

PINNACLE WEST CAPITAL CORP  
Form S-3ASR  
June 25, 2014

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As filed with the Securities and Exchange Commission on June 25, 2014

Registration No.

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

**FORM S-3**  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

**PINNACLE WEST CAPITAL CORPORATION**

(Exact name of Registrant as specified in its charter)

**ARIZONA**  
(State of Incorporation)

**86-0512431**  
(I.R.S. Employer  
Identification Number)

**400 North Fifth Street, PO Box 53999  
Phoenix, Arizona 85072-3999  
(602) 250-1000**

(Address, including zip code and telephone number, including area code,  
of registrant's principal executive offices)

**DAVID P. FALCK**  
**Pinnacle West Capital Corporation**  
**400 North Fifth Street, MS 9068**  
**Phoenix, Arizona 85004-3992**  
**(602) 250-1000**

(Name, address, including zip code and telephone number,  
including area code, of agent for service)

**Approximate date of commencement of proposed sale to the public:  
From time to time after the effective date of this Registration Statement.**

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act Registration Statement number of the earlier effective registration statement for the same offering.

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If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer                       Accelerated filer                       Non-accelerated filer                       Smaller reporting company   
 (Do not check if a smaller reporting company)

### CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Stock	1,200,000 shares(1)	(2)	(2)	(2)

(1) This number represents shares of common stock that may be sold pursuant to the Pinnacle West Capital Corporation Investors Advantage Plan. In addition to the shares set forth in the table, pursuant to Rule 416 under the Securities Act of 1933 (the "Securities Act"), the amount to be registered includes an indeterminate number of shares of common stock issuable upon stock splits, stock dividends and similar events.

Registration Statement No. 333-175195 on Form S-3ASR, initially filed with the U.S. Securities and Exchange Commission (the "SEC") by Pinnacle West Capital Corporation on June 29, 2011 (the "Prior Registration Statement"), expires on the third anniversary of the date of filing with the SEC pursuant to Rule 415(a)(5) under the Securities Act. The securities covered by this registration statement consist solely of the unsold securities from the Prior Registration Statement. Pursuant to Rule 415(a)(6) under the Securities Act, these securities are being carried forward to this registration statement. No additional securities are being registered by this registration statement. Pursuant to Rule 415(a)(6), the offering of the unsold securities registered under the Prior Registration Statement will be deemed terminated as of the date of effectiveness of this registration statement.

(2) Pursuant to Rule 415(a)(6) under the Securities Act, the entire amount of the registration fee for this registration statement is offset by the filing fee associated with unsold securities registered under the Prior Registration Statement. A filing fee of \$5,180 was paid in connection with the registration pursuant to the Prior Registration Statement of 1,200,000 of the Registrant's Common Shares, 616,383 of which remain unsold.

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prospectus

**PINNACLE WEST CAPITAL CORPORATION**  
INVESTORS ADVANTAGE PLAN

**1,200,000 shares of common stock**

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The Pinnacle West Capital Corporation Investors Advantage Plan (the "Plan") provides our existing and potential investors with a convenient, cost-effective way to purchase shares of common stock, no par value, of Pinnacle West Capital Corporation.

**Participants in the Plan may:**

Reinvest all or a portion of cash dividends paid on common stock registered in their names or on common stock credited to their Plan accounts in shares of common stock;

Make an initial investment in common stock with a cash payment of at least \$50, and additional optional investments thereafter, up to a maximum of \$150,000 per calendar year, including the initial investment;

Receive, upon written request, certificates for whole shares of common stock credited to their Plan accounts;

Deposit certificates representing common stock into the Plan for safekeeping; and

Sell shares of common stock credited to their Plan accounts through the Plan.

We have the option to provide shares of common stock for the Plan from newly issued shares, shares held in our treasury, or shares purchased on the open market. We will make purchases of common stock for the Plan through an independent agent appointed by the Administrator. The common stock is listed on the New York Stock Exchange under the symbol "PNW". The closing price of the common stock on June 19, 2014 on the New York Stock Exchange was \$56.56.

The purchase price of newly issued or treasury shares of common stock purchased under the Plan for an investment date will be the average of the high and low sales prices of the common stock as reported on the New York Stock Exchange Composite Tape and published in *The Wall Street Journal* or, for any day on which there is no such publication, in another generally accepted publication for the first business day of the relevant investment period, provided that the New York Stock Exchange is open on such day. If newly issued or treasury shares had been purchased for the Plan on June 19, 2014 under this formula, the purchase price would have been \$56.19 per share.

The price of shares of common stock purchased on the open market will be the weighted average purchase price per share (including brokerage commissions, any related service charges, and applicable taxes) of the aggregate number of shares purchased on the open market for an investment date, which will generally be the last day of the investment period during which the shares are bought. We will pay the costs of administration of the Plan. However, see Question 36 under "Description of the Plan" for a description of certain fees that we will charge to the participants.

**See "Risk Factors" beginning on page 2 of this prospectus where we describe certain factors you should consider when making a decision to invest in our common stock.**

Our principal executive offices are located at 400 North Fifth Street, Phoenix, Arizona 85004. Our telephone number is (602) 250-1000.

