ORGANIZED, OR AT THE STATE LINE.

1,665,095,000 kwh of electric energy was sold at wholesale outside Arizona or at state line

18,444,816 Mcf. of natural or manufactured gas sold at wholesale outside Arizona or at state line

d. NUMBER OF KWH OF ELECTRIC ENERGY AND MCF. OF NATURAL OR MANUFACTURED GAS PURCHASED OUTSIDE THE STATE IN WHICH EACH SUCH COMPANY IS ORGANIZED OR AT THE STATE LINE.

1,302,659,000 kwh of electric energy was purchased outside Arizona or at state line

42,506,404 Mcf. of natural or manufactured gas purchased outside Arizona or at state line

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4. THE FOLLOWING INFORMATION FOR THE REPORTING PERIOD WITH RESPECT TO CLAIMANT AND EACH INTEREST IT HOLDS DIRECTLY OR INDIRECTLY IN AN EWG OR A FOREIGN UTILITY COMPANY, STATING MONETARY AMOUNTS IN UNITED STATES DOLLARS:

a. NAME, LOCATION, BUSINESS ADDRESS AND DESCRIPTION OF THE FACILITIES USED BY THE EWG OR FOREIGN UTILITY COMPANY FOR THE GENERATION, TRANSMISSION AND DISTRIBUTION OF ELECTRIC ENERGY FOR SALE OR FOR THE DISTRIBUTION AT RETAIL OF NATURAL OR MANUFACTURED GAS.

GenWest, LLC is in the process of developing the Silverhawk Power Plant Project, which is a 570 MW combined-cycle plant located 20 miles north of Las Vegas, Nevada. The plant is currently under construction. The business address for the Silverhawk Power Plant is as follows:

GenWest, LLC  
400 North Fifth Street, Mail Station 8983  
Phoenix, Arizona 85004  
Attention: Warren Kotzmann

b. NAME OF EACH SYSTEM COMPANY THAT HOLDS AN INTEREST IN SUCH EWG OR FOREIGN UTILITY COMPANY; AND DESCRIPTION OF THE INTEREST HELD.

GenWest, LLC is an EWG. It is wholly owned by Pinnacle West Energy Corporation, which in turn is a wholly owned subsidiary of the Claimant.

c. TYPE AND AMOUNT OF CAPITAL INVESTED, DIRECTLY OR INDIRECTLY, BY THE HOLDING COMPANY CLAIMING EXEMPTION; ANY DIRECT OR INDIRECT GUARANTEE OF THE

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SECURITY OF THE EWG OR FOREIGN UTILITY COMPANY BY THE HOLDING COMPANY CLAIMING EXEMPTION; AND ANY DEBT OR OTHER FINANCIAL OBLIGATION FOR WHICH THERE IS RECOURSE, DIRECTLY OR INDIRECTLY, TO THE HOLDING COMPANY CLAIMING EXEMPTION OR ANOTHER SYSTEM COMPANY, OTHER THAN THE EWG OR FOREIGN UTILITY COMPANY.

- (1) type and amount of capital invested, directly or indirectly, by the holding company claiming exemption:

|               |   |
|---------------|---|
| \$154,521,000 | short-term debt (financed at Pinnacle West Capital Corporation) |
| 4,830,000     | intercompany payables   |
| (1,443,000)   | paid in capital (equity)  |
| -----         |   |
| \$157,908,000 |   |
| =====         |   |

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- (2) any direct or indirect guarantee of the security of the EWG or foreign utility company by the holding company claiming exemption:

none

- (3) any debt or other financial obligation for which there is recourse, directly or indirectly, to the holding company claiming exemption or another system company, other than the EWG or foreign utility company:

- (a) Pinnacle West Energy guarantee up to \$50,000,000 of GenWest performance under The Engineering Procurement and Construction Agreement for building the Silverhawk Power Plant.
- (b) Pinnacle West Capital Corporation guarantee of Pinnacle West Energy payment of \$18,568,620 for the purchase of Construction Turbines.
- (c) Pinnacle West Capital Corporation guarantee of GenWest's obligations under a contract for the purchase of a steam turbine, in the amount of \$6,046,358.
- (d) Pinnacle West Energy guarantee of GenWest's obligations under a contract for the purchase of the heat recovery steam generator and associated equipment, in the amount of \$14,345,450.
- (e) Pinnacle West Energy, as assignor, remains liable for GenWest's obligations under a Program Parts, Shop Repairs and Scheduled Outage Services Agreement for Combustion Turbines in the amount of \$65,880,902.

d. CAPITALIZATION AND EARNINGS OF THE EWG OR FOREIGN UTILITY COMPANY DURING THE REPORTING PERIOD.

