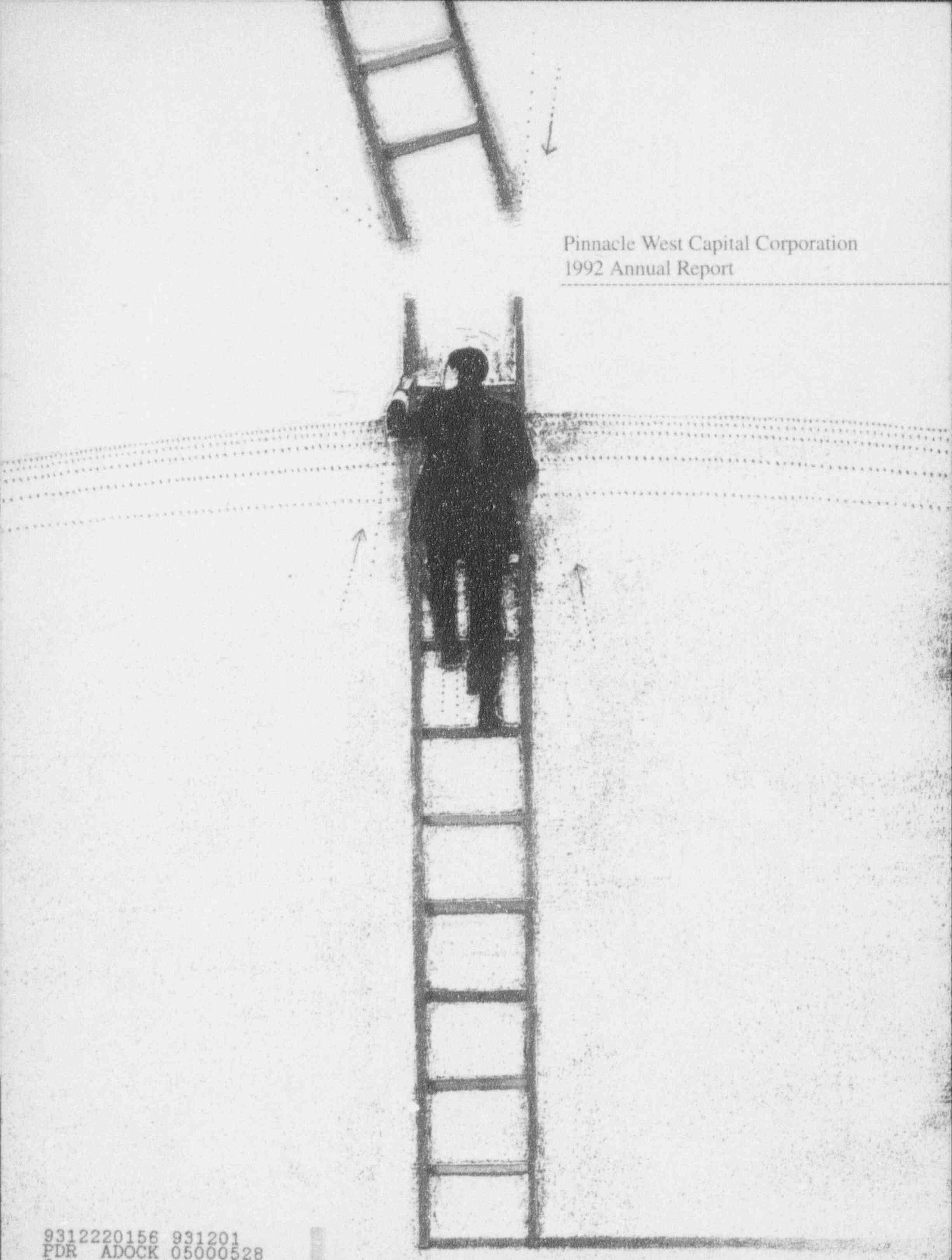
Pinnacle West Capital Corporation
1992 Annual Report



ABOUT THE COVER

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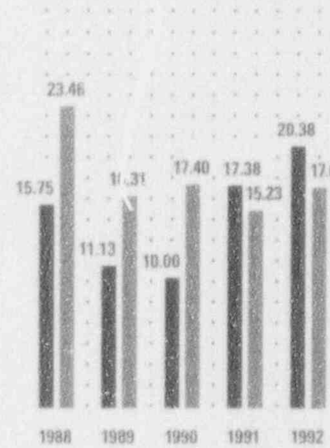
Pinnacle West Capital Corporation, a Phoenix-based holding company, has consolidated assets of $6.5 billion. Pinnacle West's major subsidiary is Arizona Public Service Company, the state's largest electric utility serving approximately 1,736,000 people, or about 45 percent of the state's population. Pinnacle West's other two subsidiaries are SunCor Development Company, developer of residential and commercial projects on some 12,000 acres in the metropolitan Phoenix area, and El Dorado Investment Company, a venture capital firm with a diversified portfolio.

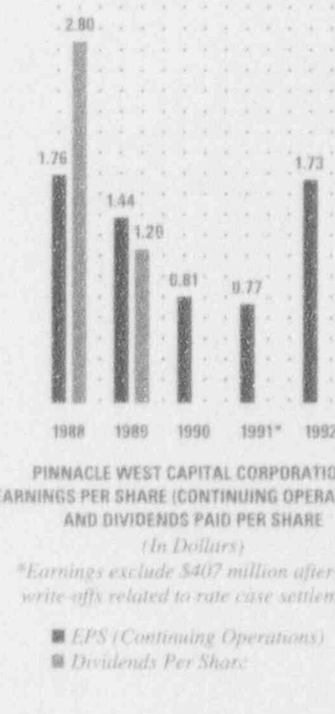
(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)	1992	1991	1991 ADJUSTED
Operating Income (Loss)	$ 547,477	$ (167,249)	$ 463,332
Income (Loss) From Continuing Operations	$ 150,440	$ (340,317)	$ 66,712
Earnings (Loss) From Continuing Operations Per Average Common Share Outstanding	$ 1.73	$ (3.91)	$ 0.77
Average Common Shares Outstanding	87,044,180	86,937,052	
Book Value Per Share — Year-End	$ 17.00	$ 15.23	

The company's financial results from continuing operations for 1992 and 1991 are summarized above. To facilitate comparison, the 1991 data have been adjusted to exclude the effects of the 1991 rate settlement, including write-offs and adjustments related to Palo Verde totalling approximately $631 million ($407 million after income tax effects). For a further discussion of the rate settlement effects, refer to the annotated income statement on page 19.



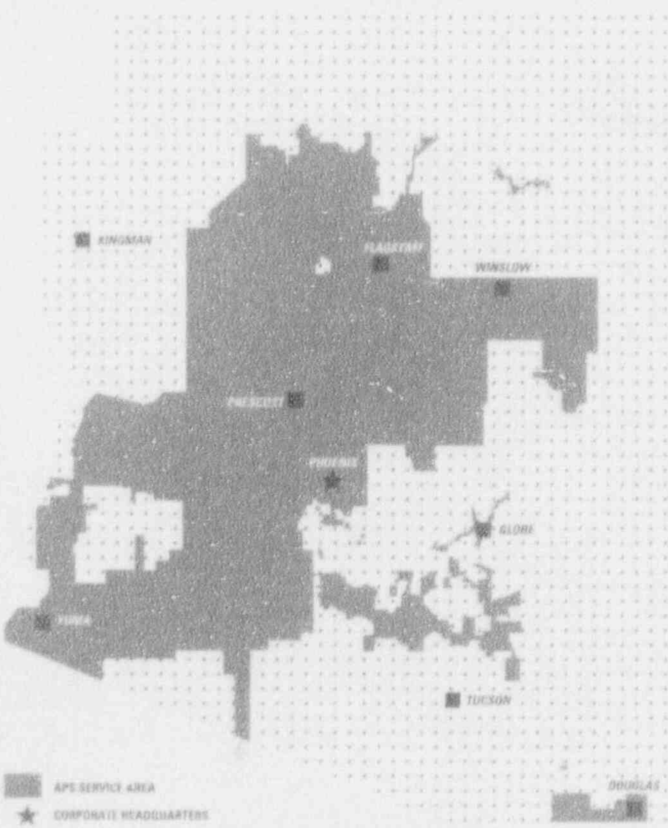
PINNACLE WEST CAPITAL CORPORATION BOOK VALUE AND MARKET VALUE PER SHARE AT YEAR-END
(In Dollars)

■ *Market Value* ■ *Book Value*



PINNACLE WEST CAPITAL CORPORATION EARNINGS PER SHARE (CONTINUING OPERATIONS) AND DIVIDENDS PAID PER SHARE
(In Dollars)
**Earnings exclude $407 million after-tax write-offs related to rate case settlement*

■ *EPS (Continuing Operations)*
■ *Dividends Per Share*



Conclusion

We are taking these steps now to reshape the Company because we believe that if we wait until the industry changes are underway, it will be too late. In the past, companies who have waited have been left far behind. We do not intend to let this happen to us. By taking the initiative, we will be able to restructure the Company before the majority of changes take place within our industry. A streamlined business structure and more responsive regulation will enable us to compete.

At the end of this process, our Company should emerge smaller but stronger. We can succeed in a more competitive marketplace.

These steps should move us closer to our goal of providing you, our owner, with a dividend and an adequate return on your investment.

"We opened our 275,000 square-foot cereal manufacturing facility in 1992. We chose New Mexico for a lot of reasons, but PNM's special economic development rate helped us decide that New Mexico was where we wanted to be."

Bob Morando

Plant Technical Manager

General Mills

Albuquerque, New Mexico

Board of Directors

Robert R. Rehder
Professor of Organizational Behavior and Management, The Robert O. Anderson Graduate Schools of Management, University of New Mexico, Albuquerque, New Mexico
Elected to the Board: April 1975
Audit Committee, Corporate and Public Responsibility Committee

John T. Ackerman
Chairman of the Board
Elected to the Board: June 1990
Executive Committee, Nominating Committee; President and CEO

Vickie L. Fisher, CPA
CFO of Poole, Kelly & Ramo Attorneys at Law
Elected to the Board: December 1990
Chair, Audit Committee; Corporate and Public Responsibility Committee, Executive Committee

Joyce A. Godwin
Vice President and Secretary, Presbyterian Healthcare Services, Albuquerque, New Mexico
Elected to the Board: May 1989
Management Development and Compensation Committee; Chair, Nominating Committee; Chair, Corporate and Public Responsibility Committee; Executive Committee

Claude E. Leyendecker
Chairman of the Board, United New Mexico Bank at Mimbres Valley, Deming, New Mexico
Elected to the Board: July 1970
Finance Committee, Nominating Committee

Robert M. Price
Former Chairman and CEO, Control Data Corporation, Retired
Elected to the Board: July 1992
Finance Committee, Management Development and Compensation Committee

Reynaldo ("Reynie") U. Ortiz
Vice President, Corporate Public Policy, USWEST, Inc.
Elected to the Board: April 1992
Audit Committee, Management Development and Compensation Committee

Paul F. Roth
Former President, Greater Dallas Chamber of Commerce, Dallas, Texas, Retired
Elected to the Board: May 1991
Executive Committee, Management Development and Compensation Committee, Finance Committee

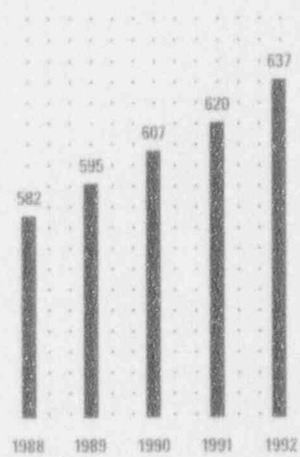
Robert G. Armstrong
President, Armstrong Energy Corporation, Roswell, New Mexico
Elected to the Board: May 1991
Management Development and Compensation Committee, Finance Committee, Executive Committee

FINANCIAL

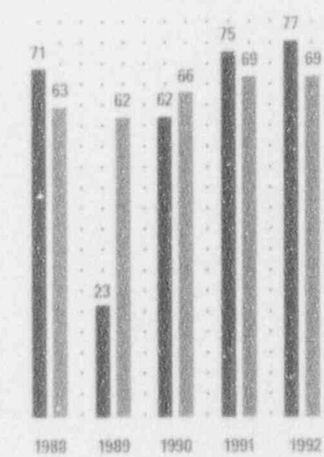
- The market price of Pinnacle West common stock increased 17.3 percent in 1992.
- Electric operating revenues (excluding reversal of a rate refund obligation) increased 8.9 percent.
- Consolidated interest expense decreased $47.8 million, and utility operations and maintenance expense declined $11.2 million.
- Pinnacle West prepaid $96 million of parent-company debt in 1992 and remains on track to restore a dividend around the end of 1993.
- APS refinanced $1 billion of debt (most of it in 1992) resulting in annualized interest savings of $12 million.
- At APS, cash income as a percentage of earnings was 71.4 percent and net cash flow after dividends was 126 percent of capital expenditures.
- Pinnacle West and APS credit ratings improved.

OPERATIONAL

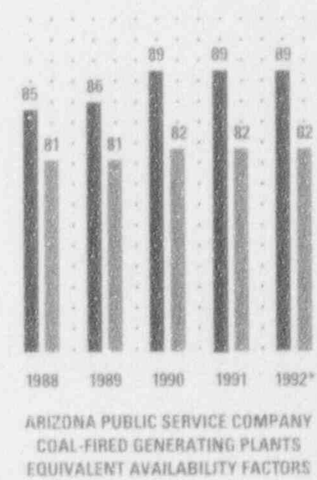
- The Palo Verde Nuclear Generating Station had its best year ever, generating more electricity than any other facility in the U.S. while bettering its own capacity factor records and exceeding national capacity factor averages.
- Palo Verde Unit 3's scheduled refueling outage was the shortest in Palo Verde's history, breaking the old record by 11 days.
- APS coal-fired facilities were available to produce power 89 percent of the time in 1992, compared with the national average of 82 percent.
- APS' customer base grew 2.6 percent and kilowatt-hour sales increased almost three percent.
- Population growth in Arizona was 2.4 percent compared with the national average of 1.1 percent.



ARIZONA PUBLIC SERVICE COMPANY
TOTAL NUMBER OF CUSTOMERS
AT YEAR-END
(Thousands of Customers)



PALO VERDE NUCLEAR GENERATING STATION
NET CAPACITY FACTORS
(Percentages)
Palo Verde *Industry Average*



ARIZONA PUBLIC SERVICE COMPANY
COAL-FIRED GENERATING PLANTS
EQUIVALENT AVAILABILITY FACTORS
(Percentages)
**Industry average estimated.*
APS Share *Industry Average*

The past year was my first one of relative stability here at Pinnacle West. The earlier ones were a little tumultuous, but also ones when much of the groundwork was laid for 1992. There were the MeraBank and rate case settlements and associated losses. There were the PacifiCorp agreements and associated opportunities. There were the serious undertakings to control costs and to improve operations and a good deal more.

This groundwork was not only important for 1992, but absolutely critical to what lies beyond. More about that later, but first let us look at the past year.

1992 RESULTS

Financially and operationally, the performance of your company in 1992 was very solid. We continued working through our agenda to restore and maximize shareholder value, and we remain firmly on track to reinstate a dividend around the end of 1993.

Our earnings improved significantly in 1992, both in quantity and quality. Consolidated income from continuing operations was the best since 1988, and our December 1991 rate settlement, which included a 5.2 percent rate increase, replaced much of our non-cash income with real dollars.

COST MANAGEMENT

The past year was also a success with respect to cost containment—a dominating theme throughout the company.

Consolidated interest expense declined $47.8 million due to debt prepayment; aggressive refinancing of high-coupon debt; and lower rates on variable-rate debt.

Utility operations and maintenance expense was reduced by $11.2 million, primarily due to company-wide efforts by our employees to improve our financial performance by improving our operating efficiency.

On behalf of the entire company, I congratulate and thank all employees who were part of our cost management success in 1992. They had a fine year and have set the foundation for future successes.

OPERATIONS

That employee-driven success was also very evident in the performance of Arizona Public Service Company's nuclear and fossil-fueled plants, which again exceeded national performance averages and bettered our own tough annual performance objectives.

This power plant performance helped drive down operating expense and allowed us to take advantage of sales opportunities to other utilities, made possible through long-term transmission agreements with PacifiCorp.

CASH FLOW

Overall, in 1992, we had a healthy cash flow picture, due to our 1991 rate increase, cost management and electric customer growth of 2.6 percent. That increase in customers, at more than twice the national average, underlines the significant impact the growth of our state and service territory has on this company.

REGULATORY RELATIONS

In addition to the rate increase provided by the 1991 settlement — and in some ways more important — were forward-looking aspects of the settlement that promote a mutual focus by us and our regulators on cost management targets.

Competitive forces will arise not only within the industry as we know it today, but also from external sources of energy.

Change is accelerating in our industry, and President Clinton's recent energy tax proposal is one more example that our business will be in the middle of national issues.

Those targets, which we met ahead of schedule in 1992, could be arrived at only through a new cooperative spirit between the company and state regulators that is continuing.

