

PINNACLE WEST CAPITAL CORP

Form U-3A-2

February 28, 2003

Adopted November 9, 1939

File No. 69-306

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C.

FORM U-3A-2

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

To Be Filed Annually Prior to March 1

Pinnacle West Capital Corporation

-----  
(Name of Company)

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

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

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

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

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

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

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

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

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

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

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

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Claimant's present generating facilities have capacity as follows:

APS - NET ACCREDITED CAPACITY

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

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

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

PINNACLE WEST ENERGY - PERMITTED CAPACITY

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

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

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

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

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

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

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

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

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0 Mcf. of natural or manufactured gas distributed at retail

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

none

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

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

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

- (1) capitalization:

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

- (2) earnings:

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\$3,000 interest earnings

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

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

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

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EXHIBIT A

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

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

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EXHIBIT B

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

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

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

Pinnacle West Capital Corporation  
(Name of Claimant)

By Barbara M. Gomez  
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Barbara M. Gomez  
Treasurer

[CORPORATE SEAL]

Attest:

Betsy A. Pregulman

-----  
Betsy A. Pregulman  
Associate Secretary

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

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

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

-----  
(Address)

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Exhibit A

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

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

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

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



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

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

EXPLANATIONS OF ELIMINATIONS AND ADJUSTMENTS

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

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

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

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

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

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

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

EXPLANATIONS OF ELIMINATIONS AND ADJUSTMENTS

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

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

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

DEFERRED CREDITS AND OTHER

Liabilities from risk management and trading

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

MINORITY INTERESTS

Joint ventures of SunCor

COMMON STOCK EQUITY

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

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

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

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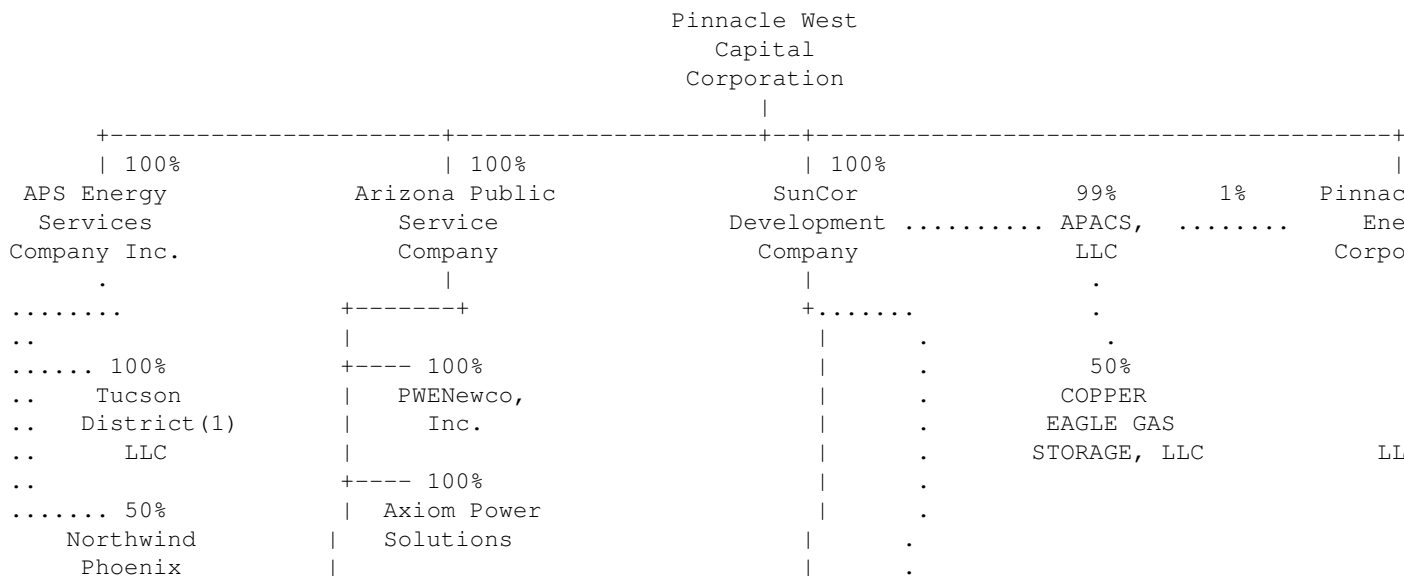
Other		(30)	5,341 (b)
-----			
Total deferred credits	--	(599)	(9,605)
-----			
MINORITY INTERESTS			
Joint ventures of SunCor			(14,925) (c)
-----			
COMMON STOCK EQUITY			
-----			
Common stock	14,046	63,440	(2,927,315) (d)
-----			
Accumulated other comprehensive income			
Minimum pension liability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

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

EXPLANATIONS OF ELIMINATIONS AND ADJUSTMENTS

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

Exhibit B



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

EXHIBIT C

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

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