- (1) capitalization:

|               |   |
|---------------|---|
| \$154,521,000 | short-term debt (financed at Pinnacle West Capital Corporation) |
| (1,443,000)   | intercompany payables   |
| -----         |   |
| \$153,078,000 |   |
| =====         |   |

- (2) earnings:

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\$3,000 interest earnings

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e. IDENTIFY ANY SERVICE, SALES OR CONSTRUCTION CONTRACT(S) BETWEEN THE EWG OR FOREIGN UTILITY COMPANY AND A SYSTEM COMPANY, AND DESCRIBE THE SERVICES TO BE RENDERED OR GOODS SOLD AND FEES OR REVENUES UNDER SUCH AGREEMENT(S).

(1) Engineering, Procurement and Construction Agreement between GenWest, LLC and Arizona Public Service Company ("APS") for construction of the Silverhawk Switchyard, pursuant to which, APS will construct the switchyard for the Silverhawk Power Plant. The contract price is \$5,800,000.

(2) Limited Liability Company Agreement of GenWest, LLC by and among Pinnacle West Energy Corporation as sole Member and Pinnacle West Energy Corporation in its capacity as the initial Manager of GenWest, LLC, dated February 27, 2001. PWEC made an initial capital contribution of \$1,000. No other fees have been paid to date.

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EXHIBIT A

A CONSOLIDATING STATEMENT OF INCOME AND SURPLUS OF THE CLAIMANT AND ITS SUBSIDIARY COMPANIES FOR THE LAST CALENDAR YEAR, TOGETHER WITH A CONSOLIDATING BALANCE SHEET OF CLAIMANT AND ITS SUBSIDIARY COMPANIES AS OF THE CLOSE OF SUCH CALENDAR YEAR.

Exhibit A hereto includes consolidating statements of income and consolidating balance sheets for the Claimant and the following of its subsidiaries: Arizona Public Service Company, SunCor Development Company, El Dorado Investment Company, APS Energy Services Company, Inc. and Pinnacle West Energy Corporation. Subsidiaries have been consolidated for financial reporting purposes in accordance with Statement of Financial Accounting Standards No. 94, CONSOLIDATION OF ALL MAJORITY-OWNED SUBSIDIARIES.

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EXHIBIT B

AN ORGANIZATIONAL CHART SHOWING THE RELATIONSHIP OF EACH EWG OR FOREIGN UTILITY COMPANY TO ASSOCIATE COMPANIES IN THE HOLDING-COMPANY SYSTEM.

Exhibit B hereto includes an organizational chart of the holding-company system, including each EWG.

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The above-named Claimant has caused this statement to be duly executed on its behalf by its authorized officer on this 28th day of February, 2003.

Pinnacle West Capital Corporation  
(Name of Claimant)

By Barbara M. Gomez  
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Barbara M. Gomez  
Treasurer

[CORPORATE SEAL]

Attest:

Betsy A. Pregulman

-----  
Betsy A. Pregulman  
Associate Secretary

Name, title and address of officer to whom notices and correspondence concerning this statement should be addressed:

Barbara M. Gomez                      Treasurer  
-----  
(Name)                                      (Title)

400 North Fifth Street, Station 9996, Phoenix, Arizona 85004

-----  
(Address)