DEBT REDUCTION

We prepaid $96 million of parent-company debt in 1992. Our goal is to reduce the parent-company debt balance of $716 million at December 31, 1992 to approximately $600 million around the end of 1993, or about one-half the 1990 peak amount.

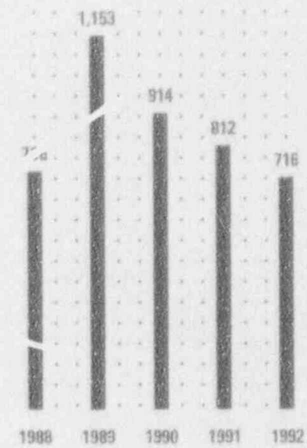
Notwithstanding an $8.8 million dollar loss from our non-utility subsidiaries in 1992 -- about half their combined 1991 loss — we believe that our investments in SunCor Development Company and El Dorado Investment Company are progressing, and we look forward to improving results from them with increased confidence. Our primary objective for the non-utility subsidiaries is to optimize and capture the value of their current holdings.

These subsidiaries do not require cash from the parent company. To the contrary, we expect them to bolster cash flow to the parent in the next several years and facilitate debt reduction.

LEGISLATIVE ISSUES

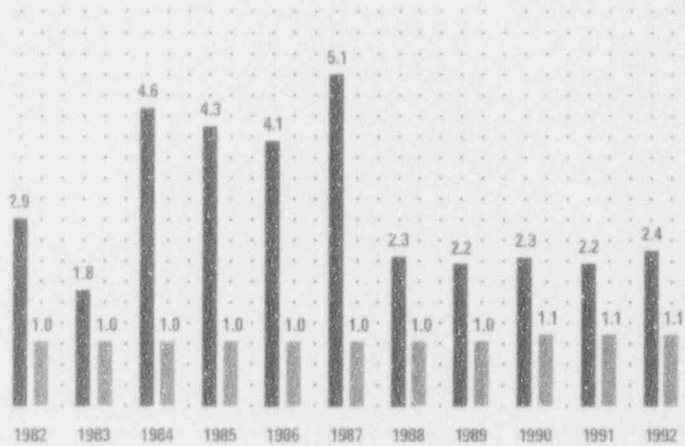
1992 saw the passage of comprehensive national energy legislation which, along with other changes taking place in the electric utility industry, will in our judgement significantly alter the face of that industry in the latter part of this decade.

As the tax proposal now stands, we have concerns about its fairness and its actual contribution to meeting objectives such as economic development, conservation, environmental protection and energy independence. The tax burden on us and our customers could be substantial. As the picture becomes clearer, we intend to work actively to protect shareholder



PINNACLE WEST CAPITAL CORPORATION
PARENT-COMPANY DEBT AT YEAR-END
(Millions of Dollars)

interests through the legislative and regulatory processes.



ARIZONA vs. U.S. POPULATION GROWTH
(Percentage Change)

LOOKING AHEAD

The sales potential for SunCor's residential product is coming into clearer focus with the pickup in the Arizona economy. While Arizona population growth rates are down from the highs of the mid-1980s, they are still very respectable by national standards as shown in the graph at the top of this page; that also augurs well for the APS service territory.

Different forces are at work on values in the El Dorado portfolio and on our ability to capture those values, but time is now on our side. The portfolio is maturing; losers have pretty much been identified; and values in the good ones are now starting to emerge in capturable form.

We think we are beginning to discern the outlines of the electric utility industry that will take form in the next five years or so, and are plotting the course for APS in that industry of the not-so-distant future. While some particulars have yet to come into sharper focus, one particular has been accepted by us as a given and already dominates our strategy: cost management will remain a key objective.

Our fanatic attention to cost containment has three targets.

(1) Our shareholders, for whom we seek as much room as possible and permissible, in the way of return on their equity, between our costs of doing business, on one hand, and the price of our product, on the other.

(2) Our customers, both current and prospective, who increasingly have other choices, and for whom we seek stability and competitiveness in the price of our product.

(3) Our regulators, whose ultimate success is going to be measured by their ability to keep our prices low.

We firmly believe we can achieve our objectives by setting and meeting aggressive cost, return on equity and price goals, and improving upon them with every opportunity.

Obviously, some balance is required. Obviously, other goals must be met at the same time: safety, reliability, customer satisfaction. Obviously, we recognize and will meet our environmental, social and community responsibilities. To fail in any of these aspects is to sacrifice the long-term for the short, and we will not do that.

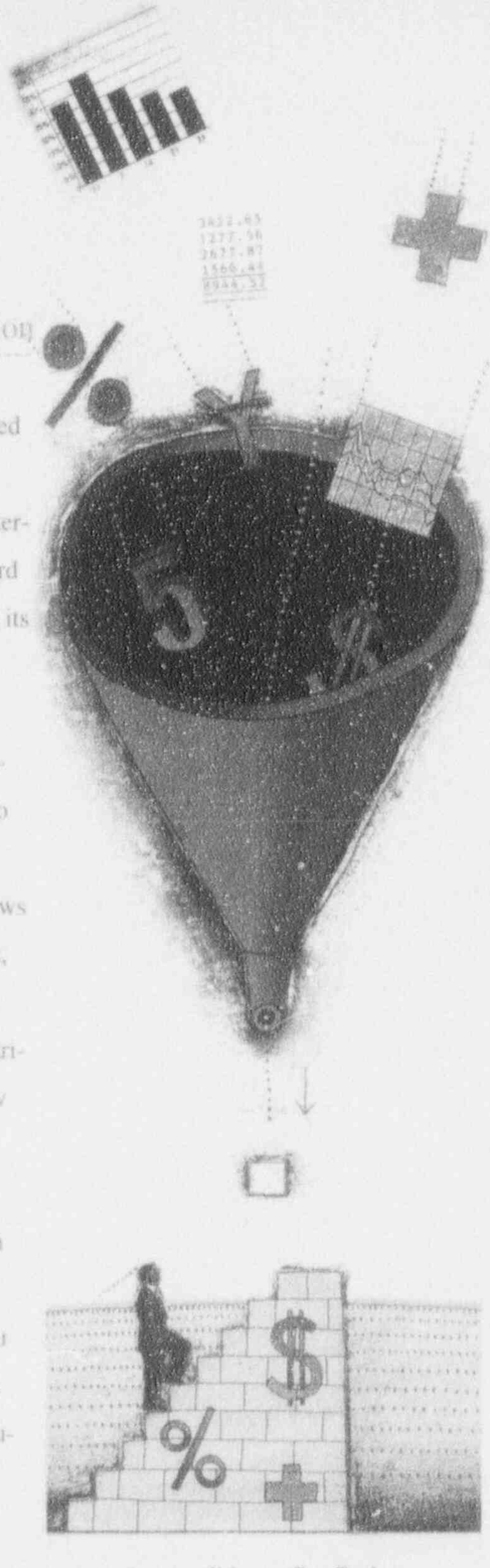
But as we see the electric industry of the future, the successful, long-term participant will be the low-cost one. We intend to be among that number.

Sincerely,

R Snell

Richard Snell
Chairman and President

Pinnacle West Capital Corporation



In 1992, Pinnacle West continued to improve its earnings power by reducing the drag of high interest cost debt, with a view toward resuming dividend payments to its shareholders around the end of 1993.

Pinnacle West expects dividends from APS to the parent to remain at the current level, and looking ahead, expects cash flows from its non-utility subsidiaries, SunCor and El Dorado.

The magnitude of this contribution is sensitive to the activity of various markets, but cash resources are sufficient to allow the parent company to maintain progress on its current agenda.

Conditions in the stock market, and particularly the market for initial public offerings, influence the timing of El Dorado's activity to capture value in its investment portfolio as do a number of other factors, but present conditions and the maturity of the portfolio suggest a relatively early pickup in that activity.

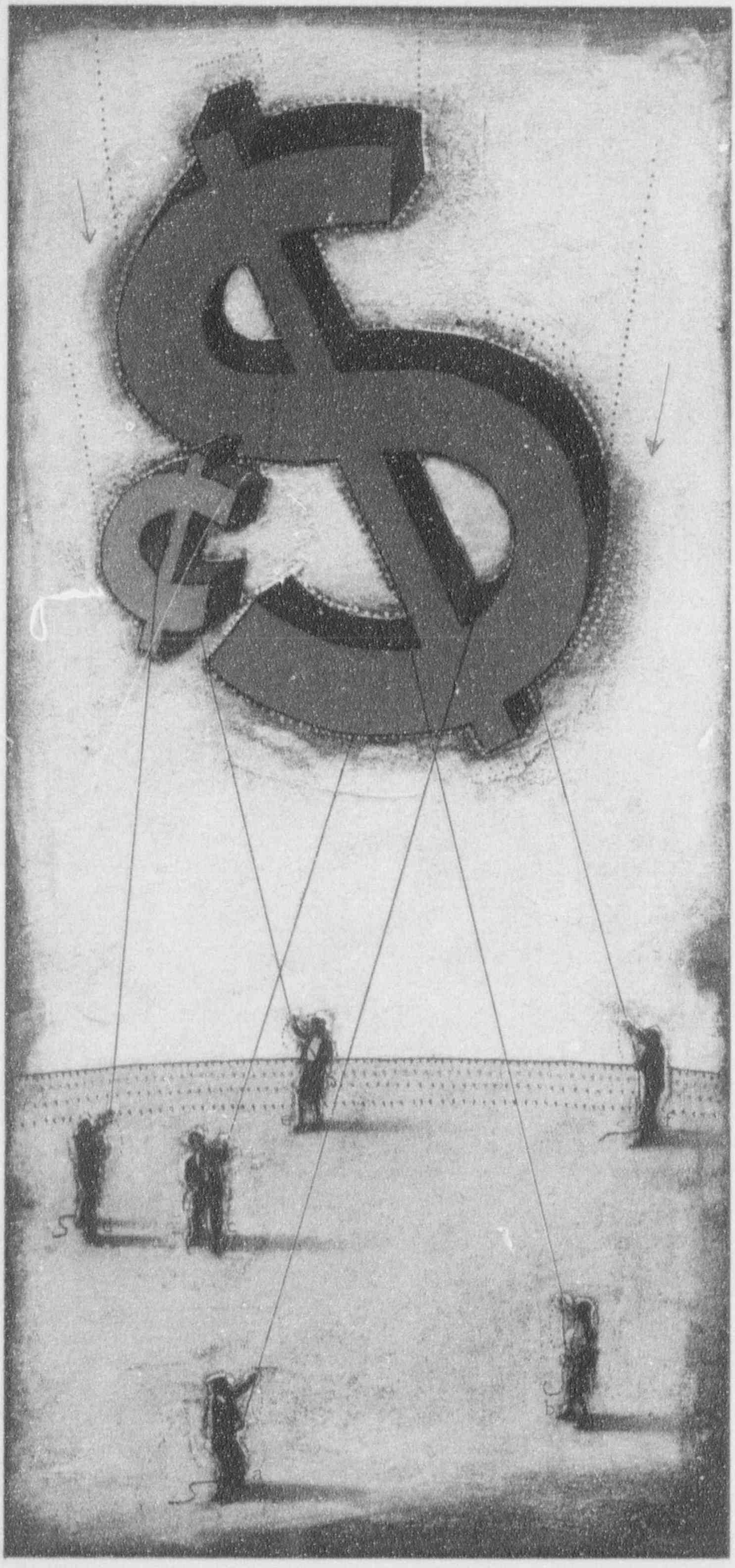
Similarly, estimated future cash flows from SunCor to the parent are sensitive to real estate market conditions. SunCor's projects have moved significantly from the raw land stage to various development and marketing stages and are poised to take advantage of positive momentum in the Phoenix-area real estate market, especially the residential sector.

A component of the company's future operating environment is the state's strategic location in emerging trade corridors linking northern hemisphere countries, which are now considering ratification of the North American Free Trade Agreement.

Benefits from the free trade agreement will consist primarily of economic activity in the company's markets and service territory. Electric power sales and purchases between the company and Mexican entities are not likely in the foreseeable future due to a lack of existing transmission interconnections to facilitate such activity.

Pinnacle West is confident it is well positioned to take advantage of the dynamic growth characteristics of Arizona and the company's service territory.

Pinnacle West intends to continue building shareholder value through: supporting operational excellence at utility and real estate operations; rebuilding financial strength through cost management and debt reduction; anticipating industry and economic issues which affect the company; and resuming dividend payments.

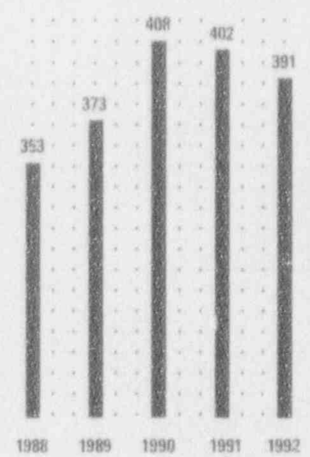


Arizona Public Service

The strong performance of APS in 1992 is the direct result of a strategic plan designed to reshape the company to succeed in the new competitive environment of the 1990s and beyond.

This change process has involved a re-examination of every position and activity; the aggressive retraining of every employee in the organization; implementation of an innovative marketing plan; and the establishment of specific goals in all functional areas.

The success of this effort during 1992 was very apparent in two critical areas fundamental to the company's performance: cost management and power plant operations.



ARIZONA PUBLIC SERVICE COMPANY
UTILITY OPERATIONS AND MAINTENANCE EXPENSE
Excluding Fuel Expense
(Millions of Dollars)

COST MANAGEMENT

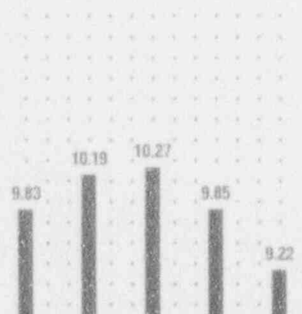
In 1992, a goal-focused work force drove down operations and maintenance costs by $11.2 million, while kilowatt-hour sales increased almost three percent. About two-thirds of all departments came in under budget. Cost reductions were accomplished while maintaining high standards related to safety, reliability and customer service.

This company-wide achievement was acknowledged through an innovative employee incentive program designed to foster continuous improvement at the company. Through "gainsharing," employees receive a portion of every dollar of operations, maintenance and fuel savings generated through their efforts. Even after the cost of the gainsharing program, operations and maintenance expense declined 2.8 percent.

Savings were generated by employees throughout the company, and the unit cost of electricity (measured in cents per kilowatt-hour) continued a downward trend.

The company's cost per kilowatt-hour sold ("unit cost") was 9.22 cents in 1992, compared with 9.85 cents in 1991 and 10.27 cents in 1990.

Beyond their importance to the company's next rate case, these continuing cost containment successes are key to APS' goal of becoming the preferred provider of electricity in its markets.



ARIZONA PUBLIC SERVICE COMPANY
COST OF PRODUCING AND DELIVERING ELECTRICITY
(Cents per Kilowatt-Hour)

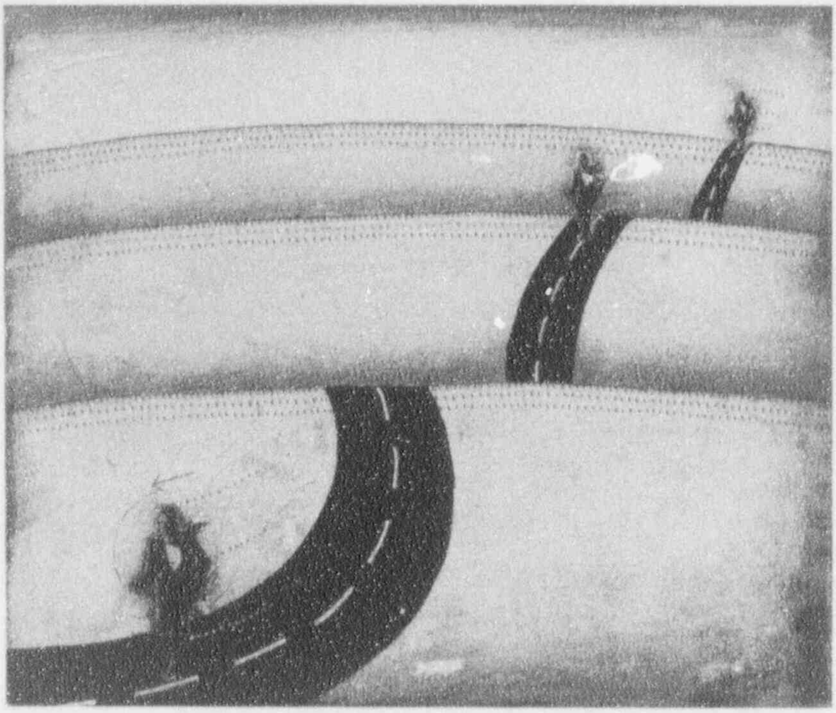
OPERATIONS

The performance of APS fossil-fueled and nuclear plants was again exceptional in 1992.

The average amount of time that APS coal plants were available to produce power during the year was 89 percent compared with an industry average of 82 percent. The Cholla facility had a banner year with an equivalent availability factor of 91.8 percent, and Four Corners recorded a very strong 87 percent availability factor.