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**NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

The date of this *prospectus* is June 25, 2014

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**RISK FACTORS**

We include a discussion of risk factors relating to our business and an investment in our securities in our Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q filed from time to time by us with the Securities and Exchange Commission (the "SEC"). These reports are incorporated by reference in this prospectus. See "Where You Can Find More Information." We may also describe additional risks related to our securities in a prospectus supplement from time to time. Before purchasing our securities, you should carefully consider the risk factors we describe in those reports and in any prospectus supplement. Although we discuss key risks in the risk factor descriptions, be aware that other risks may prove to be important in the future. New risks may emerge at any time and we cannot predict such risks or estimate the extent to which they may affect our business, financial condition, cash flows or operating results.

**ABOUT THIS PROSPECTUS**

This prospectus is part of a shelf registration statement that we filed with the SEC. By using a shelf registration statement, we may sell the securities described in this prospectus from time to time or continuously. You should rely only on the information contained or incorporated by reference in this prospectus. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We will not make an offer to sell these securities in any jurisdiction where the offer or sale is not permitted.

**FORWARD-LOOKING STATEMENTS**

This prospectus, any accompanying prospectus supplement, and the information contained or incorporated by reference in this prospectus may contain forward-looking statements based on current expectations, and we assume no obligation to update these statements, even if our internal estimates change, except as required by law. These forward-looking statements are often identified by words such as "estimate," "predict," "may," "believe," "plan," "expect," "require," "intend," "assume" and similar words. 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 outcomes currently expected or sought by us. In addition to the Risk Factors described above, these factors include, but are not limited to:

our ability to manage capital expenditures and operations and maintenance costs while maintaining reliability and customer service levels;

variations in demand for electricity, including those due to weather, the general economy, customer and sales growth (or decline), and the effects of energy conservation measures and distributed generation;

power plant and transmission system performance and outages;

competition in retail and wholesale power markets;

regulatory and judicial decisions, developments and proceedings;

new legislation or regulation, including those relating to environmental requirements, nuclear plant operations and potential deregulation of retail electric markets;

fuel and water supply availability;

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our ability to achieve timely and adequate rate recovery of our costs, including returns on debt and equity capital;

our ability to meet renewable energy and energy efficiency mandates and recover related costs;

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risks inherent in the operation of nuclear facilities, including spent fuel disposal uncertainty;

current and future economic conditions in Arizona, particularly in real estate markets;

the cost of debt and equity capital and the ability to access capital markets when required;

environmental and other concerns surrounding coal-fired generation;

volatile fuel and purchased power costs;

the investment performance of the assets of our nuclear decommissioning trust, pension, and other postretirement benefit plans and the resulting impact on future funding requirements;

the liquidity of wholesale power markets and the use of derivative contracts in our business;

potential shortfalls in insurance coverage;

new accounting requirements or new interpretations of existing requirements;

generation, transmission and distribution facility and system conditions and operating costs;

the ability to meet the anticipated future need for additional baseload generation and associated transmission facilities in our region;

the willingness or ability of our counterparties, power plant participants and power plant land owners to meet contractual or other obligations or extend the rights for continued power plant operations;

technological developments affecting the electric industry; and

restrictions on dividends or other provisions in our credit agreements and Arizona Corporation Commission orders.

We generally update these factors in each of our Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q filed with the SEC. We claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 for any forward-looking statements contained in this prospectus.

### **WHERE YOU CAN FIND MORE INFORMATION**

#### **AVAILABLE INFORMATION**

We file annual, quarterly, and current reports, and other information with the SEC. Our SEC filings are available to the public over the Internet at the SEC's web site: <http://www.sec.gov>. You may also read and copy any document we file at the SEC's public reference room, which



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is located at 100 F Street, N.E., Washington, D.C. 20549. You may call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our filings with the SEC are also available on our own web site at <http://www.pinnaclewest.com>. The other information on our website is not part of this prospectus or any prospectus supplement.

### **INCORPORATION BY REFERENCE**

The SEC allows us to incorporate by reference the information we file with it, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus, and later information we file with the SEC will automatically update and supersede this information. We incorporate by reference the documents listed below and any future filings we make with the SEC under Sections 13(a), 13(c), 14, or

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15(d) of the Securities and Exchange Act of 1934 prior to the termination of this offering, excluding, in each case, information deemed furnished and not filed.

1. Pinnacle West Capital Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2013;
2. Pinnacle West Capital Corporation's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2014;
3. Pinnacle West Capital Corporation's Current Reports on Form 8-K filed January 9, 2014, January 24, 2014, February 21, 2014, May 9, 2014, May 28, 2014, June 12, 2014 and June 24, 2014; and
4. The description of our common stock included in our registration statement on Form 8-B, File No. 1-8962, as filed on July 25, 1985, and any amendment or report that we have filed (or will file after the date of this prospectus and prior to the termination of this offering) for the purpose of updating such description, including our Current Report on Form 8-K filed with the SEC on June 28, 2011.

You may request a copy of these filings and will receive a copy of these filings, at no cost, by writing, telephoning, or contacting us through our website at the following:

Pinnacle West Capital Corporation  
Office of the Secretary  
Station 8602  
P. O. Box 53999  
Phoenix, Arizona 85072-3999  
(602) 250-4400  
or online at [www.pinnaclewest.com](http://www.pinnaclewest.com)

### **THE COMPANY**

Pinnacle West Capital Corporation ("Pinnacle West" or the "Company") was incorporated in 1985 under the laws of the State of Arizona and owns all of the outstanding common stock of Arizona Public Service Company ("APS"), its major subsidiary. APS is a vertically-integrated electric utility that provides either retail or wholesale electric service to most of the State of Arizona, with the major exceptions of about one-half of the Phoenix metropolitan area, the Tucson metropolitan area and Mohave County in northwestern Arizona.