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Exhibit A

PINNACLE WEST CAPITAL CORPORATION  
CONSOLIDATING INCOME STATEMENT (dollars in thousands)  
(Unaudited)

| year ended December 31, 2002                              | PINNACLE WEST<br>PARENT | MARKETING AND<br>TRADING * | APS              | PINNA<br>EN |
|---|-------------------------|----------------------------|------------------|-------------|
| <b>OPERATING REVENUES</b>                                 |                         |                            |                  |             |
| Regulated electricity segment                             | \$ --                   | \$ 99,953                  | \$ 2,059,339     | \$          |
| Marketing and trading segment                             |                         | 208,669                    | 34,054           |             |
| Real estate segment                                       |                         |                            |                  |             |
| Other revenues  |                         |                            |                  |             |
| <b>Total</b>  | <b>--</b>               | <b>308,622</b>             | <b>2,093,393</b> |             |
| <b>OPERATING EXPENSES</b>                                 |                         |                            |                  |             |
| Regulated electricity segment<br>purchased power and fuel |                         | 89,430                     | 595,368          |             |
| Marketing and trading segment<br>purchased power and fuel |                         | 118,218                    | 32,662           |             |
| Operations and maintenance                                | (3,480)                 | 22,304                     | 495,845          |             |
| Real estate operations segment                            |                         |                            |                  |             |
| Depreciation and amortization                             | 2,840                   | 655                        | 399,640          |             |
| Taxes other than Income taxes                             |                         |                            | 107,925          |             |
| Other expenses  |                         |                            |                  |             |
| <b>Total</b>  | <b>(640)</b>            | <b>230,607</b>             | <b>1,631,440</b> |             |

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|  |            |             |            |
|--|------------|-------------|------------|
| OPERATING INCOME   | 640        | 78,015      | 461,953    |
| -----  |            |             |            |
| OTHER  |            |             |            |
| Other income   | 180,744    |             | 5,149      |
| Other expenses   | (5,307)    |             | (19,338)   |
| -----  |            |             |            |
| Total  | 175,437    | --          | (14,189)   |
| -----  |            |             |            |
| INTEREST EXPENSE   |            |             |            |
| Interest charges   | 43,538     | 251         | 136,766    |
| Capitalized interest   | (104)      | (207)       | (15,150)   |
| -----  |            |             |            |
| Total  | 43,434     | 44          | 121,616    |
| -----  |            |             |            |
| INCOME BEFORE INCOME TAXES   | 132,643    | 77,971      | 326,148    |
| INCOME TAXES   | (16,765)   | 30,884      | 126,805    |
| -----  |            |             |            |
| INCOME BEFORE ACCOUNTING CHANGE  | 149,408    | 47,087      | 199,343    |
| Cumulative effect of a change in<br>accounting for trading activities -<br>net of income taxes of \$43,123 |            | (65,745)    |            |
| -----  |            |             |            |
| NET INCOME (LOSS)  | \$ 149,408 | \$ (18,658) | \$ 199,343 |

| year ended December 31, 2002                              | EL DORADO | APS ES  | ELIMINATIONS &<br>ADJUSTMENTS |      |
|---|-----------|---------|-------------------------------|------|
| -----   |           |         |                               |      |
| OPERATING REVENUES  |           |         |                               |      |
| Regulated electricity segment                             | \$ --     | \$ --   | \$ (235,312) (a)              | \$ 2 |
| Marketing and trading segment                             |           | 128,621 | (66,861) (a)                  |      |
| Real estate segment                                       |           |         |                               |      |
| Other revenues  | 35,038    | 26,899  |                               |      |
| -----   |           |         |                               |      |
| Total   | 35,038    | 155,520 | (302,173)                     | 2    |
| -----   |           |         |                               |      |
| OPERATING EXPENSES  |           |         |                               |      |
| Regulated electricity segment<br>purchased power and fuel |           |         | (234,500) (a)                 |      |
| Marketing and trading segment<br>purchased power and fuel |           | 92,761  | (66,861) (a)                  |      |
| Operations and maintenance                                |           | 11,276  | (812) (b)                     |      |
| Real estate operations segment                            |           |         | 249 (b)                       |      |
| Depreciation and amortization                             | 1,783     | 1,310   |                               |      |
| Taxes other than Income taxes                             |           |         | 27 (b)                        |      |
| Other expenses  | 83,064    | 21,895  |                               |      |
| -----   |           |         |                               |      |
| Total   | 84,847    | 127,242 | (301,897)                     | 2    |
| -----   |           |         |                               |      |
| OPERATING INCOME  | (49,809)  | 28,278  | (276)                         |      |
| -----   |           |         |                               |      |
| OTHER   |           |         |                               |      |
| Other income  | 1,479     |         | (180,078) (c, d)              |      |
| Other expenses  | (8,960)   |         | 27 (c)                        |      |
| -----   |           |         |                               |      |