Based on their 1992 performance, APS coal-fired plants already are in the top five among 22 "best practice" companies which were chosen by APS to establish its 1995 corporate goals.

The performance of the coal-fired plants is at the heart of the company's profitability, as their availability to produce electricity permitted interchange sales to other utilities and reduced the need to run more expensive oil and gas plants.



Efficient operations at fossil plants also contributed to fuel savings that, including the effect of renegotiated coal contracts, produced $10 million in savings for the year.

In 1992, Palo Verde strengthened its position as the energy cornerstone of the southwest, producing 27.3 million megawatt-hours of electricity while increasing efficiency, reliability and safety. This output represents the most electricity generated by any U.S. nuclear, fossil or hydroelectric power facility in 1992.

- The site average capacity factor for Palo Verde was 77 percent (net) compared with a national average of 69 percent.
- Every month in 1992, except one, a Palo Verde unit was the top producer among U.S. nuclear units, and for some months, Palo Verde units held all three top spots.
- Palo Verde set a national record of 118 days by three-unit stations for the longest uninterrupted run with all three units concurrently on line — beating a 1988 national record.

The financial benefit of Palo Verde's performance was very evident during Unit 3's scheduled refueling outage, which at 68 days was the shortest in Palo Verde's history, beating the old mark by some 11 days. This accomplishment is very significant as outages can cost the company as much as $100,000 (pretax) for every day a unit is out of service.

In 1993, Units 2 and 1 are scheduled for refueling beginning in March and September, respectively.

FINANCIAL PERFORMANCE

In addition to APS operations and maintenance expense being reduced $11.2 million, its interest expense decreased 16 percent, or $37 million, because of an aggressive debt reduction and refinancing program, which began in mid-1991, and lower rates on variable-rate debt.

APS' debt reduction began with the use of the proceeds of the July 1991 sale of Cholla Unit 4 to PacifiCorp and continued because of the company's strong cash flow.

APS has refinanced approximately $1 billion of high-cost debt, thereby taking advantage of low prevailing interest rates and credit rating upgradings. The annual interest savings from the refinancings initially will be approximately $12 million; about half of these savings were realized in 1992.

For the year, APS net cash flow after dividends as a percent of capital expenditures was 126 percent, the best level in 25 years; cash income as a percent of earnings was 71.4 percent, a significant earnings quality improvement.

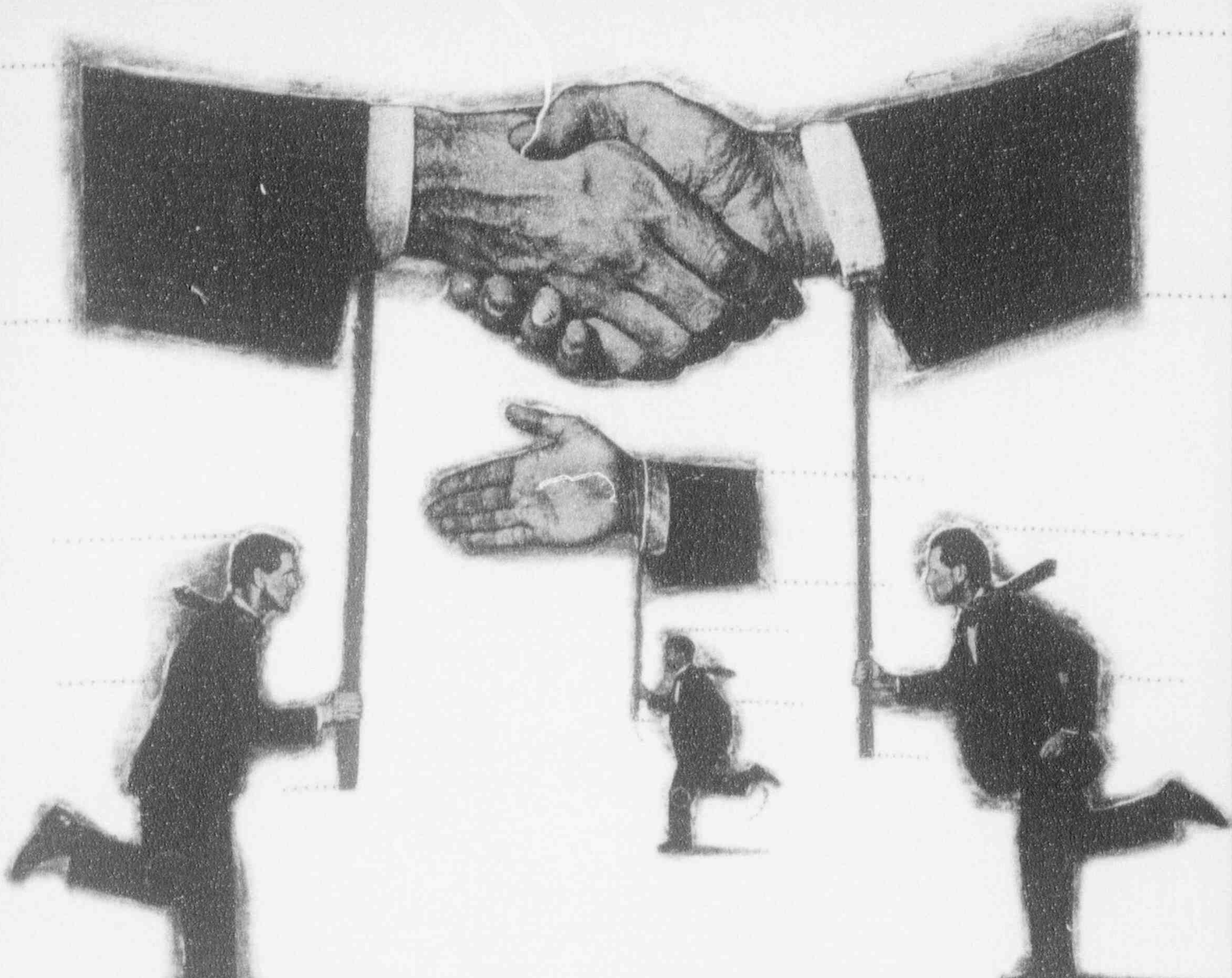
Driving an 8.9 percent revenue increase at APS (excluding reversal of a rate refund obligation) were the 5.2 percent rate increase which was included in the 1991 rate settlement, customer growth of 2.6 percent, and weather differences. Also contributing was an $11 million increase in wholesale revenues due primarily to sales to new markets in the northwest where hydroelectric power was in short supply during 1992.

NEW ENERGY MARKETS

These markets in the northwest were opened up to the company through the 1991 agreements with PacifiCorp, which among other results, gave the company new transmission paths to northwest utilities for purchases and sales.

Before the conclusion of the PacifiCorp agreements, APS power markets were limited to adjacent states. But, for several months during 1992, APS was the major winter supplier to some northwest utilities to which the company previously had no access. Just as important is the company's new access to competitively-priced energy during the summer, when it is most needed by Arizona customers.

Through the PacifiCorp deal, APS has leveraged its system and



its off-peak generating capacity for the immediate and long-term benefit of shareholders and customers.

Upgrades in existing transmission lines and construction of a new line to a major transmission interconnection near Las Vegas, Nevada will further strengthen APS' position in western power markets. As demand for energy throughout the west increases, so may margins on such sales, although competition from a number of energy sources will also intensify. That new transmission line is under construction and scheduled for completion in 1995.

STATE REGULATORY RELATIONS

The 1991 rate settlement with the staff of the Arizona Corporation Commission evidences a more cooperative relationship between the company and its regulators.

Through parameters established in the settlement and ongoing efforts to improve communications with the Commission, it is the goal of the company to pursue the shift from contentious rate filings of the past to a new relationship based on a common interest in reducing its costs and holding down the price of its product.

The current settlement agreement, with its forward look to the next rate case, allows the opportunity for the company to provide shareholders with a fair return while providing rate stability to customers.

LOOKING AHEAD

Another provision in the rate settlement which is an indication of the new environmental and societal challenges facing the company and its regulators is the energy efficiency and solar energy fund, which recognizes the importance of promoting efficiency and conservation. Through this provision, the Commission now allows the company to collect $4 million a year from its customers to recover the costs of conservation programs.

APS, similar to other utility companies, is increasingly managing the demand for its energy as well as the supply and, as a result, will eventually need to seek new regulation to replace lost revenues.

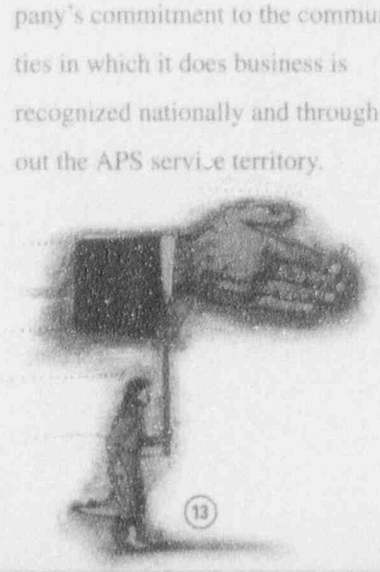
With no plans to build major baseload power plants within the next decade and no excess capacity, APS will meet the growing demand for energy in its service territory through seasonal exchanges of energy with other utilities; purchased power; upgrades of existing plants; rights to energy from new combustion turbines (some owned by others); expiration of a sales contract with another utility; and conservation.

While not currently as significant, renewable energy sources can also be important for the future, and APS is active in the research and development of solar energy technologies.

The emerging energy marketplace with its emphasis on competition, conservation and technological advances is creating new relationships between the company and its customers. In response, and in order to maintain and expand its markets, APS has developed a new strategic marketing plan to fulfill the individual needs of its customers on a cost-competitive basis.

Surveys reveal that customer satisfaction ratings were at all-time highs in 1992.

The company sets short and long-term objectives to achieve customer service excellence as it does in other areas which represent widely-shared corporate values, such as protecting the environment, workplace safety and corporate citizenship. The company's commitment to the communities in which it does business is recognized nationally and throughout the APS service territory.



SunCor Development Company

SunCor Development Company, Pinnacle West's real estate subsidiary, is one of the major real estate firms in the Phoenix area with more than $400 million of book-value assets and no significant long-term debt.

SunCor's basic strategy is to develop and sell existing assets and provide cash to Pinnacle West for debt repayment.

Since 1987, SunCor has sold more than $165 million of assets, not including certain properties placed in trust to facilitate sales or held through joint ventures.

Five years ago, most of

SunCor's assets represented undeveloped land. Today, major projects are in various stages of development. The company's resources are predominantly targeted to the residential sector, by far the strongest segment of the Phoenix-area real estate market.

In 1992, the Phoenix housing market ranked third in the country, based on single-family housing permits, and population growth is projected to be more than two times the national average for 1993 and beyond.

SunCor is very well positioned to take advantage of these market conditions, which include a depletion in the inventory of finished residential lots aided by a 30 percent surge in new home sales during 1992. These factors are also beginning to put upward pressure on prices.

Activity is ongoing at all of SunCor's major projects:

PALM VALLEY *(Formerly Litchfield) 10,600 acres*

SunCor's largest master-planned community, 20 minutes from downtown Phoenix, is now called Palm Valley. The largest single component of the project is being

developed by Robson Communities, which in 1992 began construction and sales of homes on a 2,200-acre development for active adults.

Also during the year, SunCor began construction on its own large residential project in Palm Valley, which will include an 18-hole public golf course.

At Palm Valley, a community college and middle school have been completed and home construction and sales are ongoing at the 400-acre Litchfield Greens project.

SCOTTSDALE MOUNTAIN *1,400 acres*

In north Scottsdale, the Scottsdale Mountain project was purchased for $9 million in December 1991, which was less than the cost of the infrastructure improvements made by previous owners. During 1992, SunCor recouped $4.9 million of the purchase price through formation of a limited partnership. SunCor will manage the development of the project for a percentage of the profit.

This is a good example of SunCor's strategy to leverage its strength while minimizing its financial commitment and risk.

Five home builders are now on board, models are under construction and pre-selling activities have begun.

TATUM RANCH *1,400 acres*

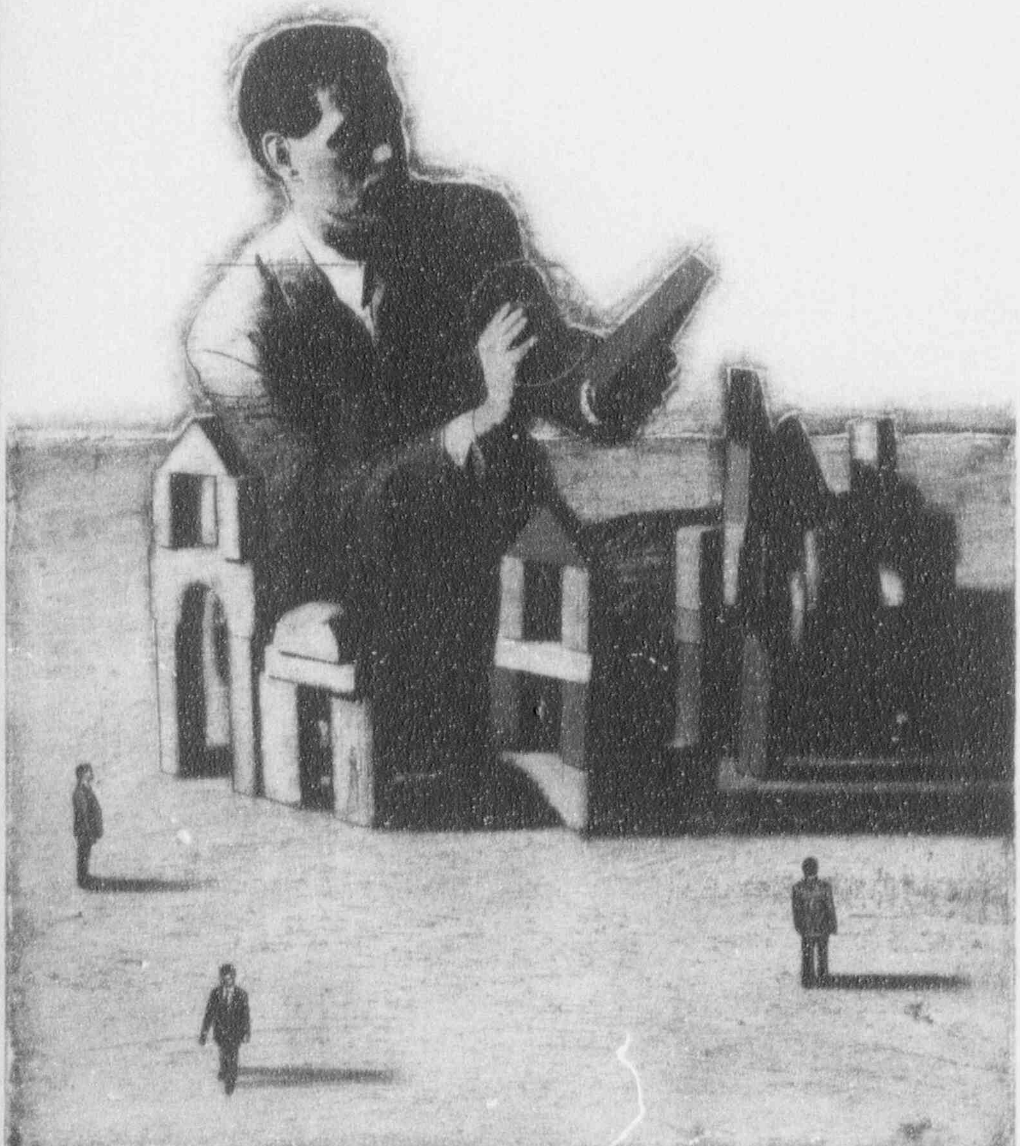
In north Phoenix at Tatum Ranch, three subdivisions have been sold out and six home builders are on board. Tatum Ranch is now the number three master-planned community in the Phoenix metropolitan area, based on 1992 sales volume.

MARKETPLACE *420 acres*

SunCor's largest commercial and industrial project located in Tempe, southeast of Phoenix, includes Autoplex which added

Saturn, Dodge and Cadillac dealerships in 1992 and now has five major car dealerships open and one more under construction. Other distinct projects at MarketPlace include Price Club Plaza, a 185,000 square-foot retail power center, and Fiddlesticks, a 20-acre family entertainment center.

TALAVI *140 acres*
Phase One of Talavi, a commercial and industrial park located in Glendale northwest of Phoenix, is complete and includes a Walmart store, a Honeywell manufacturing facility, three build-to-suit projects and a restaurant.



El Dorado Investment Company

El Dorado Investment Company, Pinnacle West's venture capital firm, has $68 million invested in venture capital partnerships and direct investments.

Most individual investments are relatively small with the largest being about $5 million. To further reduce risk, investments are diversified by industry sector. The primary sectors include health care, high technology, leasing, media/communications, professional sports, agriculture and other services.

About 63 percent of the companies are in the Pacific region, with 16 percent in the Rocky Mountain states, and the remainder located throughout the United States.

More than 90 percent of the companies are beyond early start-up stages, and the status of the portfolio is such that cash flows to Pinnacle West can reasonably be expected over the next three years and beyond.