Our principal executive offices are located at 400 North Fifth Street, Phoenix, Arizona 85004, and the telephone number is 602-250-1000.

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**DESCRIPTION OF THE PLAN**

The Pinnacle West Capital Corporation Investors Advantage Plan (the "Plan") is presented through the following questions and answers. For convenience of reference, the definitions of certain key terms are included below:

**DEFINITIONS**

<i>Administrator</i>	Computershare Trust Company, N.A. ("Computershare") or such individual, bank, trust company or other entity appointed from time to time by the Company to act as Administrator of the Plan. See also "Plan Administrator."
<i>Cash Investment</i>	An Initial Cash Investment and any payment made subsequent to enrollment in the Plan. The maximum aggregate Cash Investment (including the Initial Cash Investment) is \$150,000 per account per calendar year.
<i>Company</i>	Pinnacle West Capital Corporation.
<i>Dividend Payment Date</i>	The date determined by our Board of Directors on which common stock dividends are payable. These dates are normally the first business day of March, June, September, and December.
<i>Dividend Record Date</i>	The date fixed for determining the Shareholders of Record who will be entitled to receive a dividend payable on a Dividend Payment Date. The Dividend Record Date is generally the first business day of the month immediately preceding the Dividend Payment Date.
<i>Eligible Investor</i>	An investor who makes an Initial Cash Investment of at least \$50 or a Shareholder of Record.
<i>Enrollment Form</i>	Form available through the Administrator that the investor must complete to be able to participate in the Plan or various features of the Plan, or to change the investor's participation in the Plan.
<i>Ex-Dividend Date</i>	A date, normally two business days prior to the Dividend Record Date, based on industry regulations, necessary to allow for the settlement of traded securities by the Dividend Record Date.
<i>Initial Cash Investment</i>	A payment made to the Administrator by a person who is not already a Shareholder of Record to purchase shares of common stock to open a Plan account. The minimum Initial Cash Investment is \$50.

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<i>Investment Date</i>	The date on which the purchase price for all shares of common stock to be purchased during an Investment Period has been determined. The purchased shares are credited to a participant's account as of the Investment Date. Generally, the Investment Date will be the first day of the relevant Investment Period if shares are newly issued or treasury shares purchased from us, and the last day of the relevant Investment Period if shares are purchased on the open market. If the Investment Date would otherwise fall on a day on which the New York Stock Exchange is not open, the Investment Date will be the first business day following such day on which the New York Stock Exchange is open.
<i>Investment Period</i>	The period during which common stock is purchased. An Investment Period will occur approximately every 5 business days.
<i>Plan</i>	Pinnacle West Capital Corporation Investors Advantage Plan.
<i>Plan Administrator</i>	Computershare Trust Company, N.A. ("Computershare").
<i>Plan Statement</i>	A statement prepared by the Administrator and sent to a participant following the end of each quarter if the participant's account had purchase or investment activity during the quarter as described in Question 37.
<i>Shareholder of Record</i>	An investor whose shares are registered on the books of the Company in the shareholder's name.

**PURPOSE OF THE PLAN**

**1. What is the purpose of the Plan?**

The purpose of the Plan is to promote long-term stock ownership among existing shareholders and new investors by providing a convenient and cost effective method to purchase shares of common stock with Cash Investments or reinvested dividends.

**ADVANTAGES AND DISADVANTAGES OF THE PLAN**

**2. What are advantages and disadvantages of the Plan?**

**Advantages:**

**A.**

**Direct Purchase of Stock** Persons not presently owning shares of common stock may become shareholders by making an Initial Cash Investment of at least \$50. Participants may invest additional funds to purchase shares of common stock at any time. The maximum annual Cash Investment (including the Initial Cash Investment) is \$150,000 per account.

**B.**

**Certificate Safekeeping** Participants may deposit their common stock certificates with the Administrator, whether or not the common stock represented by such certificates was

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purchased through the Plan, and have their ownership maintained on the Company's records in their Plan accounts. This convenience is provided at no cost to the participant and eliminates the possibility of loss, inadvertent destruction, or theft of certificates. Also, because shares deposited for safekeeping are treated in the same manner as shares purchased through the Plan, they may be transferred or sold through the Plan.

- C. **Reinvestment of Dividends** All or a portion of common stock dividends may be reinvested to purchase additional shares of common stock.
- D. **Simplified Recordkeeping** A notice will be mailed to participants after any Plan activity, including when shares are sold or otherwise withdrawn from the Plan. It may be a statement that is cumulative, providing year-to-date Plan account activity. Participants will receive a Plan Statement for any quarter in which the participant's account had purchase or investment activity. Additionally, participants have the option to receive Plan activity notices electronically by logging in to participant's account through Investor Centre at the Administrator's website [www.computershare.com/investor](http://www.computershare.com/investor).
- E. **Broker Commissions** The broker commissions paid for buying and selling shares under the Plan may be less than those you would otherwise pay if you were to purchase or sell the shares directly. No commissions are paid for newly issued shares or for treasury shares.
- F. **Transfer of Shares** Participants may transfer shares held in their Plan account to another individual's account at no cost. The normal transfer requirements will apply.
- G. **Full Investment of Funds** The full amount of reinvested dividends and Cash Investments can be invested because the Plan permits fractional shares to be credited to Plan accounts. Dividends are paid on fractional shares as well as on whole shares.
- H. **Sell Stock** Participants may sell shares held in their Plan account through the Plan.