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|  |             |           |              |
|--|-------------|-----------|--------------|
| Total  | (7,481)     | --        | (180,051)    |
| -----  |             |           |              |
| INTEREST EXPENSE   |             |           |              |
| Interest charges   | 607         | 177       | (26,755) (c) |
| Capitalized interest   |             | (167)     | (249) (c)    |
| -----  |             |           |              |
| Total  | 607         | 10        | (27,004)     |
| -----  |             |           |              |
| INCOME BEFORE INCOME TAXES   | (57,897)    | 28,268    | (153,323)    |
| INCOME TAXES   | (2,724)     |           |              |
| -----  |             |           |              |
| INCOME BEFORE ACCOUNTING CHANGE  | (55,173)    | 28,268    | (153,323)    |
| Cumulative effect of a change in<br>accounting for trading activities -<br>net of income taxes of \$43,123 |             |           |              |
| -----  |             |           |              |
| NET INCOME (LOSS)  | \$ (55,173) | \$ 28,268 | \$ (153,323) |
| =====  |             |           |              |

\* Marketing and Trading is a division of the parent company.

EXPLANATIONS OF ELIMINATIONS AND ADJUSTMENTS

- (a) Elimination of inter-company sales of electricity.
- (b) Reclassification of certain expenses.
- (c) Elimination of inter-company interest expense and income.
- (d) Elimination of parent company equity in earnings of subsidiaries.

PINNACLE WEST CAPITAL CORPORATION  
CONSOLIDATING BALANCE SHEETS (dollars in thousands)  
(Unaudited)

| December 31, 2002   | PINNACLE<br>WEST<br>PARENT | MARKETING AND<br>TRADING * | APS      |
|---|----------------------------|----------------------------|----------|
| -----   |                            |                            |          |
| ASSETS  |                            |                            |          |
| CURRENT ASSETS  |                            |                            |          |
| Cash and cash equivalents   | \$ 946                     | \$ (1,395)                 | \$ 42,54 |
| Customer and other receivables - net                              | 542,809                    | 330,650                    | 338,20   |
| Accrued utility revenues  |                            |                            | 72,91    |
| Materials and supplies (at average cost)                          |                            |                            | 79,98    |
| Fossil fuel (at average cost)                                     |                            |                            | 28,18    |
| Deferred income taxes   |                            |                            | 4,09     |
| Assets from risk management and trading activities                |                            | 19,546                     | 39,61    |
| Other current assets  | 4,684                      |                            | 45,36    |
| -----   |                            |                            |          |
| Total current assets  | 548,439                    | 348,801                    | 650,90   |
| -----   |                            |                            |          |
| INVESTMENTS AND OTHER ASSETS                                      |                            |                            |          |
| Real estate investments - net                                     |                            |                            |          |
| Assets from risk management and trading<br>activities - long term |                            | 90,714                     | 31,62    |

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|   |              |            |             |
|---|--------------|------------|-------------|
| Other assets                                      | 3,215,297    |            | 214,40      |
| <hr/>   |              |            |             |
| Total investments and other                       | 3,215,297    | 90,714     | 246,02      |
| <hr/>   |              |            |             |
| PROPERTY, PLANT AND EQUIPMENT                     |              |            |             |
| Plant in service and held for future use          | 7,770        |            | 8,299,13    |
| Less accumulated depreciation and amortization    |              |            | 3,442,57    |
| <hr/>   |              |            |             |
| Total   | 7,770        | --         | 4,856,56    |
| Construction work in progress                     | 18,867       | 9,584      | 329,08      |
| Intangible Asset, net of accumulated amortization | 8,503        | 6,005      | 93,25       |
| Nuclear fuel, net of accumulated amortization     |              |            | 7,46        |
| <hr/>   |              |            |             |
| Net property, plant and equipment                 | 35,140       | 15,589     | 5,286,37    |
| <hr/>   |              |            |             |
| DEFERRED DEBITS                                   |              |            |             |
| Regulatory assets                                 |              |            | 241,04      |
| Other deferred debits                             |              | 2,747      | 97,45       |
| <hr/>   |              |            |             |
| Total deferred debits                             | --           | 2,747      | 338,50      |
| <hr/>   |              |            |             |
| TOTAL ASSETS                                      | \$ 3,798,876 | \$ 457,851 | \$ 6,521,80 |