Four of the portfolio companies (one high-tech and three service firms) have recently gone public and their stock price will determine when and at what levels their value will be captured. The market value of these public companies is currently greater than the company's investment in them.

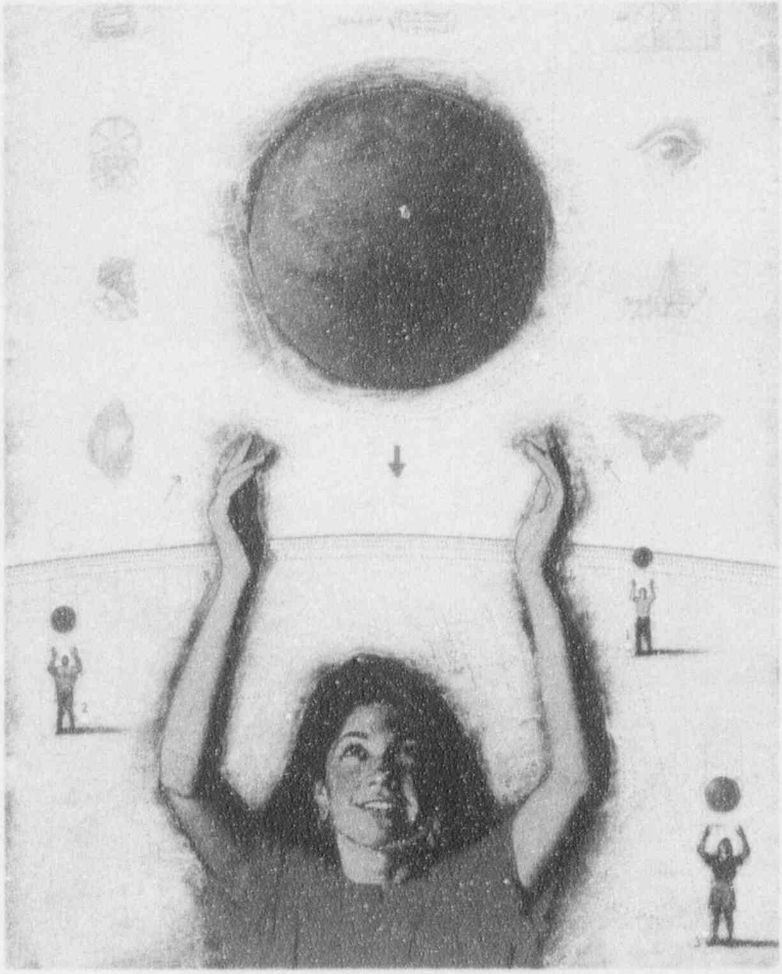
El Dorado continues to realize a cash return from its investment in the Phoenix Suns Partnership, which owns the NBA Phoenix Suns and other sports franchises.

The mission of El Dorado is to capture the value of current holdings by liquidating investments as soon and as advantageously as possible. There are no plans for new commitments by El Dorado in the current planning period.

Environmental Report

Pinnacle West is committed to enhancing and protecting the environment and believes in establishing measurable environmental objectives that go beyond compliance.

The company is faced with a complex array of environmental regulations because of diverse operations that include nuclear and fossil-fueled plants, a major transmission system and more than 12,000 acres of property for residential and commercial development.



At APS, a central theme is pollution prevention — an environmental ethic that emphasizes reducing or eliminating pollution at its sources. This effort includes a company-wide effort to research and find product substitutes which are more environmentally compatible.

All APS-managed power plants are in compliance with federal and state regulations governing emissions, because of pollution control investments totalling more than $298 million made in the 1970s and 1980s. These regulations were established under the Clean Air Act, which requires the U.S. Environmental Protection Agency (EPA) to set standards to reduce power plant emissions of sulfur dioxide, nitrogen oxides, particulates and other pollutants.

APS manages some of the cleanest burning coal-fired plants in the U.S., and these plants should also meet future emission standards scheduled to take effect in coming years without major modifications.

By 1999, the Navajo coal-fired plant, in which APS is a 14 percent owner, will have completed major modifications to reduce sulfur dioxide emissions. The company's estimated cost for its share of bringing Navajo into compliance is approximately $71 million to be incurred in 1993 to 1999.

In 1975, APS power plants produced 22 pounds of pollutants for every megawatt-hour of energy produced, compared with 7 pounds per megawatt-hour in 1992. This dramatic reduction reflects not only the company's investment in pollution control equipment, but also the effects of the Palo Verde Nuclear Generating Station coming on line in the 1980s.

Palo Verde's nuclear generating units do not emit "green house" gasses, said to contribute to global warming, or other air pollutants. Palo Verde also preserves America's natural resources for future generations and cuts U.S. dependence on foreign oil.

However, a remaining issue is the safe disposal of spent nuclear fuel. The company is working actively with industry and government officials to site a safe national storage facility for spent nuclear fuel and is supporting education efforts which address public concerns.

Conservation and the development of renewable energy sources are important components of the company's environmental stewardship.

Some of the company's efforts in this area include solar energy research and development; rebates to customers for installing energy efficient systems; and development of electric car and battery technologies.

In 1992, APS became the second company in the nation to enter a strategic alliance with the EPA that addresses areas of mutual environmental concern beyond the area of compliance. The alliance includes an environmental showcase home; environmental education; and an effort to address issues related to ozone-depleting chlorofluorocarbons.

There is increased public interest about electric and magnetic fields (EMFs) from home wiring, appliances and power lines. The company supports EMF research by public agencies and the Electric Power Research Institute, an industry association, and is committed to providing results of that research to the public when available.

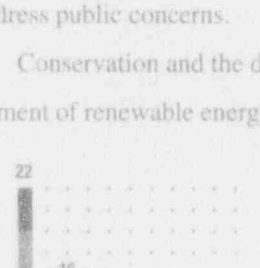
Potential liability to the company from EMFs and the future priority given the issue by government agencies or the public cannot now be determined. However, with new construction, APS uses techniques which mitigate EMF exposure.

Real estate operations at SunCor also demonstrate environmental sensitivity. At Tatum Ranch, one of the company's more developed properties, SunCor pioneered award-winning low water use techniques for developing properties in pristine desert areas.

At the Scottsdale Mountain master-planned community, which includes the picturesque McDowell Mountains, SunCor set aside for natural reserve more than three times the land required by local ordinances.

In both utility and real estate operations, it is the practice of the company to work with environmental authorities to remediate those properties for which the company is responsible. At this time, there are no property remediation issues that are material to the company.

To the knowledge of El Dorado management, no portfolio company is out of compliance with any environmental regulation.



ARIZONA PUBLIC SERVICE COMPANY POWER PLANT EMISSIONS
Historic and Projected Trends (Pounds per Megawatt-Hour)
Particulates
Nitrogen Oxides
Sulfur Dioxide

ANNOTATED INCOME STATEMENT • PINNACLE WEST CAPITAL CORPORATION

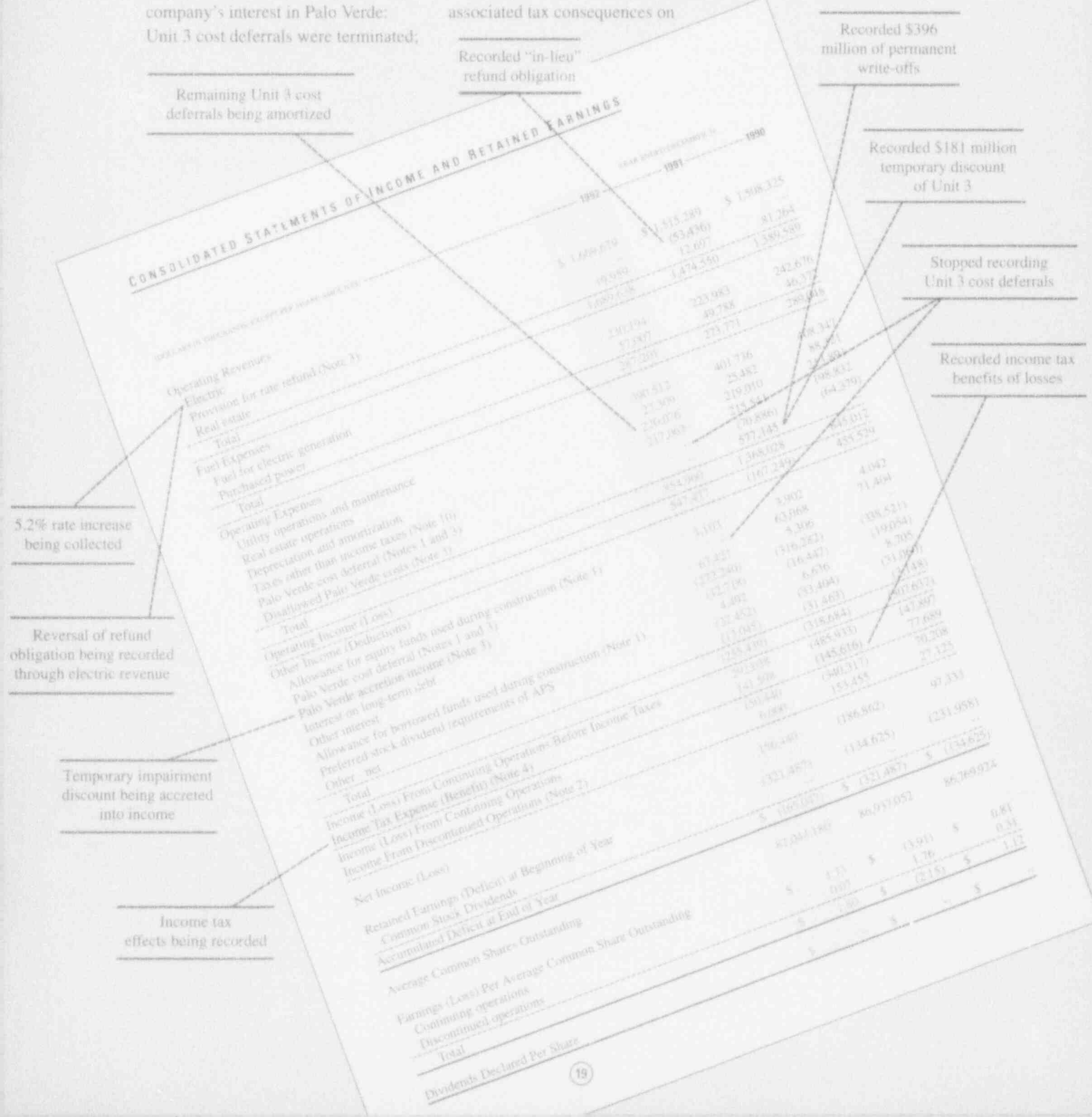
Because the December 1991 rate settlement made the company's income statement more complex, the following annotated statement is provided to remind annual report readers of the effects of the settlement.

Aside from the 5.2% rate increase, the settlement's principal effects were on various aspects of the company's interest in Palo Verde: Unit 3 cost deferrals were terminated; permanent write-offs were recorded, as were a temporary discount of the Unit 3 carrying value and a non-cash refund obligation related to Units 1 and 2; and the amount of the discount and refund obligation are being accreted back to income and electric revenues, respectively over a thirty-month period.

Effects of the settlement and associated tax consequences on individual line entries in the income statement are noted below.

We hope this annotated statement makes the financial effects of the rate settlement clearer to our readers.

For a full discussion of the rate settlement effects, see Note 3 of Notes to Consolidated Financial Statements.



Selected Consolidated Financial Data

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)	1992	1991	1990	1989	1988
Operating Results					
Operating revenues					
Electric	$ 1,669,679	$ 1,515,289	$ 1,508,325	$ 1,447,154	$ 1,442,023
Provision for rate refund	--	(53,436)	--	--	--
Real estate	19,959	12,697	81,264	44,492	9,686
Income (loss) from continuing operations	$ 150,440	$ (340,317)(a)	$ 70,208	$ 124,553	$ 152,678
Income (loss) from discontinued operations - net of tax(b)	6,000	153,455	27,125	(675,968)	(148,487)
Net income (loss)	$ 156,440	$ (186,862)	$ 97,333	$ (551,415)	$ 4,191
Common Stock Data					
Book value per share - year-end	$ 17.00	$ 15.23	$ 17.40	$ 16.31	$ 23.46
Earnings (loss) per average common share outstanding					
Continuing operations	$ 1.73	$ (3.91)	$ 0.81	$ 1.44	$ 1.76
Discontinued operations	0.07	1.76	0.31	(7.80)	(1.71)
Total	$ 1.80	$ (2.15)	$ 1.12	$ (6.36)	$ 0.05
Dividends declared per share	$ --	$ --	$ --	$ 0.80(c)	$ 3.20(d)
Common shares outstanding					
Year-end	87,161,872	87,009,974	86,873,174	86,723,774	86,723,774
Average	87,044,180	86,937,052	86,769,924	86,720,747	86,621,872
Total Assets	$ 6,456,318	$ 6,482,701	$ 7,010,646	$ 7,019,511	$ 6,912,031
Liabilities and Equity					
Long-term debt less current maturities	$ 2,774,305	$ 2,996,910	$ 3,218,168	$ 3,423,686	$ 2,840,932
Other liabilities	1,806,092	1,764,550	1,919,519	1,808,911	1,654,793
	4,580,397	4,761,460	5,137,687	5,232,597	4,495,725
Minority interests					
Non-redeemable preferred stock of APS	168,561	168,561	168,561	168,561	168,561
Redeemable preferred stock of APS	225,635	227,278	192,453	204,021	212,948
Common stock equity	1,481,725	1,325,402	1,511,945	1,414,332	2,034,797
Total	$ 6,456,318	$ 6,482,701	$ 7,010,646	$ 7,019,511	$ 6,912,031

(a) Includes approximately $407 million of write-offs and adjustments, net of income tax, related to Palo Verde. See Note 3 of Notes to Consolidated Financial Statements.

(b) Results of MeraBank, A Federal Savings Bank, and Malapai Resources Company, a uranium mining company, are classified as discontinued operations in the consolidated financial statements. See Note 2 of Notes to Consolidated Financial Statements.

(c) Dividends to shareholders of Pinnacle West Capital Corporation were suspended by the Board of Directors on October 18, 1989.

(d) Includes four quarterly dividends totalling $2.80 and the first quarter 1989 dividend of $0.40 declared in December 1988 and paid March 1, 1989.

(DOLLARS IN THOUSANDS)	1992	1991	1990	1989	1988

Electric Operating Revenues

	1992	1991	1990	1989	1988
Residential	$ 648,567	$ 590,345	$ 579,556	$ 559,755	$ 545,082
Commercial	631,796	585,952	571,806	521,665	501,666
Industrial	178,585	165,822	160,913	172,556	166,346
Irrigation	10,295	12,398	13,134	14,424	14,989
Sales for resale	136,110	125,226	133,725	100,372	102,171
Other	12,810	12,956	13,015	12,241	12,009
Total	1,618,163	1,492,699	1,472,149	1,381,013	1,342,263
Transmission for others	7,658	7,871	9,321	14,117	17,187
Miscellaneous services	43,858	14,719	26,855	52,024	82,573
Electric operating revenues	1,669,679	1,515,289	1,508,325	1,447,154	1,442,023
Provision for rate refund	--	(53,436)	--	--	--
Net operating revenues	$ 1,669,679	$ 1,461,853	$ 1,508,325	$ 1,447,154	$ 1,442,023

Electric Sales (MWH)

	1992	1991	1990	1989	1988
Residential	6,066,830	5,856,791	5,777,871	5,673,188	5,462,812
Commercial	6,904,072	6,726,350	6,567,728	6,025,634	5,659,527
Industrial	2,871,440	2,796,572	2,685,469	2,911,128	2,755,852
Irrigation	118,536	160,095	172,763	196,634	204,857
Other	73,853	71,650	69,929	69,587	62,149
Total retail	16,034,731	15,611,458	15,273,760	14,876,171	14,145,197
Sales for resale	4,528,172	4,375,027	4,502,380	2,612,380	3,615,699
Total sales	20,562,903	19,986,485	19,776,140	17,488,551	17,760,896

Customers - End of Year

	1992	1991	1990	1989	1988
Residential	562,464	547,425	534,413	523,102	511,399
Commercial	69,426	68,118	67,129	67,734	66,570
Industrial	2,883	3,095	3,196	2,010	2,068
Irrigation	960	970	1,071	1,177	1,186
Other	749	751	749	753	747
Total retail	636,482	620,359	606,558	594,776	581,970
Sales for resale	46	43	47	44	33
Total customers	636,528	620,402	606,605	594,820	582,003

Common Stock Price Range

Stock Symbol: PNW

1992	HIGH	LOW	CLOSE	DIVIDENDS PER SHARE
1st Quarter	18 1/4	16 3/4	17 5/8	--
2nd Quarter	18 3/8	16 7/8	18 1/8	--
3rd Quarter	20	17 7/8	19 3/8	--
4th Quarter	20 1/2	19 1/8	20 3/8	--

1991	HIGH	LOW	CLOSE	DIVIDENDS PER SHARE
1st Quarter	12 1/2	9 3/4	10 3/4	--
2nd Quarter	11 1/4	9 5/8	9 7/8	--
3rd Quarter	13 1/8	9 5/8	13 1/8	--
4th Quarter	17 7/8	12 3/8	17 3/8	--

The following discussion relates to Pinnacle West Capital Corporation (the Company) and its subsidiaries: Arizona Public Service Company (APS), SunCor Development Company and El Dorado Investment Company. The discussion also relates to the discontinued operations of MeraBank, A Federal Savings Bank, and of Malapai Resources Company.