**Disadvantages:**

- A. **No Interest on Funds Pending Investment** No interest is paid on dividends or Cash Investments held pending investment or reinvestment.
- B. **Delay in Determining Purchase Price** The number of shares purchased for an investor's Plan account will not be determined until all shares for the relevant Investment Period have been purchased. Therefore, investors will not know the number of shares purchased or the purchase price until the Investment Date and will bear the risk of fluctuations in the market price of the common stock during the Investment Period.
- C. **Return of Cash Investments** Cash Investments sent to the Plan Administrator will not be returned to the investor unless a written request is received by the Plan Administrator at least 2 business days prior to the first day of the Investment Period.
- D. **Periodic Delays for Issuing Certificates** Requests for termination of an account by issuance of certificates from a Plan account may be delayed 2-3 business days before or after a Dividend Record Date.
- E. **Broker Commissions** The broker commissions paid for buying and selling shares under the Plan may be more than you would otherwise pay if you were to purchase or sell the shares directly. Also, the commissions payable under the Plan could change from time to time.
- F.

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**Price of Shares** Plan participants cannot designate a specific price at which to sell or purchase common stock. Requests for the sale of Plan shares are accumulated and the Plan Administrator places an order with the appointed agent. Similarly, an order is placed with the independent agent to purchase stock with all funds available for investment.

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**G.**

**Funds are not Insured** Plan accounts are not insured by the Securities Investor Protection Corporation, the Federal Deposit Insurance Corporation, or any other entity.

**PLAN ADMINISTRATION**

**3. Who administers the Plan?**

Computershare administers the Plan, with certain administrative duties, performed by affiliates of Computershare acting as Computershare's service agents. Shares that are purchased through the Plan or deposited for safekeeping will be registered in the name of, and held by, Computershare, as Plan Administrator, or its nominee, as custodian for the participants. See Questions 30 and 31.

Written communications about the Plan, including certificate transfer requests and address changes, should be directed to:

Computershare  
P.O. Box 43078  
Providence, RI 02940-3078

E-mail communications should be directed to: [web.queries@computershare.com](mailto:web.queries@computershare.com)

When writing, please include a day time telephone number or e-mail address to expedite the reply.

You may speak with a Computershare customer service representative by dialing the nationwide toll-free number: 1-800-457-2983. Computershare representatives are available between the hours of 8:00 a.m. and 8:00 p.m. Eastern Standard Time Monday through Friday.

Computershare's website is: [www.computershare.com/investor](http://www.computershare.com/investor).

**PARTICIPATION IN THE PLAN**

**4. Who is eligible to participate in the Plan?**

Any interested investor making an Initial Cash Investment of at least \$50 and all common stock Shareholders of Record are eligible to participate. Citizens or residents of, or entities that are organized or incorporated under or have their principal place of business in, a country other than the United States or its territories and possessions should determine whether they are subject to any governmental regulations prohibiting or restricting participation in the Plan, and must provide evidence satisfactory to the Administrator that their participation will not violate any such regulations, before enrolling in the Plan.

Beneficial owners of common stock whose shares are held in a name other than their own (for example, a bank, broker, or trustee) may participate in the Plan with respect to such shares by transferring those shares into their own name. Once the shares are registered on the books of the Company in the name of the investor, the investor will be eligible to enroll in the Plan.

**5. How does an Eligible Investor enroll in the Plan?**

Eligible Investors may join the Plan by completing and submitting an Initial Enrollment Form to the Administrator. Alternatively, enrollment is available online at the website listed above. New investors must also submit an Initial Cash Investment of at least \$50 (but not more than \$150,000).

Once enrolled in the Plan, Eligible Investors will remain enrolled until they discontinue their participation or the Plan is terminated. See Question 34, 35, and 41.

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**6. When may an Eligible Investor join the Plan?**

An Eligible Investor may join the Plan at any time by completing and returning an Enrollment Form or by enrolling online.

**PARTICIPATION OPTIONS**

**7. What participation options are available in the Plan?**

On the Enrollment Form, the investor is offered the following participation options:

Full Dividend Reinvestment

Partial Dividend Reinvestment or

Cash Investment Only

If participants do not indicate a participation option on the Enrollment Form, their account will automatically be enrolled into the "Full Dividend Reinvestment" option. Dividends will be reinvested as to all shares in a participant's Plan account unless the participant specifically elects otherwise. Common stock purchased on or after a specific Ex-Dividend Date may not receive the next subsequent dividend.