| December 31, 2002  | EL DORADO | APS ES   | ELIMINATION<br>ADJUSTMENT |
|--|-----------|----------|---------------------------|
| <hr/>  |           |          |                           |
| ASSETS   |           |          |                           |
| CURRENT ASSETS   |           |          |                           |
| Cash and cash equivalents                                      | \$ 2,480  | \$ 2,566 | \$ --                     |
| Customer and other receivables - net                           | 19,993    | 51,879   | (950,76)                  |
| Accrued utility revenues                                       |           |          |                           |
| Materials and supplies (at average cost)                       |           |          |                           |
| Fossil fuel (at average cost)                                  |           |          |                           |
| Deferred income taxes  |           |          | (14,94)                   |
| Assets from risk management and trading activities             |           |          |                           |
| Other current assets   | 689       | 4,117    | 10,41                     |
| <hr/>  |           |          |                           |
| Total current assets   | 23,162    | 58,562   | (955,28)                  |
| <hr/>  |           |          |                           |
| INVESTMENTS AND OTHER ASSETS                                   |           |          |                           |
| Real estate investments - net                                  |           |          | (10,42)                   |
| Assets from risk management and trading activities - long term |           |          |                           |
| Other assets   | 2,804     | 373      | (3,202,98)                |
| <hr/>  |           |          |                           |
| Total investments and other                                    | 2,804     | 373      | (3,213,40)                |
| <hr/>  |           |          |                           |
| PROPERTY, PLANT AND EQUIPMENT                                  |           |          |                           |
| Plant in service and held for future use                       | 24,718    | 24,210   |                           |
| Less accumulated depreciation and amortization                 | 14,592    | 1,227    |                           |
| <hr/>  |           |          |                           |
| Total  | 10,126    | 22,983   | --                        |
| Construction work in progress                                  |           | 5,618    |                           |

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|   |           |           |              |
|---|-----------|-----------|--------------|
| Intangible Asset, net of accumulated amortization |           | 2,048     |              |
| Nuclear fuel, net of accumulated amortization     |           |           |              |
| -----   |           |           |              |
| Net property, plant and equipment                 | 10,126    | 30,649    | -            |
| -----   |           |           |              |
| DEFERRED DEBITS                                   |           |           |              |
| Regulatory assets                                 |           |           |              |
| Other deferred debits                             |           |           | 2,67         |
| -----   |           |           |              |
| Total deferred debits                             | --        | --        | 2,67         |
| -----   |           |           |              |
| TOTAL ASSETS                                      | \$ 36,092 | \$ 89,584 | \$ (4,166,01 |
| =====   |           |           |              |

\* Marketing and Trading is a division of the parent company.

EXPLANATIONS OF ELIMINATIONS AND ADJUSTMENTS

- (a) Elimination of inter-company receivables and payables.
- (b) Miscellaneous reclassifications.
- (c) Elimination of minority interests of SunCor joint venture partners.
- (d) Elimination of parent company investments in subsidiaries.
- (e) Reclassification of accrued taxes receivable

PINNACLE WEST CAPITAL CORPORATION  
CONSOLIDATING BALANCE SHEETS (dollars in thousands)  
(Unaudited)

|  | PINNACLE<br>WEST<br>PARENT | MARKETING<br>AND<br>TRADING * | APS        |
|--|----------------------------|-------------------------------|------------|
| December 31, 2002  |                            |                               |            |
| -----  |                            |                               |            |
| LIABILITIES AND EQUITY                                     |                            |                               |            |
| CURRENT LIABILITIES  |                            |                               |            |
| Accounts payable   | \$ 32,908                  | \$ 77,691                     | \$ 118,133 |
| Accrued taxes  | (10,913)                   | 615                           | 82,557     |
| Accrued interest   | 10,036                     |                               | 42,608     |
| Short-term borrowings                                      | 96,200                     |                               |            |
| Current maturities of long-term debt                       | 275,822                    |                               | 3,503      |
| Customer deposits  |                            |                               | 39,865     |
| Liabilities from risk management<br>and trading activities |                            | 10,894                        | 59,773     |
| Other current liabilities                                  | 104,376                    | 300,972                       | 51,820     |
| -----  |                            |                               |            |
| Total current liabilities                                  | 508,429                    | 390,172                       | 398,259    |
| -----  |                            |                               |            |
| NON-CURRENT LIABILITIES                                    |                            |                               |            |
| Long-term debt less current maturities                     | 515,647                    |                               | 2,217,340  |
| -----  |                            |                               |            |
| Total  | 515,647                    | --                            | 2,217,340  |
| -----  |                            |                               |            |