Capital Needs and Resources

PARENT COMPANY

During the past three years, Pinnacle West's primary cash needs were for the repayment of principal and interest on its outstanding debt. It is presently contemplated that Pinnacle West will reinstate a dividend on its common stock by the end of 1993, so that will become a need for cash, as will, to an increasing extent, penalties on the prepayment of debt.

Dividends from APS have been Pinnacle West's primary source of cash. Tax allocations within the consolidated group and net operating loss carryforwards associated with MeraBank have also been sources.

As part of the 1991 rate settlement, APS agreed to limit its dividend on common stock to Pinnacle West to $170 million annually through December 1993. Management does not believe that the limitation will impact Pinnacle West's ability to meet its cash requirements.

Pinnacle West prepaid substantial amounts of its parent-level debt in each of the past three years. No principal repayments are required on such debt until December 1994. Management expects Pinnacle West to have cash flow available to effect a voluntary reduction of parent company debt from $716 million at the end of 1992 to approximately $600 million around the end of 1993.

NON-UTILITY SUBSIDIARIES

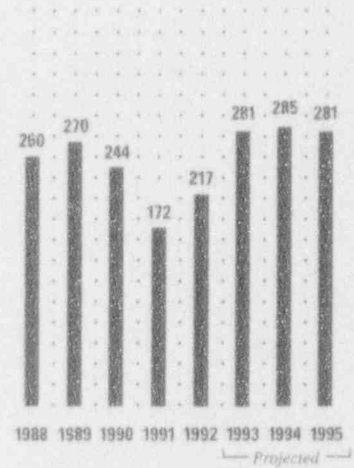
During 1992 and 1991, the non-utility subsidiaries generally financed all of their operations through internally-generated funds. Management expects that these subsidiaries' combined internal cash flows will be sufficient to fund their operations for the foreseeable future.

APS

APS' liquidity is affected primarily by construction expenditures and the repayment of long-term debt and preferred stock obligations. The capital resources available to meet these requirements include funds provided by operations and external financings.

Present construction plans do not include any major baseload generating plants for the next ten years. In general, most of the construction expenditures are for updating and expanding transmission and distribution capabilities. The anticipated construction expenditures are $281 million, $285 million and $281 million for 1993, 1994 and 1995, respectively. These amounts include nuclear fuel expenditures, but exclude capitalized property taxes and capitalized interest.

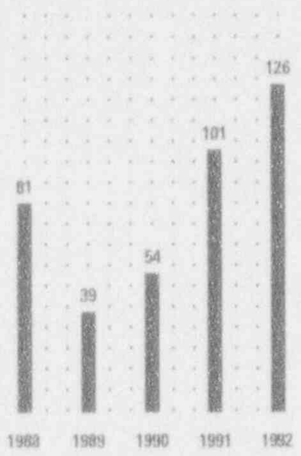
In 1992 and 1991, APS' cash flow from operations, after payment of dividends, exceeded its capital expenditures (construction expenditures and capitalized property taxes).



ARIZONA PUBLIC SERVICE COMPANY CONSTRUCTION EXPENDITURES
(Millions of Dollars)

Such internally-generated funds represented 126% and 101% of capital expenditures in 1992 and 1991, respectively, compared with approximately 54% in 1990. The improvement in 1991 was due primarily to reduced construction expenditures and lower common stock dividend payments. The improvement in 1992 was due to improved cash earnings from APS' 1991 rate settlement. APS estimates that it will fund substantially all of its capital expenditures with internally-generated funds, after payment of dividends, in the 1993-1995 period.

During 1992, APS redeemed or repurchased approximately $1.041 billion of long-term debt and preferred stock, of which approximately $862 million were optional redemptions. Refunding obligations for preferred stock, long-term debt and a capitalized lease obligation and for certain anticipated early redemptions (including premiums) are expected



ARIZONA PUBLIC SERVICE COMPANY NET CASH FLOW, AFTER DIVIDENDS, AS A PERCENT OF CAPITAL EXPENDITURES
(Percentages)

to total as much as $112 million, $204 million and $152 million in 1993, 1994 and 1995, respectively.

On February 9, 1993, APS issued $150 million of 8% first mortgage bonds due 2025 and applied the net proceeds to the repayment of short-term debt that had been incurred for the redemption of outstanding long-term debt and for working capital purposes. Although its plans are subject to change, in 1993 APS does not intend to issue any additional long-term debt and intends to issue approximately $50 million of preferred stock. APS currently expects that substantially all of the net proceeds of the securities issued in 1993 will be used for the redemption, repurchase, retirement or repayment of outstanding debt and preferred stock.

Provisions in the APS mortgage bond indenture and articles of incorporation restrict APS from issuing additional first mortgage bonds or preferred stock unless certain coverage ratios are met. In addition, the mortgage bond indenture restrictions limit the amount of additional bonds which may be issued to a percentage of net property additions, to property previously pledged as security for certain bonds that have been redeemed or retired, and/or to cash deposited with the mortgage bond trustee. As of December 31, 1992, APS estimates that the mortgage bond indenture and the articles of incorporation would have allowed APS to issue up to approximately $1.39 billion and $967 million of additional first mortgage bonds and preferred stock, respectively.

Provisions in certain Pinnacle West financing agreements limit the aggregate amount of additional long-term indebtedness that may be incurred by its subsidiaries to a specified percentage of consolidated capitalization (as defined). At December 31, 1992, the amount of additional long-term indebtedness that could be incurred in accordance with these provisions was approximately $1.41 billion.

The ACC has authority over APS with respect to the issuance of long-term debt and equity securities. Existing ACC orders allow APS to have up to $2.6 billion of long-term debt and approximately $501 million of preferred stock outstanding at any one time.

Management does not expect any of the foregoing restrictions to limit APS' ability to meet its capital requirements.

As of December 31, 1992, APS had credit commitments from various banks totalling approximately $372 million, which were available either to support the issuance of commercial paper or to be used for bank borrowings. Borrowings totalling $195 million were outstanding at the end of 1992.

At that date Pinnacle West had a $50 million liquidity facility as summarized in Note 5 of Notes to Consolidated Financial Statements; no borrowings were outstanding thereunder.

Results of Operations

Pinnacle West reported income from continuing operations of $150.4 million in 1992, compared with a loss of $340.3 million in 1991 and income of $70.2 million in 1990. The loss reported in 1991 was primarily the result of $407 million of regulatory write-offs and adjustments made in connection with APS' rate settlement with the ACC. Excluding the effects of the regulatory write-offs, income from continuing operations increased $83.7 million in 1992 primarily as a result of several factors, including higher revenues, lower interest costs and lower utility operation and maintenance expenses.

CONTINUING OPERATIONS

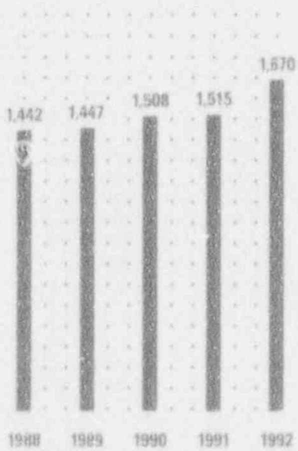
Operating revenues for the three years ended December 31, 1992 were as follows:

(THOUSANDS OF DOLLARS)	1992	1991	1990
Electric	$ 1,669,679	$ 1,515,289	$ 1,508,325
Provision for rate refund	--	(53,436)	--
Real estate	19,959	12,697	81,264
	$ 1,689,638	$ 1,474,550	$ 1,589,589

Electric operating revenues reflect changes in the volume of units sold and include the effects of rate increases on units sold. An analysis of the changes from the prior year in electric operating revenues follows:

(THOUSANDS OF DOLLARS)	1992	1991
Volume variance	$ 48,635	$ 23,823
Price variance	85,905	(7,759)
Reversal of provision for rate refund(a)	19,995	1,379
Change in other operating revenues(b)	(145)	(10,479)
	$ 154,390	$ 6,964

(a) See Note 3 of Notes to Consolidated Financial Statements.
(b) Includes revenues for miscellaneous services and transmission for others.



ARIZONA PUBLIC SERVICE COMPANY
ELECTRIC OPERATING REVENUES
(Millions of Dollars)

The volume-related increase in 1992 was largely due to customer growth in the residential and business customer classes plus increased sales resulting from more normal weather. The 1991 volume-related increase resulted from customer growth in the residential and business customer classes and increased sales per business customer, partially offset by decreases due to milder weather. The price-related increase in 1992 was largely due to an increase in retail base rates and a higher average price for interchange sales. The decrease in 1991 in other operating revenues was primarily due to the expiration in mid-1991 of a layoff power sales agreement covering Cholla Unit 4.

Fuel expense increased in 1992 as a result of increased generation and higher gas prices. These increases were partially offset by lower prices for coal and uranium. Fuel expense decreased in 1991 due to lower average unit fuel costs resulting from increased nuclear generation.

Purchased power increased in 1992 due to favorable market prices relative to the cost of gas generation. Increases in purchased power in 1991, primarily due to purchases from PacifiCorp, were nearly offset by a decrease in other interchange purchases. The power purchases from PacifiCorp were made under a long-term agreement which took effect in mid-1991 concurrent with the sale of Cholla Unit 4 to PacifiCorp.

Utility operations and maintenance costs were lower in 1992 primarily because of lower operating costs at Palo Verde, lower fossil plant overhaul costs and other miscellaneous cost reductions. These lower costs were partially offset by an obligation recorded for an employee "gainsharing" plan and higher nuclear refueling outage costs.

Utility operations and maintenance in 1991 include increased overhaul costs at fossil plants and higher legal costs resulting from environmental and other matters. Approximately $25 million was incurred in 1990 for an organizational restructuring and a special early retirement program.

Real estate revenues increased in 1992 primarily due to the sale of a golf course. Real estate revenues in 1990 reflect the sale of the Wigwam Resort and Country Club.

Interest on long-term debt decreased in 1991 compared with 1990 and further decreased in 1992 as both Pinnacle West and APS prepaid debt or refinanced debt at lower rates. The reductions also reflect lower interest rates on APS' variable-rate debt.

During 1991, Pinnacle West established reserves for excess facilities owned or leased for company occupancy which were being disposed of and legal costs estimated to be incurred in connection with ongoing litigation. APS wrote off costs associated with a proposed generating unit that it no longer intends to build. In 1991, these factors contributed to the increased expenses in the "Other-net" line on the Consolidated Statements of Income.

Effects of the 1991 APS rate settlement affect comparability of various line items in the Consolidated Statements of Income. See Note 3 of Notes to Consolidated Financial Statements regarding the rate settlement and the annotated income statement on page 19.

DISCONTINUED OPERATIONS

Income from discontinued operations of $6.0 million and $153.5 million in 1992 and 1991, respectively, resulted from tax benefits recorded in connection with the MeraBank settlement. Income from discontinued operations of $27.1 million in 1990 primarily represents tax benefits arising from 1990 operating losses at both MeraBank and Malapai.

Governmental Considerations

The Clean Air Act Amendments of 1990 will be implemented through regulations to be developed during this decade by federal, state and local environmental regulatory authorities. Based on information currently available, management does not expect APS' costs relating to the implementation of the amendments to have a material impact on the consolidated financial statements.

President Clinton has proposed to increase corporate income taxes effective January 1, 1993, and to impose a phased-in Btu tax on energy sources (see Note 13 of Notes to Consolidated Financial Statements). If enacted along the lines presently understood by Pinnacle West despite legislative efforts to the contrary, the taxes would require adjustment in APS' rate strategy and assure a filing by APS for higher rates. The recovery of such taxes, and of any other costs involved in the filing, would depend on the outcome and the length of the rate proceeding.

Pinnacle West does not believe that recent inflation rates materially affect its results of operations or financial condition. However, APS is subject to a regulatory process which introduces a time-lag during which increased costs of labor, materials, services and taxes are not reflected in rates and recovered. In addition, regulation allows only the recovery of historical costs of assets through depreciation, even though the costs to replace these assets could substantially exceed their historical costs.

Accounting Issues

Notes 4 and 9 of Notes to Consolidated Financial Statements describe three new accounting standards the Company will adopt in 1993 and 1994. The presently quantifiable effects on the financial statements will be: an increase, effective at the beginning of 1993, of approximately $13 million per year in expense related to postretirement benefits; the recognition in 1993 of approximately $19 million of state tax benefits related to MeraBank's net operating loss carryforwards; and increases in 1993 of both assets and liabilities on the Consolidated Balance Sheets by approximately $580 million.

Report of Management

The primary responsibility for the integrity of the Company's financial information rests with management. Accordingly, management has prepared the accompanying financial statements and related information. Such information was prepared in accordance with generally accepted accounting principles appropriate in the circumstances, based on management's best estimates and judgments and giving due consideration to materiality. These financial statements have been audited by independent auditors and their report is included.

In recognition of its responsibility for the financial statements, management maintains and relies upon systems of internal accounting controls. A limiting factor inherent in all systems of internal accounting control is that the cost of the system should not exceed the benefits to be derived. Management believes that the Company's system provides the appropriate balance between such costs and benefits.

Periodically the internal accounting control system is reviewed by both the Company's internal auditors and its independent auditors to test for compliance. Reports issued by the internal auditors are released to management, and such reports, or summaries thereof, are transmitted to the Audit Committee of the Board of Directors and the independent auditors on a timely basis.

The Audit Committee, composed solely of outside directors, meets periodically with internal auditors and independent auditors (as well as management) to review the work of each and ensure that each is properly discharging its responsibilities. The internal auditors and independent auditors have free access to the Audit Committee, without management present, to discuss the results of their audit work.

Management believes that the Company's policies and procedures provide reasonable assurance that operations are conducted in conformity with the law and with management's commitment to a high standard of business conduct.

R Snell

Richard Snell
Chairman & President

Henry Sargent

Henry B. Sargent
Executive Vice President
& Chief Financial Officer

Independent Auditors' Report

PINNACLE WEST CAPITAL CORPORATION

We have audited the accompanying consolidated balance sheets of Pinnacle West Capital Corporation and its subsidiaries as of December 31, 1992 and 1991 and the related consolidated statements of income and retained earnings and cash flows for each of the three years in the period ended December 31, 1992. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Pinnacle West Capital Corporation and its subsidiaries at December 31, 1992 and 1991 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1992 in conformity with generally accepted accounting principles.

Deloitte & Touche

Deloitte & Touche
Phoenix, Arizona
February 18, 1993

Consolidated Statements of Income and Retained Earnings

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)	YEAR ENDED DECEMBER 31, 1992	1991	1990
Operating Revenues			
Electric	$ 1,669,679	$ 1,515,289	$ 1,508,325
Provision for rate refund (Note 3)	--	(53,436)	--
Real estate	19,959	12,697	81,264
Total	1,689,638	1,474,550	1,589,589
Fuel Expenses			
Fuel for electric generation	230,194	223,983	242,676
Purchased power	57,007	49,788	46,372
Total	287,201	273,771	289,048
Operating Expenses			
Utility operations and maintenance	390,512	401,736	408,347
Real estate operations	27,309	25,482	88,321
Depreciation and amortization	220,076	219,010	213,891
Taxes other than income taxes (Note 10)	217,063	215,541	198,832
Palo Verde cost deferral (Notes 1 and 3)	--	(70,886)	(64,379)
Disallowed Palo Verde costs (Note 3)	--	577,145	--
Total	854,960	1,368,028	845,012
Operating Income (Loss)	547,477	(167,249)	455,529
Other Income (Deductions)			
Allowance for equity funds used during construction (Note 1)	3,103	3,902	4,042
Palo Verde cost deferral (Notes 1 and 3)	--	63,068	71,404
Palo Verde accretion income (Note 3)	67,421	5,306	--
Interest on long-term debt	(272,240)	(316,282)	(338,521)
Other interest	(12,718)	(16,447)	(19,054)
Allowance for borrowed funds used during construction (Note 1)	4,492	6,636	8,705
Preferred stock dividend requirements of APS	(32,452)	(33,404)	(31,060)
Other - net	(13,045)	(31,463)	(3,148)
Total	(255,439)	(318,684)	(307,632)
Income (Loss) From Continuing Operations Before Income Taxes	292,038	(485,933)	147,897
Income Tax Expense (Benefit) (Note 4)	141,598	(145,616)	77,689
Income (Loss) From Continuing Operations	150,440	(340,317)	70,208
Income From Discontinued Operations (Note 2)	6,000	153,455	27,125
Net Income (Loss)	156,440	(186,862)	97,333
Retained Earnings (Deficit) at Beginning of Year	(321,487)	(134,625)	(231,958)
Common Stock Dividends	--	--	--
Accumulated Deficit at End of Year	$ (165,047)	$ (321,487)	$ (134,625)
Average Common Shares Outstanding	87,044,180	86,937,052	86,769,924
Earnings (Loss) Per Average Common Share Outstanding			
Continuing operations	$ 1.73	$ (3.91)	$ 0.81
Discontinued operations	0.07	1.76	0.31
Total	$ 1.80	$ (2.15)	$ 1.12
Dividends Declared Per Share	$ --	$ --	$ --

See Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

(THOUSANDS OF DOLLARS)	DECEMBER 31, 1992	1991
Assets		
Current Assets		
Cash and cash equivalents	$ 87,926	$ 173,715
Customer and other receivables - net	157,433	125,819
Accrued utility revenues (Note 1)	51,517	44,462
Materials and supplies (at average cost)	95,978	107,225
Fossil fuel (at average cost)	36,668	30,515
Other current assets	8,000	10,042
Total current assets	437,522	491,778
Investments and Other Assets		
Real estate investments - net	394,527	389,176
Other assets	142,309	148,798
Total investments and other assets	536,836	537,974
Utility Plant (Notes 6, 11 and 12)		
Electric plant in service, including nuclear fuel	6,335,327	6,212,249
Construction work in progress	162,168	197,643
Total utility plant	6,497,495	6,409,892
Less accumulated depreciation and amortization	1,973,698	1,922,768
Net utility plant	4,523,797	4,487,124
Deferred Debits		
Deferred income taxes	291,190	335,062
Palo Verde Unit 3 cost deferral (Notes 1 and 3)	310,908	320,070
Palo Verde Unit 2 cost deferral (Note 1)	184,061	190,123
Other deferred debits	172,004	120,570
Total deferred debits	958,163	965,825
Total Assets	$ 6,456,318	$ 6,482,701

See Notes to Consolidated Financial Statements.