**8. How does the "Full Dividend Reinvestment" option of the Plan work?**

Participants enrolling in the Full Dividend Reinvestment option will have dividends earned on all common stock, both in their Plan account and held of record, reinvested to purchase additional shares of common stock. The reinvestment of dividends will commence with the first dividend to which the participant is entitled payable after the next Dividend Record Date following enrollment. See "Reinvestment of Dividends" below beginning with Question 20. See also Question 7 above. No interest is paid on dividends pending reinvestment. A participant may also make Cash Investments of up to \$150,000 per account annually (including any Initial Cash Investment) to purchase common stock. See "Cash Investments" below beginning with Question 13.

**9. How does the "Partial Dividend Reinvestment" option of the Plan work?**

Participants enrolling in the Partial Dividend Reinvestment option may designate a specific number of shares held of record or in their Plan accounts on which they wish to receive cash dividends, with dividends on the balance of shares being reinvested to purchase common stock. Participants may also elect to receive cash dividends on shares they hold in certificated form, with dividends on shares held in their Plan account being reinvested. The reinvestment of dividends will commence with the first dividend to which the participant is entitled payable after the next Dividend Record Date following enrollment. See "Reinvestment of Dividends" below beginning with Question 20. See also Question 7 above. No interest is paid on dividends pending reinvestment. In addition, a participant may make Cash Investments of up to \$150,000 per account annually to purchase common stock. See "Cash Investments" below beginning with Question 13.

See Question 10 below for information regarding how cash dividends are paid.

If a participant has elected this option and subsequently directs that a portion of the shares held in the participant's Plan account are to be sold, transferred, or withdrawn, unless the participant otherwise directs, all shares on which a participant receives reinvested dividends will be sold, transferred, or withdrawn prior to the sale, transfer, or withdrawal of any shares on which a participant receives cash dividends.



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**10. How does the "Cash Investment Only" option of the Plan work?**

Participants enrolling in the Cash Investment Only option may make Cash Investments of up to \$150,000 per account annually. The Cash Investment will be used to purchase additional shares of common stock. Dividends earned on all common stock, both in the Plan account and of record, will be paid directly to the investor either by check or direct deposit at the election of the shareholder. Dividends paid by check will be mailed to the shareholder's address of record.

Shareholders electing to have dividends deposited to a financial institution account must complete and submit a direct deposit authorization form and deposit slip to the Administrator. The financial institution must be a member of the Automated Clearing House network ("ACH").

**11. May participants change their participation option?**

Yes. The participation option may be changed by completing and submitting a new Enrollment Form to the Administrator or by accessing your account online. The change will be effective as of the next Dividend Record Date following receipt and processing of the new Enrollment Form.

**12. May the Company restrict participation in the Plan?**

Yes. We reserve the right to restrict participation in the Plan if we believe that such participation may be contrary to the general purpose of the Plan or in violation of applicable law.

**CASH INVESTMENTS**

**13. Who is eligible to make Cash Investments?**

Any participant is eligible to make Cash Investments regardless of the participation option chosen, subject to the maximum contribution.

**14. Who is eligible to make an Initial Cash Investment?**

Any interested investor may enroll either online or by submitting an Enrollment Form and making an Initial Cash Investment, subject to the minimum and maximum contributions.

**15. How are Initial Cash Investments and Cash Investments made?**

Initial Cash Investments and other Cash Investments may be made by personal check, payable through a U.S. bank or other U.S. financial institution, in U.S. dollars, to Pinnacle West Capital Corporation or via electronic funds transfer as individual or monthly recurring transactions. **Cash, money orders and third-party checks will not be accepted.** Initial Cash Investments made by personal check must be accompanied by a completed Initial Enrollment Form. An Enrollment Form, cash investment form or, for electronic funds transfers, a Direct Debit Authorization form, should accompany all Cash Investments to ensure credit to the proper account.

Initial Cash Investments and regular Cash Investments made by electronic funds transfer require that the participant authorize the Administrator to deduct a specified amount directly from a U.S. checking, savings, or credit union account which is a member of the ACH network. The participant must complete and forward a Direct Debit Authorization form to the Administrator, or do so online, to authorize such investment. Recurring Cash Investment (via electronic funds transfer) amounts will only be deducted from the participant's account once a month, on or around the 25th day of the month or the previous business day if the 25<sup>th</sup> falls on a holiday or weekend. Generally, the funds will be invested during the first Investment Period following the 25<sup>th</sup> day of the month. However, if the funds are not received at least two business days prior to such Investment Period, the investment could be delayed to the next following Investment Period. See also Question 17.

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**16. Is there a minimum and maximum Cash Investment?**

Yes. The minimum Initial Cash Investment is \$50. Subsequent Cash Investments may be any amount. The maximum aggregate Cash Investment (including the Initial Cash Investment) is \$150,000 per account per calendar year. Other restrictions may be imposed from time to time on amounts that may be invested in any transaction. Reinvested dividends are not counted as Cash Investments for purposes of this limitation.

**17. When will a participant's Initial Cash Investment or Cash Investment be invested?**

Generally, Initial Cash Investments and Cash Investments made by personal check or one-time (non-recurring) electronic funds transfer will be invested during the next scheduled Investment Period. However, if the funds are not received at least two business days prior to such Investment Period, the investment could be delayed to the next following Investment Period. Unless otherwise agreed by us and the Plan Administrator, funds are considered to be received when delivered, either by postal service or by electronic delivery to the Administrator (see "Shareholder Information" below for address) before 12:00 p.m. Eastern Standard Time on any business day.