DEFERRED CREDITS AND OTHER

Liabilities from risk management and trading

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|  |          |         |           |
|--|----------|---------|-----------|
| activities - long-term                 |          | 38,964  | 36,678    |
| Deferred income taxes                  | (17,270) | 12,004  | 1,225,552 |
| Unamortized gain-sale of utility plant |          |         | 59,484    |
| Pension liability                      | 23,592   | (1,089) | 156,442   |
| Other                                  | 818      | (63)    | 268,740   |
| -----                                  |          |         |           |
| Total deferred credits                 | 7,140    | 49,816  | 1,746,896 |
| -----                                  |          |         |           |

MINORITY INTERESTS

Joint ventures of SunCor

COMMON STOCK EQUITY

|  |           |        |           |
|--|-----------|--------|-----------|
| Common stock                               | 2,206,001 |        | 1,424,966 |
| -----                                      |           |        |           |
| Accumulated other comprehensive income     |           |        |           |
| Minimum pension liability adjustment       | (9,777)   |        | (61,487)  |
| Derivative instruments                     |           | 3,779  | (23,799)  |
| -----                                      |           |        |           |
| Total accumulated other comprehensive loss | (9,777)   | 3,779  | (85,286)  |
| -----                                      |           |        |           |
| Retained earnings                          | 571,436   | 14,084 | 819,632   |
| -----                                      |           |        |           |
| Total common stock equity                  | 2,767,660 | 17,863 | 2,159,312 |
| -----                                      |           |        |           |

|                              |              |            |              |
|------------------------------|--------------|------------|--------------|
| TOTAL LIABILITIES AND EQUITY | \$ 3,798,876 | \$ 457,851 | \$ 6,521,807 |
| =====                        |              |            |              |

| December 31, 2002   | EL DORADO | APS ES    | ELIMINATIONS & ADJUSTMENTS |
|---|-----------|-----------|----------------------------|
| -----   |           |           |                            |
| LIABILITIES AND EQUITY  |           |           |                            |
| CURRENT LIABILITIES   |           |           |                            |
| Accounts payable  | \$ 37,842 | \$ 12,058 | \$ --                      |
| Accrued taxes   | 1,316     | 258       | 10,419 (e)                 |
| Accrued interest  |           |           |                            |
| Short-term borrowings   | 23,456    | 3,882     | (27,338) (a)               |
| Current maturities of long-term debt                                | 1,263     |           |                            |
| Customer deposits   |           |           |                            |
| Liabilities from risk management and trading activities             |           |           |                            |
| Other current liabilities   | 8,706     | 14,605    | (928,764) (a,              |
| -----   |           |           |                            |
| Total current liabilities   | 72,583    | 30,803    | (945,683)                  |
| -----   |           |           |                            |
| NON-CURRENT LIABILITIES   |           |           |                            |
| Long-term debt less current maturities                              | 2,108     |           |                            |
| -----   |           |           |                            |
| Total   | 2,108     | --        | --                         |
| -----   |           |           |                            |
| DEFERRED CREDITS AND OTHER  |           |           |                            |
| Liabilities from risk management and trading activities - long-term |           |           |                            |
| Deferred income taxes   | --        |           | (14,946) (b)               |
| Unamortized gain-sale of utility plant                              |           |           |                            |
| Pension liability   |           | (569)     |                            |