Liabilities and Equity

(THOUSANDS OF DOLLARS)	December 31, 1992	December 31, 1991
Current Liabilities		
Accounts payable	$ 105,718	$ 104,686
Accrued taxes	117,694	71,732
Accrued interest	58,579	75,172
Short-term borrowings (Note 5)	195,000	--
Current maturities of long-term debt (Note 6)	94,217	299,550
Other current liabilities	78,909	90,448
Total current liabilities	650,117	641,588
Non-Current Liabilities		
Long-term debt less current maturities (Note 6)	2,774,305	2,996,910
Other liabilities	9,449	10,334
Total non-current liabilities	2,783,754	3,007,244
Deferred Credits and Other		
Deferred income taxes	763,862	729,588
Deferred investment tax credit	133,359	138,933
Unamortized gain - sale of utility plant	116,167	126,669
Other deferred credits	133,138	117,438
Total deferred credits and other	1,146,526	1,112,628
Commitments and Contingencies (Note 13)		
Minority Interests		
Non-redeemable preferred stock of APS (Note 7)	168,561	168,561
Redeemable preferred stock of APS (Note 7)	225,635	227,278
Common Stock Equity (Note 8)		
Common stock, no par value; authorized 150,000,000 shares; issued and outstanding 87,16[illegible],872 in 1992 and 87,009,974 in 1991	1,646,772	1,646,889
Accumulated deficit	(165,047)	(321,487)
Total common stock equity	1,481,725	1,325,402
Total Liabilities and Equity	$ 6,456,318	$ 6,482,701

Consolidated Statements of Cash Flows

(THOUSANDS OF DOLLARS)	1992	1991	1990
	YEAR ENDED DECEMBER 31,		
Cash Flows From Operating Activities (Note 1)			
Income (loss) from continuing operations	$ 150,440	$ (340,317)	$ 70,208
Items not requiring cash			
Depreciation and amortization	[illegible]59,637	268,153	262,613
Deferred income taxes - net	[illegible]	(128,863)	107,411
Palo Verde cost deferral (Notes 1 and 3)	--	(133,954)	(135,783)
Provision for rate refund - net (Note 3)	(21,374)	52,057	--
Disallowed Palo Verde costs (Note 3)	--	577,145	--
Palo Verde accretion income (Note 3)	(67,421)	(5,306)	--
Other - net	(1,829)	(4,235)	13,994
Changes in current assets and liabilities			
Accounts receivable - net	(31,715)	18,006	(15,854)
Accrued utility revenues	(7,055)	1,004	(3,048)
Materials, supplies and fossil fuel	5,094	(8,490)	(15,318)
Other current assets	2,042	(478)	5,500
Accounts payable	9,547	18,866	(9,305)
Accrued taxes	45,962	(18,902)	46,398
Accrued interest	(16,593)	(3,588)	11,203
Other current liabilities	(16,549)	3,364	(10,833)
Additions to real estate	(12,647)	(18,593)	(656)
Sales of real estate	14,622	7,787	5,232
Other - net	5,973	4,407	(2,589)
Net Cash Flow Provided By Operating Activities	402,280	288,063	329,173
Cash Flows From Investing Activities			
Capital expenditures	(224,419)	(182,687)	(259,280)
Allowance for equity funds used during construction	3,103	3,902	4,042
Sale of property (Note 3)	5,480	233,875	73,248
Other - net	(6,555)	(2,630)	(9,930)
Net cash provided by discontinued operations	--	--	38,000
Net Cash Flow Provided by (Used For) Investing Activities	(222,391)	52,460	(153,920)
Cash Flows From Financing Activities			
Issuance of long-term debt	649,165	485,844	642,665
Issuance of preferred stock	24,781	49,375	--
Short-term borrowings - net	195,000	(159,000)	(81,000)
Repayment of long-term debt	(1,109,181)	(593,252)	(797,194)
Repayment of preferred stock	(27,850)	(15,175)	(11,568)
Other - net	2,407	6,042	1,639
Net Cash Flow Used For Financing Activities	(265,678)	(226,166)	(245,458)
Net Cash Flow	(85,789)	114,357	(70,205)
Cash and Cash Equivalents at Beginning of Year	173,715	59,358	129,563
Cash and Cash Equivalents at End of Year	$ 87,926	$ 173,715	$ 59,358

See Notes to Consolidated Financial Statements.

1. Summary of Significant Accounting Policies

A. CONSOLIDATION

The consolidated financial statements include the accounts of Pinnacle West Capital Corporation and its subsidiaries: Arizona Public Service Company, an electric utility; SunCor Development Company, a real estate development company; and El Dorado Investment Company, a venture capital firm. Certain prior year balances have been reclassified to conform to the 1992 presentation.

B. UTILITY PLANT AND DEPRECIATION

Utility plant represents the buildings, equipment and other facilities used to provide electric service. The cost of utility plant includes labor, material, contract services and other related items and an allowance for funds used during construction. The cost of retired depreciable utility plant, plus removal costs less salvage realized, is charged to accumulated depreciation.

Depreciation on utility property is provided on a straight-line basis. The applicable rates for 1990 through 1992 ranged from 0.84% to 15.00%, which resulted in annual composite rates of 3.37%. Depreciation and amortization of non-utility property and equipment are provided over the estimated useful lives of the related assets, ranging from 3 to 38 years.

C. REVENUES

Electric operating revenues are recognized on the accrual basis and include estimated amounts for service rendered but unbilled at the end of each accounting period.

D. ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION

AFUDC represents the cost of debt and equity funds used to finance construction of utility plant. Plant construction costs, including AFUDC, are recovered in authorized rates through depreciation when completed projects are placed into commercial operation. AFUDC does not represent current cash earnings.

AFUDC has been calculated using composite rates of 10% for 1992, 10.15% for 1991, and 10% for 1990. APS compounds AFUDC semi-annually and ceases to accrue AFUDC when construction work is completed and the property is placed in service.

E. INCOME TAXES

Pinnacle West and its subsidiaries file a consolidated U.S. income tax return. Consolidated income taxes are allocated among subsidiaries as if separate income tax returns were filed. The difference, if any, between those allocations and consolidated income tax expense is allocated to Pinnacle West.

F. REACQUIRED DEBT COSTS

APS amortizes gains and losses on reacquired debt over the remaining life of the original debt, consistent with ratemaking.

G. NUCLEAR FUEL AND DECOMMISSIONING COSTS

Nuclear fuel is charged to fuel expense using the unit of production method under which the number of units of thermal energy produced in the current period is related to the total thermal units expected to be produced over the life of the fuel.

The estimated cost of decommissioning APS' 29.1% share of the Palo Verde Nuclear Generating Station and completely removing all facilities is approximately $2.1 billion ($390 million in 1992 dollars) and will be incurred over a thirteen-year period beginning in 2023. This estimate is based on a 1992 site-specific study which would produce an annual cost requirement of approximately $11 million as compared to the $6.5 million currently approved by the ACC. As approved by the ACC, the cost is charged to expense over each unit's operating license term and included in the accumulated depreciation balance.

APS deposits the ACC approved amount into external trust accounts. The trusts are included in "Investments and Other Assets" on the Consolidated Balance Sheets and totalled $33.5 million at December 31, 1992.

H. STATEMENTS OF CASH FLOWS

Temporary cash investments and marketable securities are considered to be cash equivalents for purposes of the Consolidated Statements of Cash Flows. During 1992, 1991 and 1990 Pinnacle West and its subsidiaries paid interest, net of amounts capitalized, of $286.4 million, $305.4 million and $301.9 million, respectively. Income taxes paid were $33.8 million, $19.7 million, and $0.2 million respectively, and dividends paid on preferred stock of APS were $32.6 million, $33.1 million and $32.1 million, respectively.

I. PALO VERDE COST DEFERRALS

As authorized by the ACC, APS deferred operating costs (excluding fuel) and financing costs of Palo Verde Units 2 and 3 from each unit's commercial operation date until the date that the units were included in a rate order. The deferrals are being amortized and recovered through rates over thirty-five year periods.

2. Discontinued Operations

In 1989, a settlement was reached which resolved claims made by certain federal agencies with respect to MeraBank, resulting in a $450 million capital infusion by Pinnacle West into MeraBank. The settlement released Pinnacle West from its purported obligations under a capital maintenance stipulation relating to MeraBank. Because of certain unresolved federal income tax issues, Pinnacle West could not at the time record an income tax benefit related to the loss incurred as a result of the settlement. In January 1992, the Internal Revenue Service issued a ruling which allowed Pinnacle West to deduct, for federal income tax purposes, its remaining investment in MeraBank including the capital infusion. As a result, Pinnacle West recorded income from discontinued operations in 1991 of $153.5 million representing a federal net operating loss carryforward.

In 1992, Pinnacle West recorded $6 million of income from discontinued operations representing the realization of a portion of the state NOL carryforward.

The 1990 income from discontinued operations resulted from a $22.2 million tax benefit relating to a portion of MeraBank's 1990 operating loss and $4.9 million relating to the sale of Malapai.

3. Regulatory Matters

RATE CASE SETTLEMENT

In December 1991, the ACC approved a settlement reached by APS in the retail rate case that had been pending before the ACC since January 1990. The ACC authorized an annual net revenue increase of $66.5 million or approximately 5.2%. In turn, APS wrote off $577.1 million of costs associated with Palo Verde and recorded a refund obligation of $53.4 million. The after tax impact of these adjustments reduced net income by $407 million. A discussion of the components of the disallowance follows.

Prudence Audit

The ACC closed its prudence audit of Palo Verde and APS wrote off $142 million ($101.3 million after tax) of construction costs relating to Palo Verde Units 1, 2 and 3 and $13.3 million ($8.6 million after tax) of deferred costs relating to the prudence audit.

Interim or Temporary Revenues

The ACC removed the interim and temporary designation on $385 million of revenues collected by APS from 1986 through 1991 that had been previously authorized for Palo Verde Units 1 and 2. APS recorded a refund obligation to customers of $53.4 million ($32.3 million after tax) related to the Palo Verde write-off discussed above. The refund obligation has been used to reduce the amount of annual rate increase granted rather than require specific customer refunds and is being reversed over thirty months beginning December 1991.

Excess Capacity Issue

The ACC deemed a portion of Palo Verde Unit 3 to be excess capacity and, accordingly, did not recognize the related Unit 3 costs for ratemaking purposes. This action effectively disallows for thirty months a return on approximately $475 million of APS' investment in Unit 3. APS recognized a charge of $181.2 million ($109.5 million after tax), representing the present value of the lost cash flow and to that extent temporarily discounted the carrying value of Unit 3.

In accordance with generally accepted accounting principles, APS is recording, over the thirty-month period, accretion income on Unit 3 in the aggregate amount of the discount. APS recorded after-tax accretion income of $3.2 million and $40.7 million in 1991 and 1992, respectively, and will record after-tax accretion income of $45.3 million and $20.3 million in 1993 and 1994, respectively.

In December 1991, APS stopped deferring Unit 3 costs and recorded a $240.6 million ($155.3 million after tax) write-off of Unit 3 cost deferrals due to a portion of Unit 3 being deemed excess capacity. At that time, APS began amortizing to expense and recovering in rates the remaining $320 million balance of the deferrals over a thirty-five year period as approved by the ACC.

Future Retail Rate Increase

APS agreed not to file a new rate application before December 1993 and the ACC agreed to expedite the processing of that rate application. APS and the ACC also agreed on an average unit sales price ceiling of 9.585 cents per kilowatt-hour in this future rate application, which was based on APS meeting certain cost targets established by its management. APS' 1992 average unit sales price was approximately 9 cents per kilowatt-hour. The ceiling may be adjusted for the effects of significant changes in laws, regulatory requirements or APS' cost of equity capital. Management believes that the unit sales price ceiling will not adversely impact APS' future earnings.

Dividend Payments

APS agreed to limit its annual common stock dividends to Pinnacle West to $170 million through December 1993.

SALE OF CHOLLA 4

In July 1991, APS sold Unit 4 of the Cholla Power Plant to PacifiCorp for approximately $230 million. The resulting after-tax gain of approximately $20 million was deferred and is being amortized as a reduction to operations expense over a four-year period in accordance with an ACC order. The transaction also provides for transmission access and electrical energy sales and exchanges between APS and PacifiCorp.

4. Income Tax Expense

The components of income tax expense (benefit) from continuing operations for each of the three years in the period ended December 31, 1992, are as follows:

(THOUSANDS OF DOLLARS)	YEAR ENDED DECEMBER 31, 1992	1991	1990
Current			
Federal	$ 30,418	$ 2,500	$ --
State	624	--	--
Total current	31,042	2,500	--
Deferred			
Depreciation - net	76,175	58,310	56,665
Palo Verde cost deferral	(5,015)	47,527	40,472
Disallowed Palo Verde costs	--	(213,394)	--
Refund obligation	8,454	(21,273)	--
Investment tax credit - net	(5,574)	(9,275)	(10,996)
Alternative minimum tax	(40,434)	(2,500)	--
Palo Verde start-up costs	(28,976)	(1,381)	(2,164)
Palo Verde accretion income	26,668	2,168	--
NOL carryforward utilized	71,164	--	--
Loss on reacquired debt	10,266	(1,066)	54
Taxes, pension costs and other - net	(2,172)	(7,232)	(6,342)
Total deferred	110,556	(148,116)	77,689
Total	$ 141,598	$ (145,616)	$ 77,689

The differences between income tax expense (benefit) and the amount obtained by multiplying income from continuing operations before income taxes by the statutory federal income tax rate for each of the three years in the period ended December 31, 1992, are as follows:

(THOUSANDS OF DOLLARS)	YEAR ENDED DECEMBER 31, 1992	1991	1990
Federal income tax expense (benefit) at statutory rate	$ 99,293	$(165,217)	$ 50,285
Increases (reductions) in tax expense resulting from:			
Tax under book depreciation	17,499	21,814	18,444
Allowance for funds used during construction	(1,055)	(1,326)	(1,374)
Palo Verde cost deferral	--	(4,063)	(4,281)
Disallowed Palo Verde costs	--	22,236	--
Preferred stock dividends of APS	11,034	11,357	10,560
Investment tax credit amortization	(6,124)	(9,275)	(11,337)
State income tax - net of federal income tax benefit	21,589	(16,307)	13,445
Other	(638)	(4,835)	1,947
Income tax expense (benefit)	$ 141,598	$ (145,616)	$ 77,689

Deferred income taxes are provided for substantially all timing differences arising from the recognition of revenues and expenses in different periods for tax and financial reporting purposes. Prior to October 1983, APS reflected the tax effects of certain timing differences in income currently in accordance with an ACC order. At December 31, 1992, APS had flowed through to income approximately $115 million of income tax benefits arising from timing differences for which deferred taxes had not been provided.

At December 31, 1992, Pinnacle West had federal net operating loss carryforwards of approximately $470 million which may be used through 2005. For financial reporting purposes, the tax benefit of the operating losses has been recognized primarily as an offset to deferred tax liabilities. State NOL carryforwards of approximately $360 million, which may be used through 1995, have not yet been recognized for financial reporting purposes.

In February 1992, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes". SFAS No. 109 requires that the liability method be used in calculating deferred income taxes. When SFAS No. 109 is adopted in 1993, APS will record deferred income tax liabilities related to the equity component of AFUDC, the debt component of AFUDC recorded net-of-tax, and other temporary differences for which deferred taxes have not been provided. Deferred income tax balances will also be adjusted for changes in tax rates and for the deferred tax effects of unamortized investment tax credits. It is expected that the additional deferred income tax liabilities will be offset primarily by regulatory assets representing the future revenue requirement impact of these adjustments. Adoption of SFAS No. 109 is expected to increase assets and liabilities by approximately $580 million and will result in the recognition of approximately $19 million of tax benefits related to the remaining state NOL carryforward.