Deduction of funds related to Cash Investments by recurring electronic funds deduction will only occur once a month, on or about the 25<sup>th</sup> day of the month, and generally such funds will be invested in shares of common stock during the next succeeding Investment Period. However, if the funds are not received at least two business days prior to such Investment Period, the investment could be delayed to the next following Investment Period. Interest is not paid on funds held pending investment.

If the Plan Administrator does not receive credit for a cash payment because of insufficient funds or incorrect ACH draft information, the requested purchase will be deemed void. Any shares credited will be immediately removed from the participant's account. The Plan Administrator will be entitled to sell those shares to satisfy any uncollected amounts and if the net proceeds of the sale of such shares are insufficient to satisfy the balance of such uncollected amounts, the Plan Administrator will be entitled to sell additional shares from the participant's account to satisfy the uncollected balance. In addition, an "insufficient funds" fee of \$35 will be charged. The Administrator may place a hold on the account until this fee is paid, or may sell shares from the account to pay this fee. The insufficient funds fee could change from time to time.

**18. When will shares purchased with Initial Cash Investments or Cash Investments be entitled to receive dividends?**

Shares purchased with an Initial Cash Investment or Cash Investment will be entitled to dividends if the shares were credited to the participant's account as of a date preceding the Dividend Record Date for payment of a dividend.

**19. May a participant request that an Initial Cash Investment or Cash Investment be returned?**

Yes. A participant may request the return of an Initial Cash Investment or Cash Investment. The funds will be returned if the request is received at least two business days prior to the next scheduled Investment Period. However, no refund will be made until the Administrator has fully collected the funds.

**REINVESTMENT OF DIVIDENDS**

**20. Is there a minimum or maximum amount for reinvested dividends?**

No. Dividends designated for reinvestment through the Plan are not subject to a minimum or maximum.

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**21. When will a participant's dividends be reinvested?**

A participant's dividends will be reinvested during the first Investment Period that follows the Dividend Payment Date.

**22. When will shares purchased with reinvested dividends be entitled to receive dividends?**

Shares purchased with reinvested dividends and credited to a participant's account prior to a Dividend Record Date will be entitled to dividends on the Dividend Payment Date following such Dividend Record Date.

**PURCHASES**

**23. What is the source of common stock purchased through the Plan?**

Common stock purchased through the Plan will be purchased, at the discretion of the Company and in accordance with applicable law, either on the open market or directly from the Company or through a combination of the foregoing. Shares purchased from the Company may be either authorized but unissued shares or shares held in the treasury of the Company.

**24. How is common stock purchased on the open market?**

Common stock will be purchased through an independent agent appointed by the Administrator. Subject to the requirements of the Plan, the independent agent will have full discretion in all matters related to such purchases, including the day and time of purchase, price paid, number of shares purchased, and the markets or persons through whom the purchases are made.

**25. When are shares purchased for the Plan?**

Purchases of shares on the open market may begin on the first day of the relevant Investment Period and will generally be completed no later than 30 days thereafter. Dividends not invested in common stock within 30 days of the Dividend Payment Date and Cash Investments not invested in common stock within 35 days of receipt will be promptly returned to participants.

Shares purchased from the Company (newly issued common stock or treasury stock) will be acquired as soon as practicable following an Investment Date.

**26. When will shares be credited to a participant's account?**

Participants' shares will be credited to their Plan accounts as of the Investment Date and are considered to be owned by the participant on that day.

**27. How is the purchase price of the common stock determined?**

The purchase price of common stock purchased on the open market will be the weighted average purchase price per share, including broker commissions, related service charges, and applicable taxes, of all shares purchased on the open market for an Investment Date.

The purchase price of common stock purchased from the Company (newly issued common stock or treasury stock) will be the average of the high and low sales prices of the common stock on a given Investment Date as reported on the New York Stock Exchange Composite Tape and published in *The Wall Street Journal* or, for any day on which there is no such publication, in another generally accepted publication for the applicable Investment Date. If there is no trading reported for a trading day, the Company will determine the purchase price on the basis of such quotations as it deems appropriate.

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**28. How many shares of common stock will be purchased for a participant?**

The number of shares purchased for a participant will be equal to the participant's Cash Investments received for the Investment Period plus dividends available for reinvestment divided by the purchase price of the shares. The participant's account will be credited with the whole and fractional shares as of the related Investment Date.

**29. Can a participant request the purchase of a specific number of shares?**

No. Since the purchase price of the common stock cannot be calculated until the common stock is purchased, a participant may not request the purchase of a specific number of shares.

**CERTIFICATES**

**30. Will certificates be issued for shares purchased through the Plan?**

No. The certificates for shares purchased through the Plan are registered in the name of the Plan Administrator. A certificate will be issued to participants only upon request.

Participants requesting the issuance of a certificate for their Plan shares should submit the request to the Plan Administrator either in writing, by telephone or online, specifying the number of shares to be issued. Certificates will be issued as soon as practicable following the receipt of the request.

The certificate will be issued in the name(s) of the participant(s). Requests to issue a certificate into another registration must meet the requirements for transfer of stock. See Question 43.

See Question 9 for information relating to the certification of only a portion of a participant's Plan shares when the participant has elected the Partial Dividend Reinvestment option for the participant's shares.

