

PINNACLE WEST CAPITAL CORP

Form 8-K

July 26, 2007

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

**FORM 8-K  
CURRENT REPORT**

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

**Date of Report (Date of earliest event reported): June 30, 2007**

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

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

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

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

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**Item 2.02. Results of Operations and Financial Condition**

On July 26, 2007, Pinnacle West Capital Corporation (the Company or Pinnacle West ) issued a press release regarding its financial results for its fiscal quarter ended June 30, 2007. A copy of the press release is attached hereto as Exhibit 99.9.

Certain of the Information referenced in Item 7.01 below relates to the Company s results of operations for its fiscal quarter ended June 30, 2007. This Information is attached hereto as Exhibits 99.2, 99.3, 99.7, 99.9, and 99.10.

**Item 7.01. Regulation FD Disclosure  
Financial and Business Information**

The Company is providing quarterly consolidated statistical summaries, earnings variance explanations, and a glossary of relevant terms (collectively, Information ) to help interested parties better understand its business (see Exhibits 99.1, 99.2, 99.3, 99.4, 99.5, 99.6, 99.7, 99.8 and 99.10). This Information is concurrently being posted to the Company s website at [www.pinnaclewest.com](http://www.pinnaclewest.com). The Information may not represent all of the factors that could affect the Company s operating or financial results for various periods. Some of the Information is preliminary in nature and could be subject to significant adjustment. Some of the Information is based on information received from third parties and may contain inaccuracies. The Company is not responsible for any such inaccuracies. Although the Company may update or correct the Information if it is aware that such Information has been revised or is inaccurate, the Company assumes no obligation to update or correct the Information and reserves the right to discontinue the provision of all or any portion of the Information at any time or to change the type of Information provided.

**2007 Earnings Outlook**

We are updating Pinnacle West s 2007 earnings outlook in light of the recent Arizona Corporation Commission ( ACC ) decision in APS general retail rate case. See APS General Rate Case and Power Supply Adjustor in Item 8.01 of the Pinnacle West/APS Report on Form 8-K filed with the Securities and Exchange Commission (the SEC ) on June 20, 2007 for additional information about the ACC decision. In this discussion, earnings per share amounts are after income taxes and are based on diluted common shares outstanding. The earnings guidance in this Form 8-K supersedes all previous earnings guidance provided by Pinnacle West. Our earnings forecasts are subject to numerous risks, including those described under Forward-Looking Statements below.

We currently estimate that our consolidated earnings for 2007 will be within a reasonable range of \$2.55 per share. We estimate that APS earnings contribution included in such 2007 consolidated earnings will be within a reasonable range of \$2.25 per share (equivalent to a return on APS average common equity of 7.5%). These estimates include the \$8 million after-tax (\$0.08 per share) regulatory disallowance recorded in the second quarter of 2007 as a result of the general rate case decision. We currently estimate that net income for 2007 for our real estate subsidiary, SunCor Development Company ( SunCor ) will be approximately \$30 million.

We previously estimated that our base level of consolidated earnings for 2007, before considering any potential earnings benefit derived from a base rate increase effective at any time during 2007, would be within a reasonable range of \$2.45 per share. See the Pinnacle West/APS Report on Form 8-K filed with the SEC on January 30, 2007 for further information on our prior 2007 guidance. Our current guidance differs from our prior guidance principally due to the following factors, all of which relate to implementation of the retail rate decision effective July 1, 2007:

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The annualized pretax non-fuel rate increase of \$7 million approved by the ACC increased our estimate \$0.02 per share;

The increase in the base fuel rate approved by the ACC increased our estimate \$0.11 per share because of the PSA sharing arrangement (under which APS absorbs 10% of variances between actual retail fuel and purchase power costs and the base fuel rate); and

The regulatory disallowance decreased our estimate \$0.08 per share.