See Note 2 for tax benefits recorded in connection with discontinued operations.

5. Lines of Credit

APS had committed lines of credit with various banks of $302 million at December 31, 1992 and 1991. The outstanding borrowings were $130 million at December 31, 1992; no borrowings were outstanding December 31, 1991. The commitment fees on these lines were 0.1875% per annum through April 29, 1992 and 0.25% thereafter through December 31, 1992.

Additionally, APS had a $70 million commercial paper program backed by a letter of credit at December 31, 1992 and 1991. Outstanding borrowings under the program were $65 million at December 31, 1992; no borrowings were outstanding at December 31, 1991. The commitment fees were 0.30% per annum in both years.

Pinnacle West had a liquidity facility of $50 million at December 31, 1992 and $75 million at December 31, 1991. The facility is available for payments of principal and interest on Pinnacle West's outstanding debt with a maximum of $20 million for principal payments. Any borrowings on this facility will be secured by the APS common stock owned by Pinnacle West and will bear interest, at Pinnacle West's option, at rates based on the prime rate or rates based on LIBOR. Additionally, Pinnacle West pays a 0.3125% commitment fee on the facility when no borrowings are outstanding or from 0.25% to 0.375% on the unused portion in a period when borrowings are outstanding. There were no borrowings outstanding under the liquidity facility at December 31, 1992 or 1991.

By Arizona statute, APS' short-term borrowings cannot exceed 7% of its total capitalization without the consent of the ACC.

6. Long-Term Debt

In January 1990, Pinnacle West restructured the majority of its long-term debt. Pinnacle West granted the affected lenders a security interest in the outstanding common stock of APS and agreed not to incur new debt except to reduce, refinance or prepay existing debt. Pinnacle West's ability to pay dividends is dependent upon the satisfaction of specified interest coverage ratios. Any investments by Pinnacle West in its subsidiaries, excluding APS, are generally restricted to $15 million in the aggregate until the lenders are fully repaid. Any new investments by Pinnacle West are generally restricted to $20 million in the aggregate until the lenders are fully repaid and may not be made until Pinnacle West is able to meet the dividend test. Pinnacle West must maintain certain interest coverage ratios and meet certain funded debt tests. Additionally, Pinnacle West would be required to use the net cash proceeds from the sale of all or substantially all of SunCor or El Dorado or from the sale of substantially all of those subsidiaries' assets to repay debt. The following table presents long-term debt outstanding as of December 31, 1992 and 1991.

(THOUSANDS OF DOLLARS)	MATURITY DATES	INTEREST RATES	YEAR ENDED DECEMBER 31, 1992	1991
APS				
First mortgage bonds	1992-2024	4.4%-13.25%	$ 1,615,602	$ 1,844,917
Pollution control indebtedness	2009-2015	Adjustable (a)	424,330	424,330
Bank term loans	1992	LIBOR plus .25% (b)	--	36,000
Debentures	1992	12.50%	--	70,000
Revolving credit	1993	LIBOR plus .30% to .45%(c)	75,000	75,000
Capitalized lease obligation	1992-2001	7.48% (d)	32,048	34,666
			2,146,980	2,484,913
PINNACLE WEST				
Bank term loans	1996-1997	(e)	170,326	185,327
Debentures	1994-2002	10.0%-11.61% (f)	451,029	529,839
Notes payable	1997	10.5%	94,382	96,381
			715,737	811,547
SUNCOR				
Note payable	1997	12%	5,805	--
Total long-term debt			2,868,522	3,296,460
Less current maturities			94,217	299,550
Total long-term debt less current maturities			$ 2,774,305	$ 2,996,910

(a) The interest rates at year-end varied from 3.20% to 4.40% for 1992 and from 4.90% to 7.25% for 1991.

(b) The weighted average interest rate on outstanding borrowings at the end of 1991 was 6.52%.

(c) The weighted average interest rates on outstanding borrowings at the end of 1992 and 1991 were 4.41% and 6.82%, respectively.

(d) Represents the present value of future lease payments (discounted at the interest rate of 7.48%) on a combined cycle plant sold and leased back from the independent owner-trustee formed to own the facility. See Note 12.

(e) The 1991 balance includes $15 million with a weighted average interest rate of 8.47%. The remainder in both years is composed of term loans with fixed rates of 8.83% to 10.56%.

(f) Includes $310,411,000 of senior secured debentures at December 31, 1992 and 1991 which are due in 2000 and bear interest at 11.61% per annum. These debentures are redeemable at the option of Pinnacle West, on or after March 22, 1993, pursuant to a U.S. Treasury make-whole formula.

The 1991 balance includes $75 million of subordinated convertible debentures. The debentures were redeemed in 1992.

The balance of $140,618,000 in 1992 and $144,428,000 in 1991 represents senior debentures of which $65,618,000 is due in 1994 with the remainder due in 1995. Under terms of the debt restructuring, the weighted average interest rate of this debt was 10.89% at December 31, 1992.

Aggregate annual payments due on total long-term debt and for sinking fund requirements through 1997 are as follows: 1993, $94,217,000; 1994, $71,939,000; 1995, $81,614,000; 1996, $103,526,000 and 1997, $350,538,000. See Note 7 for redemptions and sinking fund requirements of redeemable preferred stock of APS.

Substantially all utility plant, other than nuclear fuel, transportation equipment, and the combined cycle plant, is subject to the lien of the first mortgage bonds. The first mortgage bond indenture includes provisions which would restrict the payment of dividends on APS common stock under certain conditions which did not exist at December 31, 1992.

Pinnacle West and its subsidiaries incurred interest expense of $286,347,000, $333,923,000 and $364,574,000 in 1992, 1991 and 1990, of which $1,389,000, $1,194,000 and $6,999,000 was capitalized in each year, respectively.

On February 9, 1993, APS issued $150,000,000 of 8% first mortgage bonds due February 1, 2025.

APS had approximately $500 million of variable-rate long-term debt outstanding at December 31, 1992. Changes in interest rates would affect the costs associated with this debt.

7. Preferred Stock of APS

Non-redeemable preferred stock is not redeemable except at the option of APS. Redeemable preferred stock is redeemable through sinking fund obligations in addition to being callable by APS. The balances at December 31, 1992 and 1991, of preferred stock of APS are shown below:

	NUMBER OF SHARES			PAR VALUE			
		OUTSTANDING AT DECEMBER 31,			OUTSTANDING AT DECEMBER 31, (THOUSANDS OF DOLLARS)		CALL PRICE PER SHARE (a)
	AUTHORIZED	1992	1991	PER SHARE	1992	1991	
NON-REDEEMABLE							
$1.10 preferred	160,000	155,945	155,945	$ 25.00	$ 3,898	$ 3,898	$ 27.50
$2.50 preferred	105,000	103,254	103,254	50.00	5,163	5,163	51.00
$2.36 preferred	120,000	40,000	40,000	50.00	2,000	2,000	51.00
$4.35 preferred	150,000	75,000	75,000	100.00	7,500	7,500	102.00
Serial preferred	1,000,000						
$2.40 Series A		240,000	240,000	50.00	12,000	12,000	50.50
$2.625 Series C		240,000	240,000	50.00	12,000	12,000	51.00
$2.275 Series D		200,000	200,000	50.00	10,000	10,000	50.50
$3.25 Series E		320,000	320,000	50.00	16,000	16,000	51.00
Serial preferred	4,000,000(b)						
$8.32 Series J		500,000	500,000	100.00	50,000	50,000	101.00
Adjustable rate Series Q		500,000	500,000	100.00	50,000	50,000	(c)
Serial preferred	10,000,000	--	--	25.00	--	--	
Total		2,374,199	2,374,199		$ 168,561	$ 168,561	
REDEEMABLE							
Serial preferred							
$10.00 Series H		--	8,677	$ 100.00	$ --	$ 868	
$8.80 Series K		187,100	191,825	100.00	18,710	19,182	(d)
$12.90 Series N		--	213,280	100.00	--	21,328	
$11.50 Series R		319,250	359,000	100.00	31,925	35,900	(e)
$8.48 Series S		500,000	500,000	100.00	50,000	50,000	(f)
$8.50 Series T		500,000	500,000	100.00	50,000	50,000	
$10.00 Series U		500,000	500,000	100.00	50,000	50,000	
$7.875 Series V		250,000	--	100.00	25,000	--	(g)
Total		2,256,350	2,272,782		$ 225,635	$ 227,278	

(a) In each case plus accrued dividends.

(b) This authorization covers both outstanding redeemable and non-redeemable preferred shares.

(c) Bears dividends at a rate, adjusted on a quarterly basis, 2% below the rate borne by certain United States Treasury securities, but in no event less than 6% or greater than 12% per annum. Redeemable at $103.00 through February 28, 1993, and at par thereafter.

(d) Redeemable at $103.00 through February 28, 1994, and at $101.00 thereafter.

(e) Redeemable after June 1, 1994 at $105.45, declining each year by a predetermined amount to par after June 1, 2003.

(f) Redeemable at $104.24 through May 31, 1993, and thereafter declining by $2.12 each year to par after May 31, 1994.

(g) Redeemable at $107.88 through May 31, 1993, and thereafter declining by a predetermined amount each year to par after May 31, 2002.

If there were to be any arrearage in dividends on any of its preferred stock or in the sinking fund requirements applicable to any of its redeemable preferred stock, APS could not pay dividends on its common stock or acquire any shares thereof for consideration. The combined aggregate amount of redemption requirements for the above issues for the next five years are: 1993, $15,775,000; 1994, $65,775,000; 1995, $15,775,000; 1996, $15,775,000; and 1997, $25,775,000.

Redeemable preferred stock transactions of APS during each of the three years in the period ended December 31, 1992, are as follows:

(DOLLARS IN THOUSANDS)	NUMBER OF SHARES	PAR VALUE AMOUNT
Balance, December 31, 1989	2,040,213	$ 204,021
Retirements		
$10.00 Series H	(16,000)	(1,600)
$8.80 Series K	(1,036)	(104)
$12.90 Series N	(28,145)	(2,814)
$11.50 Series R	(70,500)	(7,050)
Balance, December 31, 1990	1,924,532	192,453
Issuance		
$10.00 Series U	500,000	50,000
Retirements		
$10.00 Series H	(16,000)	(1,600)
$8.80 Series K	(40,275)	(4,027)
$12.90 Series N	(24,975)	(2,498)
$11.50 Series R	(70,500)	(7,050)
Balance, December 31, 1991	2,272,782	227,278
Issuance		
$7.875 Series V	250,000	25,000
Retirements		
$10.00 Series H	(8,677)	(868)
$8.80 Series K	(4,725)	(472)
$12.90 Series N	(213,280)	(21,328)
$11.50 Series R	(39,750)	(3,975)
Balance, December 31, 1992	2,256,350	$ 225,635

8. Common Stock

Pinnacle West's common stock issued during each of the three years in the period ended December 31, 1992, is as follows:

(DOLLARS IN THOUSANDS)	COMMON STOCK NUMBER OF SHARES	AMOUNT (a)
Balance, December 31, 1989	86,723,774	$ 1,646,290
Common Stock Issued	149,400	280
Balance, December 31, 1990	86,873,174	1,646,570
Common Stock Issued	136,800	319
Balance, December 31, 1991	87,009,974	1,646,889
Common Stock Issued	151,898	(117)
Balance, December 31, 1992	87,161,872	$ 1,646,772

(a) Including premiums and expenses of preferred stock issues of APS.

The Pinnacle West Stock Purchase and Dividend Reinvestment Plan provides that any participant may purchase shares of Pinnacle West common stock directly from Pinnacle West.

Both Pinnacle West and APS have employee savings plans under which contributions by participating employees and contributions by employers could involve the issuance of new shares of Pinnacle West common stock. Contributions made by Pinnacle West and APS to their respective employee retirement plans may also involve one or more such issuances of common stock.

Under the Pinnacle West Capital Corporation Stock Option and Incentive Plan, non-qualified (NQSO) and incentive (ISO) stock options and restricted stock awards may be granted to officers and key employees of Pinnacle West and subsidiaries up to an aggregate of 3 million shares of Pinnacle West common stock. The plan also provides for the granting of stock appreciation rights, performance shares, dividend equivalents or any combination thereof. Another plan provides for the granting of NQSOs to Pinnacle West's directors up to an aggregate of 500,000 shares of stock. As of December 31, 1992, approximately 764,000 restricted shares, 2,086,000 NQSOs, 10,000 ISOs and 29,000 dividend equivalents were outstanding under the plans.

9. Pension Plan and Other Benefits

Pinnacle West and its subsidiaries have defined benefit pension plans covering substantially all employees. Benefits are based on years of service and compensation utilizing a final average pay formula. The plans are funded on a current basis to the extent deductible under existing tax regulations. Pension cost, including administrative cost, for 1992, 1991 and 1990 was approximately $14,384,000, $10,913,000, and $14,932,000, respectively, of which approximately $4,279,000, $5,262,000, and $7,893,000, respectively, was charged to expense; the remainder was either capitalized as a component of construction cost or billed to participants of jointly-owned facilities. Plan assets consist primarily of domestic and international common stocks and bonds and real estate.

In 1990, APS implemented a voluntary work force reduction plan. As part of this plan, APS offered a special early retirement program to employees who met certain eligibility requirements. APS also offered an enhanced severance plan to selected employees. The total additional pension cost recorded for these programs was $8,232,000, of which $5,152,000 was charged to expense.

Net periodic pension cost is determined using the projected unit credit actuarial cost method. Excluding the costs of the early retirement program and the enhanced severance plan, the components of pension cost are as follows:

(THOUSANDS OF DOLLARS)	1992	1991	1990
Service cost - benefits earned during the period	$ 17,227	$ 14,831	$ 16,345
Interest cost on projected benefit obligation	33,633	31,216	30,054
Return on plan assets	(23,225)	(65,262)	9,512
Net amortization and deferral	(15,097)	28,924	(50,973)
Net consolidated periodic pension cost	$ 12,538	$ 9,709	$ 4,938

The discount rate used in determining the actuarial present value of the projected benefit obligation was 8.25% in 1992 and 1991. The rate of increase in future compensation levels used was 5.0% in 1992 and 5.5% in 1991. The expected long-term rate of return on assets used was 9.5% in 1992 and 10.00% in 1991.

The following table sets forth the plans' funded status and amounts recognized in the accompanying consolidated balance sheets:

(THOUSANDS OF DOLLARS)	1992	1991
Plan assets at fair value	$ 391,827	$ 391,218
Actuarial present value of benefit obligation, including vested benefits of $270,456 and $279,734 in 1992 and 1991, respectively	309,607	299,021
Effect of projected future compensation increases	106,218	104,584
Projected benefit obligation	415,825	403,605
Plan assets less than projected benefit obligation	(23,998)	(12,387)
Unrecognized net loss from past experience different from that assumed	8,097	10,901
Unrecognized prior service cost	15,893	16,726
Unrecognized net asset at January 1, 1986 being recognized over 20.2 years	(42,597)	(45,825)
Accrued pension liability	$ (42,605)	$ (30,585)

In addition to providing pension benefits, Pinnacle West and its subsidiaries provide certain health care and life insurance benefits for active and retired employees. All benefits are provided through a combination of insurance policies and self-insured plans. The cost of providing those benefits for both active and retired employees amounted to $27,404,000, $28,625,000 and $29,425,000, of which $14,454,000, $13,197,000, and $13,692,000 was charged to expense, in 1992, 1991 and 1990, respectively. At December 31, 1992, Pinnacle West and its subsidiaries were providing these benefits to 7,121 active employees and 1,570 retirees.

The FASB has issued SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." This Statement will require accrual of postretirement benefits, such as health care benefits, during the years an employee provides services. This is a significant change from the current policy of recognizing the costs of these benefits as they are paid. Pinnacle West will adopt the standard in 1993 and plans to amortize the accumulated benefit obligation beginning at that time over a twentyyear period. Based on an actuarial review of the current plans, the accumulated benefit obligation at December 31, 1992 is approximately $188 million. Based on current estimates, the adoption of the standard will result in an increase in 1993 annual postretirement benefit costs of approximately $30 million, of which approximately $13 million will be charged to expense. Other increased costs will generally be capitalized as a component of construction costs or billed to participants of jointly-owned facilities. These estimates are subject to change based on a number of factors used in the calculations.

In November 1992 the FASB issued SFAS No. 112, "Employers' Accounting for Postemployment Benefits" which is effective in 1994. The new standard requires a change from a cash method to an accrual method in accounting for benefits (such as long-term disability) provided to former or inactive employees after employment but before retirement. The impact of this new standard has not been fully determined, but the change will result in earlier cost recognition for these benefits. Management has not yet made a determination as to the timing of implementation.