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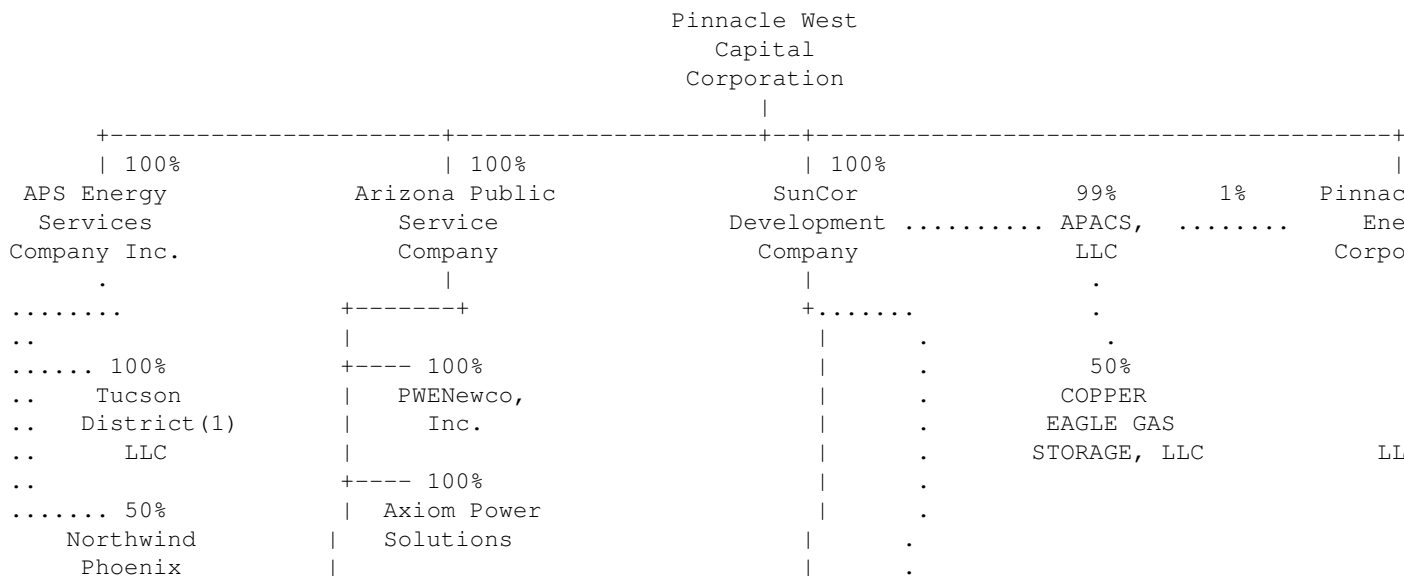
|  |           |           |                 |
|--|-----------|-----------|-----------------|
| Other                                      |           | (30)      | 5,341 (b)       |
| -----                                      |           |           |                 |
| Total deferred credits                     | --        | (599)     | (9,605)         |
| -----                                      |           |           |                 |
| MINORITY INTERESTS                         |           |           |                 |
| Joint ventures of SunCor                   |           |           | (14,925) (c)    |
| -----                                      |           |           |                 |
| COMMON STOCK EQUITY                        |           |           |                 |
| -----                                      |           |           |                 |
| Common stock                               | 14,046    | 63,440    | (2,927,315) (d) |
| -----                                      |           |           |                 |
| Accumulated other comprehensive income     |           |           |                 |
| Minimum pension liability adjustment       |           |           |                 |
| Derivative instruments                     |           |           |                 |
| -----                                      |           |           |                 |
| Total accumulated other comprehensive loss | --        | --        | --              |
| -----                                      |           |           |                 |
| Retained earnings                          | (52,645)  | (4,060)   | (268,490) (d)   |
| -----                                      |           |           |                 |
| Total common stock equity                  | (38,599)  | 59,380    | (3,195,805)     |
| -----                                      |           |           |                 |
| TOTAL LIABILITIES AND EQUITY               | \$ 36,092 | \$ 89,584 | \$ (4,166,018)  |
| =====                                      |           |           |                 |

\* Marketing and Trading is a division of the parent company.