**SAFEKEEPING OF CERTIFICATES**

**31. Can certificates be returned to the Administrator to be held in the participant's Plan account?**

Yes. Certificates for common stock may be returned to the Plan Administrator to take advantage of the safekeeping feature of the Plan. **The certificates should not be endorsed and registered mail is recommended.** The certificates should be submitted with a letter to the Plan Administrator directing the Plan Administrator to deposit the shares represented by such certificates into the Plan account of the participant. Alternatively, the certificates can be submitted with a new Enrollment Form. Investors may submit certificates for safekeeping upon initial enrollment in the Plan or at any time while participating in the Plan. The shares of common stock so deposited will be transferred into the name of the Administrator or its nominee and credited to the participant's Plan account. Common stock surrendered for safekeeping will be treated as shares purchased through the Plan.

**SALE OF SHARES**

**32. How may participants sell their Plan shares?**

Participants may sell their Plan shares by submitting a request to the Plan Administrator online through Investor Centre at [www.computershare.com/investor](http://www.computershare.com/investor), by phone or by mail. The request should indicate the number of shares to be sold and written requests must be signed by **ALL** account owners. If the request to sell Plan shares is communicated via telephone or online, the maximum value of shares that may be sold on any single day for each account is \$10,000. Shares acquired through and held in the Plan, as well as shares deposited for safekeeping, may be sold in this manner. A request to sell shares is irrevocable after it is received by the Administrator.

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The Administrator's appointed agent will have full discretion in all matters related to the sale, including the time of sale, sale price, and the markets or persons through whom the shares are sold. Participants cannot specify a price at which to sell their stock.

Shares held outside the Plan may not be sold through the Plan.

See Question 9 for information relating to the sale of only a portion of a participant's Plan shares when the participant has elected the Partial Dividend Reinvestment option for the participant's shares.

**33. When will Plan shares be sold?**

Plan shares will be sold as soon as practicable following receipt of the sale request and no later than five business days after the date on which the order is received (except where deferral is required under applicable federal or state laws or regulations), assuming the applicable market is open for trading and sufficient market liquidity exists.

To maximize cost savings the Plan Administrator will seek to sell shares in round lot transactions. For this purpose, the Plan Administrator may combine each selling Plan participant's shares with those of other selling Plan participants. A check will be issued for the proceeds of the sale minus a \$10.00 service fee. The Company may change the service fee from time to time. The proceeds will equal the number of shares to be sold multiplied by the weighted average sales price per share, less broker commissions, related service charges, and applicable taxes, for the period during which the sales are made, and will be paid to the registered account owners only. The Plan Administrator may, under certain circumstances, require a transaction request to be submitted in writing. Participants should contact the Plan Administrator to determine if there are any limitations applicable to the participant's particular sale request. See Question 45 for a description of possible withholding tax on the sale of shares.

**TERMINATION OF PLAN PARTICIPATION**

**34. How may a participant terminate participation in the Plan?**

Participants may terminate participation in the Plan at any time by giving notice to the Plan Administrator in writing, by telephone or online. The terminating participant's shares will continue to be held in book entry form or through direct registration unless and until the terminating participant requests to sell all or some of the shares, requests a certificate issued for a specific number of whole shares, or requests an electronic transfer of a specific number of whole shares to a brokerage account. See Questions 30, 32, and 33. Certificates cannot be issued for fractional shares. A participant will receive a check for the cash value of fractional shares less any applicable fees when terminating participation.

Participants terminating their Plan participation will receive one or more notices or statements detailing the termination and related transactions. **These notices and statements should be retained for tax purposes.**

Cash Investments received prior to the request to terminate Plan participation will be invested during the next Investment Period unless the participant timely requests the return of that Cash Investment. See Question 19.

For an account whose dividends are to be reinvested, if the Plan Administrator receives the participant's notice of termination near a Dividend Record Date, the Plan Administrator, in its sole discretion, may either distribute such dividends in cash or reinvest them in shares on behalf of the withdrawing participant. If such dividends are reinvested, the Plan Administrator will process the withdrawal as soon as practicable but in no event later than five business days after the reinvestment is completed.

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**35. May we terminate a participant's Plan participation?**

Yes. If a participant does not maintain at least one whole share of common stock in the Plan account or does not own any common stock of record for which cash dividends are designated for reinvestment pursuant to the Plan, we may terminate the participant's participation in our sole discretion. A participant whose participation has been terminated will receive a check for the cash value of any fractional share in the Plan account less applicable fees and taxes.

In addition, we may terminate a participant's participation in the Plan in our sole discretion if we believe that such participation may be contrary to the general purpose of the Plan (see Question 1) or in violation of applicable law. The participant will receive a certificate for whole shares and a check for the cash value of any fractional share in the Plan account.

**SERVICE FEES**

**36. What fees are associated with participation in the Plan?**

The fees associated with participation in the Plan are:

Investment fee	Broker commissions at \$0.10 per share, service charges and applicable taxes
Sales fee	\$10.00 plus broker commission at \$0.10 per share, service charge and applicable taxes
Insufficient funds fee	\$35

We will pay all other administrative costs. See Questions 27 and 33 for a description of when we will charge broker commissions. No broker commissions are paid for newly issued shares or for treasury shares. Broker commissions could change from time to time. The Company may change the fees listed above from time to time.