10. Supplemental Income Statement Information

Other taxes charged to operations during each of the three years in the period ended December 31, 1992, are as follows:

(THOUSANDS OF DOLLARS)	1992	1991	1990
Ad valorem	$ 119,173	$ 121,936	$ 113,452
Sales	83,185	80,815	74,015
Other	14,705	12,790	11,365
Total other taxes	$ 217,063	$ 215,541	$ 198,832

11. Jointly-Owned Facilities

At December 31, 1992, APS owned interests in the following jointly-owned electric generating and transmission facilities. APS' share of related operating and maintenance expenses is included in utility operations and maintenance.

(DOLLARS IN THOUSANDS)	PERCENT OWNED BY APS	PLANT IN SERVICE	ACCUMULATED DEPRECIATION	CONSTRUCTION WORK IN PROGRESS
GENERATING FACILITIES				
Palo Verde Nuclear Generating Station - Units 1 and 3	29.1%	$ 1,819,921	$ 317,704	$ 14,163
Palo Verde Nuclear Generating Station - Unit 2 (See Note 12)	17.0%	547,251	96,576	13,384
Four Corners Steam Generating Plant - Units 4 and 5	15.0%	139,338	42,597	718
Navajo Steam Generating Plant - Units 1, 2 and 3	14.0%	134,101	65,711	7,464
Cholla Steam Generating Plant - Common Facilities (a)	62.8%	68,509	28,130	1,461
TRANSMISSION FACILITIES				
ANPP 500 KV System	35.8%(b)	62,557	12,356	848
Navajo Southern System	31.4%(b)	28,209	15,115	43
Palo Verde-Yuma 500 KV System	23.9%(b)	11,389	2,674	--
Four Corners Switchyards	27.5%(b)	2,948	1,705	--
Phoenix-Mead System	15.3%(b)	--	--	4,945

(a) APS is the operating agent for Cholla 4, which is owned by PacifiCorp. The common facilities at the Cholla Plant are jointly-owned.
(b) Weighted average of interests.

12. Leases

In 1986, APS entered into sale and leaseback transactions under which it sold approximately 42% of its share of Palo Verde Unit 2. The gain of approximately \$140,220,000 has been deferred and is being amortized to expense over the original lease term. The leases are being accounted for as operating leases and require semi-annual payments of approximately \$22,061,000 through December 1996, \$23,605,000 through June 1997 and \$26,963,000 through December 2015. Options to renew the leases for two additional years and to purchase the property at fair market value at the end of the lease terms are also included. Lease expense for 1992, 1991 and 1990 was \$45,838,000, \$45,633,000 and \$45,458,000, respectively.

APS has a capital lease on a combined cycle plant which it sold and leased back. The lease requires semi-annual payments of \$2,582,000 through June 2001, and includes renewal and purchase options based on fair market value. This plant is included in plant in service at its original cost of \$54,405,000; accumulated depreciation at December 31, 1992, was \$35,591,000.

In addition, Pinnacle West and its subsidiaries lease certain land, buildings, equipment and miscellaneous other items through operating rental agreements with varying terms, provisions and expiration dates. Rent expense for 1992, 1991 and 1990 was approximately \$26,104,000, \$28,185,000, and \$17,720,000, respectively. Annual future minimum rental commitments, excluding the Palo Verde and combined cycle leases, through 1997 are as follows: 1993, \$25,832,000; 1994, \$24,259,000; 1995, \$18,531,000; 1996, \$15,552,000; and 1997, \$15,622,000. Total rental commitments after 1997 are estimated at \$183 million.

13. Commitments and Contingencies

LITIGATION

Pinnacle West and its subsidiaries are parties to various claims, legal actions and complaints arising out of the normal course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the financial position of Pinnacle West.

Various claims have been asserted against Pinnacle West and against present and former directors of Pinnacle West and MeraBank, many of whom look to Pinnacle West and its insurance carriers for indemnification of defense costs and damages. The claims seek damages resulting from alleged deficiencies in Pinnacle West's public communication and financial reporting between April 1987 and October 1988; from the acquisition, operation and divestiture of MeraBank; and from the responses by Pinnacle West and its directors to the various buyout offers of PacifiCorp. Class action certification has been granted in one pending case. In the opinion of management, the ultimate resolution of these claims will not have a material adverse effect on Pinnacle West's financial position.

CONSTRUCTION PROGRAM

Expenditures in 1993 for Pinnacle West's continuing construction program have been estimated at \$301 million, excluding capitalized property taxes and capitalized interest.

FUEL AND PURCHASED POWER COMMITMENTS

APS is a party to various fuel and purchased power contracts with terms expiring from 1993 through 2020. APS estimates that the amount of fuel and purchased power that it is required to purchase pursuant to these contracts during 1993 totals approximately \$150 million. However, this amount may vary significantly pursuant to certain provisions in such contracts which permit APS to decrease its required purchases under certain circumstances.

NUCLEAR INSURANCE

The Palo Verde participants have insurance for public liability resulting from nuclear energy hazards to the full limit of liability under federal law. This potential liability is covered by primary liability insurance provided by commercial insurance carriers in the amount of $200 million, and the balance by an industry-wide retrospective assessment program. The maximum assessment per reactor under the retrospective rating program for each nuclear incident is approximately $66 million, subject to an annual limit of $10 million per incident. Based upon APS' 29.1% interest in the three Palo Verde units, APS' maximum potential assessment per incident is approximately $58 million, with an annual payment limitation of $8.73 million.

The Palo Verde participants maintain "all risk" (including nuclear hazards) insurance for nuclear damage to, and decontamination of, property at Palo Verde in the aggregate amount of $2.625 billion, a substantial portion of which must first be applied to stabilization and decontamination. APS has also secured insurance against portions of any increased cost of generation or purchased power and business interruption resulting from the accidental outage of any of the three units if the outage exceeds 21 weeks.

EPEC BANKRUPTCY

APS owns or leases a 29.1% interest in Palo Verde and owns a 15% interest in Four Corners Units 4 and 5. El Paso Electric Company (EPEC) owns or leases a 15.8% interest in Palo Verde and owns a 7% interest in Four Corners Units 4 and 5. On January 8, 1992, EPEC filed a voluntary petition to reorganize under Chapter 11 of the Bankruptcy Code. Each Palo Verde and Four Corners participant is required to fund its proportionate share of specified costs relating to Palo Verde and Four Corners Units 4 and 5, respectively. APS estimates EPEC's total monthly share of these costs to be approximately $10 million, $9 million of which relates to its share of Palo Verde costs. If a participant fails to meet its payment obligations, each non-defaulting participant pays its proportionate share of payments owed by the defaulting participant. With the approval of the bankruptcy court, EPEC agreed to pay its proportionate share of all Palo Verde invoices delivered to EPEC after February 6, 1992 until such time, if ever, as an order is entered by the court authorizing or directing EPEC's rejection of the Arizona Nuclear Power Project (ANPP, also known as Palo Verde) Participation Agreement.

In connection with the bankruptcy proceedings, EPEC has indicated that its leases of portions of Palo Verde may be rejected. Although APS cannot currently predict the outcome of this issue, the ANPP Participation Agreement provides that EPEC may not be released from its share of the Palo Verde costs associated with such leased portions without the consent of the other Palo Verde participants, even if the leases are rejected in the bankruptcy proceeding or a lessor thereunder seeks to transfer its Palo Verde interest to a transferee engaged in the distribution of energy.

As part of the bankruptcy proceeding, EPEC has indicated that it is evaluating potential claims against APS arising out of APS' role as Palo Verde operating agent, specifically as a result of the 1989-90 Palo Verde outages. APS cannot predict whether EPEC will bring such a claim or the size of any such claim.

TAX PROPOSAL

In February 1993 President Clinton announced a tax proposal, including an increased corporate income tax and a Btu tax on energy sources. If imposed, such taxes would, in APS' opinion, involve a "significant change in law" for purposes of a future retail rate increase (see Note 3). As more information becomes available, APS will formulate an appropriate course of action.

14. Selected Quarterly Financial Data (Unaudited)

Consolidated quarterly financial information for 1992 and 1991 is as follows:

(THOUSANDS OF DOLLARS, EXCEPT PER SHARE AMOUNTS)	1992			
QUARTER ENDED	MARCH 31	JUNE 30	SEPTEMBER 30	DECEMBER 31
Operating Revenues				
Electric	$ 344,947	$ 409,012	$ 516,960	$ 398,760
Real estate	2,323	3,894	9,372	4,370
Operating income (a)	$ 87,408	$ 138,079	$ 214,623	$ 107,367
Income from continuing operations	$ 7,763	$ 38,726	$ 85,306	$ 18,645
Income from discontinued operations	--	--	--	6,000(b)
Net income	$ 7,763	$ 38,726	$ 85,306	$ 24,645
Earnings per average share of common stock				
Continuing operations	$ 0.09	$ 0.44	$ 0.98	$ 0.21
Discontinued operations	--	--	--	0.07
Total	$ 0.09	$ 0.44	$ 0.98	$ 0.28
Cash dividends declared per share	$ --	$ --	$ --	$ --

(THOUSANDS OF DOLLARS, EXCEPT PER SHARE AMOUNTS)	1991			
QUARTER ENDED	MARCH 31	JUNE 30	SEPTEMBER 30	DECEMBER 31
Operating Revenues				
Electric	$ 330,646	$ 358,245	$ 471,384	$ 355,014
Provision for rate refund	--	--	--	(53,436)
Real estate	1,676	4,227	3,352	3,442
Operating income (loss) (a)	$ 88,318	$ 104,680	$ 206,960	$ (567,207)
Income (loss) from continuing operations	$ 5,504	$ 13,795	$ 77,452	$ (437,068)(c)
Income from discontinued operations	--	--	--	153,455 (b)
Net income (loss)	$ 5,504	$ 13,795	$ 77,452	$ (283,613)
Earnings (loss) per average share of common stock				
Continuing operations	$ 0.06	$ 0.16	$ 0.89	$ (5.02)
Discontinued operations	--	--	--	1.76
Total	$ 0.06	$ 0.16	$ 0.89	$ (3.26)
Cash dividends declared per share	$ --	$ --	$ --	$ --

(a) APS' operations are subject to seasonal fluctuations primarily as a result of weather conditions. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year.

(b) Represents income tax benefits related to the disposal of MeraBank. See Note 2.

(c) Includes approximately $407 million of write-offs and adjustments, net of income tax, related to Palo Verde. See Note 3.

15. Fair Value of Financial Instruments

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of SFAS No. 107, "Disclosure About Fair Value of Financial Instruments." The estimated fair value amounts have been determined by Pinnacle West and independent sources using available market information as of December 31, 1992 and valuation methodologies described below. Considerable judgement is required in interpreting market data to develop the estimates. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that Pinnacle West could realize in a current market exchange nor do they reflect changes occurring after December 31, 1992.

The carrying amounts and estimated fair value of the Company's financial instruments at December 31, 1992 are as follows:

(THOUSANDS OF DOLLARS)	CARRYING AMOUNT	ESTIMATED FAIR VALUE
ASSETS		
Cash and Cash Equivalents	$ 87,926	$ 87,926
Debt and Equity Investments (a)		
Practicable to Estimate Fair Value	55,059	58,487(b)
Not Practicable	63,562	(c)
LIABILITIES		
Notes Payable to Banks	130,000	130,000
Commercial Paper	65,000	65,000
Long-Term Debt (d)	2,848,447	3,019,812(e)

(a) These investments are classified as "Investments and Other Assets" on the Company's Consolidated Balance Sheets.

(b) The fair value of debt investments was estimated using quoted market values from an independent source or by discounting future cash flows at current equivalent market interest rates. The fair value of equity investments was established by discounting future cash flows using the APS cost of capital.

(c) It was not practicable to estimate the value of several investments in joint ventures and untraded equity securities, because of excessive costs that would be incurred in attempting to do so.

(d) The carrying value of debt excludes $32 million of obligations under capital leases and the unamortized balance of debt discounts classified as debt on the Consolidated Balance Sheets.

(e) The fair value of fixed-rate long-term debt was estimated by independent sources using quoted market prices where available. Where market prices were not available, the fair value was established by discounting future cash flows using rates currently available for debt of similar terms and remaining maturities. The carrying value of long-term debt bearing interest at variable rates tied to broad market rates was assumed to approximate fair market value.

Back Row

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President, TableScapes, Inc.
(Party Supply Rentals)

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Of Counsel to the Law Firm of
Mangum, Wall, Stoops & Warden

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Western Newspapers, Inc.

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Archdeacon, Episcopal Diocese of
Arizona & Butler Professor, School
of Theology at Claremont

ROY A. HERBERGER, JR.
President,
American Graduate School of
International Management

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Chairman & President

HENRY B. SARGENT
Executive Vice President &
Chief Financial Officer

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Houston, Texas; & Dolan Energy
Corporation & Sierra Blanca Gas
Company, Chicago, Illinois
(Marketing of gas & other fuels;
energy investment)

O. MARK DE MICHELE
President & Chief Executive
Officer, APS

JOHN R. NORTON III
Chairman & Chief Executive
Officer,
J.R. Norton Company
(Agricultural Production)

Pinnacle West

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HENRY B. SARGENT
Executive Vice President &
Chief Financial Officer

MICHAEL S. ASH
Corporate Counsel

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Vice President of Corporate
Planning & Development

NANCY E. NEWQUIST
Treasurer

FAYE WIDENMANN
Vice President of Corporate
Relations & Administration &
Secretary

Arizona Public Service

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Chairman of the Board

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President & Chief Executive Officer

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Executive Vice President, Nuclear

WALTER F. EKSTROM
Executive Vice President,
Engineering, Operations &
Construction

JARON B. NORBERG
Executive Vice President &
Chief Financial Officer

SHIRLEY A. RICHARD
Executive Vice President, Customer
Service, Marketing & Corporate
Relations

JAN H. BENNETT
Vice President, Customer Service

ARMANDO B. FLORES
Vice President, Human Resources

JAMES M. LEVINE
Vice President, Nuclear Production

RICHARD W. MACLEAN
Vice President, Environmental,
Health & Safety

WILLIAM J. POST
Vice President, Finance & Rates

E.C. SIMPSON
Vice President, Nuclear Engineering
& Projects

WILLIAM J. HEMELT
Treasurer & Assistant Secretary

NANCY C. LOFTIN
Secretary & Corporate Counsel

NANCY E. NEWQUIST
Assistant Treasurer

SunCor

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Chairman of the Board

JOHN C. OGDEN
President & Chief Executive Officer

HENRY B. SARGENT
Executive Vice President

GEOFFREY L. APPLEYARD
Vice President Finance

DUANE BLACK
Vice President
Construction - Development

ANTHONY CAMBERLANGO
Vice President
Marketing - Acquisition

STEVEN GERVAIS
Vice President & General Counsel

MARGARET E. KIRCH
Vice President
Commercial Development

El Dorado

RICHARD SNELL
Chairman of the Board

HENRY B. SARGENT
President & Chief Executive Officer

GREGORY S. ANDERSON
Vice President & General Manager

Stock Listing

Ticker symbol: PNW on New York Stock Exchange and Pacific Stock Exchange
Newspaper financial listings: PinWst

Annual Meeting of Shareholders

Wednesday, May 19, 1993
10:00 a.m.
Wigwam Ballroom
Wigwam Resort
300 East Indian School Road
Litchfield Park, Arizona

Statistical Report

A detailed Statistical Report for Financial Analysis for 1987-1992 will be available in April upon request. Write: Investor Relations Department.

Shareholders Association

Pinnacle West stockholders may join the Pinnacle West Shareholders Association. If interested, send your name and address to:
Shareholders Association
P.O. Box 34805
Phoenix, Arizona 85067

Corporate Headquarters

Street address:
400 East Van Buren Street
Phoenix, Arizona 85004

Mailing address:
P.O. Box 52132
Phoenix, Arizona 85072-2132

Main telephone number: (602) 379-2500

Correspondence Regarding Corporate Issues

Please write to the Corporate Relations Department.

Form 10-K

Pinnacle West's Annual Report to the Securities and Exchange Commission on Form 10-K will be available after April 1, 1993 to shareholders upon written request, without charge. Write: Office of the Secretary.

Transfer Agents and Registrars

COMMON AND APS PREFERRED STOCK
Pinnacle West Capital Corporation
Stock Transfer Department
P.O. Box 52134
Phoenix, Arizona 85072-2134
Telephone: (602) 379-2519

PINNACLE WEST COMMON STOCK ONLY
The First National Bank of Boston
Transfer Processing
Mail Stop 45-01-05
P.O. Box 644
Boston, Massachusetts 02102-0644
(617) 575-2900

Shareholder Account and Administrative Information

Shareholders may call or write to the Shareholder Services Department regarding:

- Stock transfer and name-change requirements
- Notices of lost or destroyed stock certificates
- Address changes
- Taxpayer identification number (Social Security number) submission or changes
- Duplicate 1099 forms and W-9 tax certification forms
- Other shareholder account information

Shareholder Services telephone number (toll-free): 1-800-457-2983

Investor Relations Contact

Rebecca L. Hickman
Manager, Investor Relations
Telephone: (602) 379-2568
Fax: (602) 379-2640

DESIGN: CAMPBELL FISHER DITKO DESIGN, INC. ILLUSTRATION: DAVID LESH

PINNACLE WEST
CAPITAL CORPORATION