EXPLANATIONS OF ELIMINATIONS AND ADJUSTMENTS

- (a) Elimination of inter-company receivables and payables.
- (b) Miscellaneous reclassifications.
- (c) Elimination of minority interests of SunCor joint venture partners.
- (d) Elimination of parent company equity interest in subsidiaries.
- (e) Reclassification of accrued taxes receivable

Exhibit B



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|               |                  |                |                 |
|---------------|------------------|----------------|-----------------|
| LLC           | +----- 100%      |                | .               |
|               | Bixco, Inc.      |                | .               |
|               |                  |                | .               |
|               | +----- 100%      |                | .               |
|               | APS              |                | .               |
|               | Foundation,      |                | .               |
|               | Inc.             |                | .               |
|               | +-----           |                | .               |
|               |                  |                | .               |
|               |                  |                | .               |
| +-----        |                  | .....          |                 |
|               |                  | .              | .               |
| +----- 100%   | 100%             | .... 100%      | 50% ....        |
| Rancho        | Ranchland        | . Golf De      | Sedona .        |
| Viejo de      | Utility          | . Mexico,      | Golf .          |
| Santa Fe,     | Company          | . S.A. de C.V. | Resort LLC .    |
| Inc.          |                  | .              | .               |
|               |                  | .... 30%       | 70% ....        |
| +----- 100%   |                  | . Type         | Kabuto .        |
| SunCor Realty |                  | . Two Inc.     | SunCor JV .     |
| & Mgmt        |                  | .              | .               |
| Company       |                  | .... 50%       | 50% ....        |
|               |                  | . Stoneridge - | Centerpoint .   |
| +----- 100%   | 50%              | . Prescott     | Associated .    |
| SunCor        | West World       | . Valley       | LLC .           |
| Golf,         | .... Gold Course | . LLC          | . .             |
| Inc.          | LLC              | .              | .               |
|               |                  | .... 50%       | 100% ....       |
| +----- 100%   | 50%              | . Hayden       | Hidden Hills .  |
| Golden        | Heritage         | . Ferry        | of Scottsdale . |
| Heritage      | .... Financial   | . Lakeside     | LLC .           |
| Homes Inc.    | Services, LLC    | . LLC          | . .             |
|               |                  | .              | .               |
|               | 100%             | .... 68%       | 50% ....        |
|               | Golden           | . Club         | Kyrene .        |
|               | Heritage         | . West Golf    | Associates .    |
|               | Construction     | . Course       | LLC .           |
|               | Inc.             | . LLC          | . .             |
|               |                  | .              | .               |
| +----- 100%   |                  | .... 65%       | 50% ....        |
| Palm Valley   |                  | . Scottsdale   | Talavi .        |
| Golf Club     |                  | . Mountain     | Associates .    |
|               |                  | . LLP          | LLC .           |
| +----- 100%   | (Variable)       | .              | .               |
| SCM, Inc.     | ---- Wigwam      | .... 50%       |                 |
|               | Outlet           | SunRidge       |                 |
|               | Stores,          | Canyon         |                 |
|               | LLC              | LLC            |                 |

EXHIBIT C

In accordance with Item 304 of Regulation S-T of the Securities Exchange Act of 1934, APS' Service Territory map contained as Exhibit C to this Form U-3A-2 is a map of the State of Arizona showing APS' service area, the location of its major power plants and principal transmission lines, the location of Pinnacle West Energy's power plants and the location of transmission lines operated by APS for others. APS' major power plants shown on such map are the Navajo Generating Station located in Coconino County, Arizona; the Four Corners

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Power Plant located near Farmington, New Mexico; the Cholla Power Plant, located in Navajo County, Arizona; the Yucca Power Plant, located near Yuma, Arizona; the Palo Verde Nuclear Generating Station, located about 55 miles west of Phoenix, Arizona; the West Phoenix Power Plant, located near Phoenix, Arizona; and the Saguaro Power Plant, located near Tucson, Arizona (each of which plants is reflected on such map as being jointly owned with other utilities), as well as the Ocotillo Power Plant located near Phoenix, Arizona. PWEC's power plants shown on such map are the West Phoenix Power Plant located near Phoenix, Arizona, and the Saguaro Power Plant, located near Tucson, Arizona (both of which plants are reflected on such map as being jointly owned with APS), as well as the Redhawk Power Plant, located near Phoenix, Arizona. APS' major transmission lines shown on such map are reflected as running between the power plants named above and certain major cities in the State of Arizona. The transmission lines operated for others shown on such map are reflected as running from the Four Corners Plant through a portion of northern Arizona to the California border and from the Phoenix area.