**Forward-Looking Statements**

This Form 8-K contains forward-looking statements regarding our 2007 earnings outlook. Neither the Company nor APS assumes any obligation to update these statements or make any further statements on any of these issues, except as required by applicable law. Because actual results may differ materially from expectations, we caution readers not to place undue reliance on these statements. A number of factors could cause future results to differ materially from historical results, or from results or outcomes currently expected or sought by Pinnacle West or APS. In addition to the Risk Factors described in Item 1A of the Pinnacle West/APS Annual Report on Form 10-K for the fiscal year ended December 31, 2006, these factors include, but are not limited to, state and federal regulatory and legislative decisions and actions; the ongoing restructuring of the electric industry, including the introduction of retail electric competition in Arizona and decisions impacting wholesale competition; the outcome of regulatory, legislative and judicial proceedings, both current and future, relating to the restructuring; market prices for electricity and natural gas; power plant performance and outages; transmission outages and constraints; weather variations affecting local and regional customer energy usage; customer growth and energy usage; regional economic and market conditions, including the results of litigation and other proceedings resulting from the California energy situation, volatile fuel and purchased power costs and the completion of generation and transmission construction in the region, which could affect customer growth and the cost of power supplies; the cost of debt and equity capital and access to capital markets; current credit ratings remaining in effect for any given period of time; our ability to compete successfully outside traditional regulated markets (including the wholesale market); the performance of our marketing and trading activities due to volatile market liquidity and any deteriorating counterparty credit and the use of derivative contracts in our business (including the interpretation of the subjective and complex accounting rules related to these contracts); changes in accounting principles generally accepted in the United States of America and the interpretation of those principles; the performance of the stock market and the changing interest rate environment, which affect the value of our nuclear decommissioning trust, pension, and other postretirement benefit plans assets, the amount of required contributions to Pinnacle West's pension plan and contributions to APS' nuclear decommissioning trust funds, as well as the reported costs of providing pension and other postretirement benefits; technological developments in the electric industry; the strength of the real estate market in SunCor's market areas, which include Arizona, Idaho, New Mexico and Utah; and other uncertainties, all of which are difficult to predict and many of which are beyond the control of Pinnacle West and APS.

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| <b>Exhibit No.</b> | <b>Registrant(s)</b> | <b>Description</b>  |
|--------------------|----------------------|---|
| 99.1               | Pinnacle West<br>APS | Pinnacle West Capital Corporation quarterly consolidated statistical summary (cover page and list of contents).   |
| 99.2               | Pinnacle West<br>APS | Pinnacle West Capital Corporation quarterly consolidated statistical summary for the three-month and six-month periods ended June 30, 2007 and 2006.  |
| 99.3               | Pinnacle West<br>APS | Pinnacle West Capital Corporation consolidated statistics by quarter for 2007.  |
| 99.4               | Pinnacle West<br>APS | Pinnacle West Capital Corporation consolidated statistics by quarter for 2006.  |
| 99.5               | Pinnacle West<br>APS | Pinnacle West Capital Corporation consolidated statistics by quarter for 2005.  |
| 99.6               | Pinnacle West<br>APS | Pinnacle West Capital Corporation consolidated statistics by quarter for 2004.  |
| 99.7               | Pinnacle West<br>APS | Pinnacle West Capital Corporation earnings variance explanations for the three and six months ended June 30, 2007 and 2006 and unaudited condensed consolidated statements of income for the three and six months ended June 30, 2007 and 2006. |
| 99.8               | Pinnacle West<br>APS | Glossary of Terms.  |
| 99.9               | Pinnacle West<br>APS | Earnings News Release issued on July 26, 2007.  |
| 99.10              | Pinnacle West<br>APS | Non-GAAP Financial Measure Reconciliation - Operating Income (GAAP measure) to Gross Margin (non-GAAP financial measure).   |

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, each registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PINNACLE WEST CAPITAL  
CORPORATION  
(Registrant)

Dated: July 26, 2007

By: /s/ Donald E. Brandt  
Donald E. Brandt  
Executive Vice President and  
Chief Financial Officer

ARIZONA PUBLIC SERVICE COMPANY  
(Registrant)

Dated: July 26, 2007

By: /s/ Donald E. Brandt  
Donald E. Brandt  
President and Chief Financial Officer

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| <b>Exhibit No.</b> | <b>Registrant(s)</b> | <b>Description</b>  |
|--------------------|----------------------|---|
| 99.1               | Pinnacle West APS    | Pinnacle West Capital Corporation quarterly consolidated statistical summary (cover page and list of contents).   |
| 99.2               | Pinnacle West APS    | Pinnacle West Capital Corporation quarterly consolidated statistical summary for the six-month periods ended June 30, 2007 and 2006.  |
| 99.3               | Pinnacle West APS    | Pinnacle West Capital Corporation consolidated statistics by quarter for 2007.  |
| 99.4               | Pinnacle West APS    | Pinnacle West Capital Corporation consolidated statistics by quarter for 2006.  |
| 99.5               | Pinnacle West APS    | Pinnacle West Capital Corporation consolidated statistics by quarter for 2005.  |
| 99.6               | Pinnacle West APS    | Pinnacle West Capital Corporation consolidated statistics by quarter for 2004.  |
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| 99.8               | Pinnacle West APS    | Glossary of Terms.  |
| 99.9               | Pinnacle West APS    | Earnings News Release issued on July 26, 2007.  |
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