

ARIZONA PUBLIC SERVICE CO

Form 8-K

July 30, 2008

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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, 2008**

| Commission File Number | Exact Name of Registrant as<br>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<br>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<br>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 30, 2008, Pinnacle West Capital Corporation (the Company or Pinnacle West ) issued a press release regarding its financial results for its fiscal quarter ended June 30, 2008. 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, 2008. This Information is attached hereto as Exhibits 99.2, 99.3, 99.7 and 99.9.

Exhibit 99.9 to this report contains certain non-GAAP financial measures, as defined in Item 10(e) of Regulation S-K of the Exchange Act. We describe these non-GAAP financial measures as on-going earnings and on-going earnings per share. Exhibit 99.9 contains a table that reconciles each of these non-GAAP financial measures to net income, which is the most directly comparable financial measure calculated and presented in accordance with accounting principles generally accepted in the United States of America ( GAAP ). We believe on-going earnings provide investors with a useful indicator of our results that is comparable among periods because it excludes the effects of unusual items that may occur on an irregular basis. Investors should note that these non-GAAP financial measures involve judgments by management, including whether an item is classified as an unusual item. We use on-going earnings, or similar concepts, to measure our performance internally in reports for management.

**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 and 99.8). 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.

**2008 Earnings Outlook**

We currently estimate that our on-going consolidated earnings for 2008 will be within a reasonable range of \$2.50 per share. We estimate that Arizona Public Service Company ( APS ) will contribute substantially all of the 2008 on-going earnings and that SunCor Development Company s 2008 earnings contribution will be minimal. Our 2008 on-going earnings estimate excludes \$0.30 per share of tax credits related to prior years recorded in the fiscal quarter ended June 30, 2008. In this discussion, earnings per share amounts are after income taxes and are based on diluted average 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.

**Capital Expenditures and Financings**

We are continuing efforts to improve APS financial strength and to reduce our need for external financing. These efforts consist of the following four components:

Completion of a previously-announced cost reduction effort implemented earlier this year (including the elimination of \$200 million of capital expenditures for the

years 2008-2012 and operations and maintenance expense reductions related to staffing and other costs);

Attainment of interim rate relief under APS general retail rate case currently pending before the Arizona Corporation Commission ( ACC );

Reduction of at least an additional \$500 million in capital expenditures over the next three years, with implementation beginning in late 2008, due to our reduced customer growth outlook, deferral of several large transmission projects, and reductions in general plant capital expenditures; and

Receipt of a constructive process and decision in the pending general retail rate case with the ACC.

We believe that successful implementation of this program will eliminate the need for a Pinnacle West equity issuance in 2008.

See Capital Expenditures in Part I, Item 2 of the Pinnacle West/APS Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2008 ( March 10-Q ) for current capital expenditure estimates, which include the \$200 million reduction described above. See the Pinnacle West/APS Report on Form 8-K, filed with the Securities and Exchange Commission ( SEC ) on June 9, 2008, for information regarding the interim base rate surcharge request. See 2008 General Rate Case in Note 5 of Notes to Condensed Consolidated Financial Statements in the March 10-Q and the Pinnacle West/APS Report on Form 8-K, filed with the SEC on June 2, 2008, for information regarding the pending general retail rate case.

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**Forward-Looking Statements**

This Form 8-K contains forward-looking statements regarding our 2008 earnings outlook, expected decreases in capital expenditures and other expenses resulting from previous and current cost reduction efforts, achievement of interim rate relief and receipt of a constructive process and decision in our pending general retail rate case with the ACC, and the successful implementation of our program to improve our financial strength, eliminating the need for a Pinnacle West equity issuance in 2008. 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, 2007, these factors include, but are not limited to, our ability to reduce capital expenditures and other costs while maintaining reliability and customer service levels and unexpected developments that would limit us from reducing all or some of these capital expenditures; our ability to successfully implement our program to improve our financial strength in whole or in part and unexpected financial or other developments that would require a Pinnacle West equity issuance before the end of 2008; state and federal regulatory and legislative decisions and actions, including the outcome or timing of our pending rate cases; the outcome of regulatory, legislative and judicial proceedings, both current and future, including those related to environmental matters and climate change; the potential for additional restructuring of the electric industry, including decisions impacting wholesale competition and the introduction of retail electric competition in Arizona; fluctuations in market prices for electricity, natural gas, coal, uranium and other fuels used in our generating facilities, and supplies of such commodities; volatile market liquidity, 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); power plant performance and outages; transmission outages and constraints; weather variations affecting local and regional customer energy usage; customer growth and energy usage; national and regional economic and market conditions, including the strength of the housing and credit markets, volatile fuel and purchased power costs, the completion of generation and transmission construction in the region, which could affect customer growth and the cost of power supplies, and the results of litigation and other proceedings resulting from the California and Pacific Northwest energy situations; ability of power plant participants to meet contractual or other obligations; the cost of debt and equity capital and access to capital markets; current credit ratings remaining in effect for any given period of time; 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 trusts, pension and other postretirement benefit plan 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.

**Table of Contents****Item 9.01. Financial Statements and Exhibits  
(d) Exhibits.**

| <b>Exhibit<br/>No.</b> | <b>Registrant(s)</b>    | <b>Description</b>  |
|------------------------|-------------------------|---|
| 99.1                   | Pinnacle<br>West<br>APS | Pinnacle West Capital Corporation quarterly consolidated statistical summary (cover page and list of contents).   |
| 99.2                   | Pinnacle<br>West<br>APS | Pinnacle West Capital Corporation quarterly consolidated statistical summary for the three-month and six-month periods ended June 30, 2008 and 2007.  |
| 99.3                   | Pinnacle<br>West<br>APS | Pinnacle West Capital Corporation consolidated statistics by quarter for 2008.  |
| 99.4                   | Pinnacle<br>West<br>APS | Pinnacle West Capital Corporation consolidated statistics by quarter for 2007.  |
| 99.5                   | Pinnacle<br>West<br>APS | Pinnacle West Capital Corporation consolidated statistics by quarter for 2006.  |
| 99.6                   | Pinnacle<br>West<br>APS | Pinnacle West Capital Corporation consolidated statistics by quarter for 2005.  |
| 99.7                   | Pinnacle<br>West<br>APS | Pinnacle West Capital Corporation earnings variance explanations for the three and six months ended June 30, 2008 and 2007 and unaudited condensed consolidated statements of income for the three and six months ended June 30, 2008 and 2007. |
| 99.8                   | Pinnacle<br>West<br>APS | Glossary of Terms.  |
| 99.9                   | Pinnacle<br>West<br>APS | Earnings News Release issued on July 30, 2008.  |

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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 30, 2008

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

ARIZONA PUBLIC SERVICE COMPANY  
(Registrant)

Dated: July 30, 2008

By: /s/ Donald E. Brandt  
Donald E. Brandt  
President and Chief Executive 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 three-month and six-month periods ended June 30, 2008 and 2007.  |
| 99.3               | Pinnacle West APS    | Pinnacle West Capital Corporation consolidated statistics by quarter for 2008.  |
| 99.4               | Pinnacle West APS    | Pinnacle West Capital Corporation consolidated statistics by quarter for 2007.  |
| 99.5               | Pinnacle West APS    | Pinnacle West Capital Corporation consolidated statistics by quarter for 2006.  |
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| 99.8               | Pinnacle West APS    | Glossary of Terms.  |
| 99.9               | Pinnacle West APS    | Earnings News Release issued on July 30, 2008.  |