**REPORTS TO PARTICIPANTS**

**37. What reports are sent to participants?**

The Plan Administrator will send a notice confirming the details of each account transaction in the form of a statement or transaction advice. In addition, for each quarter in which a participant has purchase or investment activity, the Plan Administrator will send a Plan Statement to the participant; however, if the only activity for the quarter is the receipt of a cash dividend that is not reinvested, the participant will not receive a Plan Statement. **These statements should be retained for tax purposes.** From time to time, the Company and the Plan Administrator may revise the type, content, format and timing of notices and statements sent to participants in the Plan.

The Plan Administrator will send or forward all applicable proxy solicitation materials and other shareholder materials or consent solicitation materials to Plan participants.

Plan participants will receive an Internal Revenue Service ("IRS") Form 1099-DIV showing total dividends reported to the Internal Revenue Service which were paid to the participant both on shares of record and Plan account shares. An IRS form 1099-B will be provided for reporting the proceeds from the sale of shares through the Plan. See Question 45 for further information regarding tax reporting.

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**OTHER INFORMATION**

**38. What happens if we declare a dividend payable in common stock or a stock split?**

Any dividends in the form of shares of common stock and any shares resulting from a common stock split on shares held in a participant's Plan account will be credited to the participant's Plan account.

**39. How will a participant's shares be voted at meetings of shareholders?**

The participant's shares will be voted in accordance with the participant's instructions. Shares will not be voted unless the participant or the participant's proxy votes them.

**40. What is the responsibility of the Company and its agents under the Plan?**

Neither the Company, the Administrator, or any independent agent appointed by the Administrator will be liable for any act done in good faith or for any good faith omission to act with respect to the Plan, including, without limitation, any claim of liability arising out of failure to terminate a participant's account upon such participant's death prior to receipt of notice in writing of such death or with respect to the prices or times at which, or sources from which, shares are purchased or sold for participants, or with respect to any loss or fluctuation in market value before or after any purchase or sale of shares.

**Participants must recognize that the Company cannot assure them a profit, or protect them against losses, on shares purchased pursuant to the Plan. The market price of common stock can fluctuate substantially. Participants accept the risks as well as the benefits of the Plan.**

**41. May the Plan be changed or discontinued?**

Yes. We reserve the right to suspend, modify, or terminate the Plan at any time with or without advance notice. As a result, we may register additional shares from time to time. Any suspension or termination of the Plan, or any material modification of the Plan, will be communicated to all affected Plan participants as soon as practicable. An amendment to the Plan will not decrease the account of any participant or result in any distribution to us of any amount credited to a participant account.

**42. May common stock held in a Plan account be pledged as collateral?**

No. Common stock held in a Plan account may not be pledged as collateral. Participants wishing to use their common stock as collateral must have certificates issued for the shares. The certificates can then be delivered for collateral.

**43. May common stock held in a Plan account be transferred or assigned to another person?**

Yes. A participant may transfer or assign Plan shares to another person or entity by meeting the requirements for transfer of stock. See Question 3 for Plan Administrator contact information to request a copy of the current stock transfer requirements. When writing, please include a daytime telephone number or e-mail address to expedite the reply. You may also use the Computershare Transfer Wizard at [www.computershare.com/transferwizard](http://www.computershare.com/transferwizard). The Transfer Wizard will guide you through the transfer process, assist you in completing the transfer form, and identify other necessary documentation you may need to provide.

See Question 9 for information relating to the transfer of only a portion of a participant's Plan shares when the participant has elected the Partial Dividend Reinvestment option for the participant's shares.

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**44. How may instructions be given to the Administrator?**

Any instructions may be submitted in writing to the Administrator at the address provided in Question 3. You may also perform certain account transactions online through Investor Centre at [www.computershare.com/investor](http://www.computershare.com/investor). The Administrator may also allow certain instructions to be communicated by telephone or e-mail as agreed to by the Administrator and the participant. You may contact Computershare at 1-800-457-2983 or by e-mail at [web.queries@computershare.com](mailto:web.queries@computershare.com) for more information.

**FEDERAL INCOME TAX INFORMATION**

**45. What are the Federal income tax consequences of Plan participation?**

We believe the following is an accurate summary of the federal tax consequences of participation in the Plan. **You are advised to consult your tax or financial advisor with respect to federal, state, local, and other tax laws which apply to your specific situation.**

In general, the dividends paid on common stock, whether the shares are held in certificate form by the shareholder or held by the Company in book-entry or through the Plan, are considered taxable income, whether received in cash or reinvested through the Plan. The information sent to you and the IRS at year-end will provide the information required to complete your income tax returns.

The tax basis of shares acquired through the reinvestment of dividends will be equal to the value of dividends reinvested. The tax basis of shares purchased with Cash Investments will be equal to the amount of such investments.

Upon the sale of either a portion or all of the shares from the Plan, a participant may recognize a capital gain or loss based on the difference between the sales proceeds and the tax basis of the shares sold, including any fractional shares.

For participants who are subject to U.S. withholding tax, backup withholding, or foreign taxes, the Administrator will withhold the required taxes from the gross dividends or proceeds from the sale of shares. The dividends or proceeds received by the participant, or dividends reinvested on behalf of the participant, will be net of the required taxes.

**USE OF PROCEEDS**

We intend to use the proceeds from the issuance of any newly issued or treasury shares of common stock pursuant to the Plan