

ARIZONA PUBLIC SERVICE CO
Form 8-K
February 20, 2009

**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): December 31, 2008

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

Item 2.02. Results of Operations and Financial Condition

On February 20, 2009, Pinnacle West Capital Corporation (the Company or Pinnacle West) issued a press release regarding its financial results for its fiscal quarter ended December 31, 2008. A copy of the press release is attached hereto as Exhibit 99.8.

Certain of the Information referenced in Item 7.01 below relates to the Company's results of operations for its fiscal quarter ended December 31, 2008. This Information is attached hereto as Exhibits 99.2, 99.3, 99.6 and 99.8.

Item 7.01. Regulation FD Disclosure Financial and Business Information

The Company is providing quarterly consolidated statistical summaries 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 and 99.7). This Information is concurrently being posted to the Company's website at 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.

2009 Earnings Outlook

In this discussion, earnings per share amounts are after income taxes and are based on diluted common shares outstanding. The earnings guidance in this Form 8-K supersedes all previous earnings guidance provided by Pinnacle West.

Our earnings forecasts are subject to numerous risks, including those described under Forward-Looking Statements below and under Risk Factors in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2008 (the 2008 Form 10-K). Our estimates as to how several of these risks and other factors may affect future earnings follow:

Arizona Public
Service
Company (APS)
has a general
retail rate case
pending before
the Arizona
Corporation
Commission
(the ACC). The
rate request
includes, among
other things, a
net overall
increase of
\$278.2 million
in annual pretax
retail electricity
revenues to be
effective no
later than
October 1,

2009. The requested net increase consists of an increase of \$264.3 million in non-fuel base rates and a net increase of \$13.9 million for fuel and purchased power costs reflected in base rates. On January 30, 2009, APS began settlement discussions with the parties to the general retail rate case. We are not able to predict the ultimate outcome of the rate case, when the ACC will make a decision in this case, or the specific date when a rate increase will become effective. (For detailed information regarding the rate case, see 2008 General Rate Case in Note 3 of Notes to Consolidated Financial Statements in Part II, Item 8 of the 2008 Form 10-K.)

On December 18, 2008, the

ACC voted to approve an emergency interim base rate surcharge for APS (the

Interim Rate Decision). This surcharge became effective for retail customer bills issued after December 31, 2008 and will continue in effect until a decision under the pending general retail rate case becomes effective. This surcharge is expected to increase annual pretax retail revenues approximately \$65.2 million, and is subject to refund with interest pending the final outcome of APS general retail rate case.

The Interim Rate Decision requires, among other things, that APS examine its operations and expenses, targeting additional cuts of at least \$20 million, and reinvest the

savings and surcharge revenues in infrastructure and technology necessary to serve APS customers and reduce the need for external debt financing. Since the study is still underway, no adjustments have been made to our estimates for potential additional cost reductions.

Our current outlook for our real estate subsidiary, SunCor Development Company (SunCor), reflects the weak status of the real estate market in the United States and the limited availability of financing. SunCor's net loss in 2008 included a \$53 million pretax impairment charge. If conditions in the broader economy or the real estate market worsen, or as a result of a change in SunCor's

strategy, we
may be required
to record
additional
impairment
charges.

We estimate that our consolidated earnings for 2009 will be within a reasonable range around \$2.30 per share, excluding the impact of SunCor (including any potential future real estate impairment charges) and before considering any potential earnings benefit during the year derived from a net base rate increase at the conclusion of the pending general retail rate case. We estimate that APS' earnings contribution included in such consolidated earnings will be within a reasonable range around \$2.35 per share (equivalent to a return on APS' average common equity of about 7%). This estimate assumes that the interim base rate surcharge will remain in effect throughout 2009. Our earnings estimates will increase to the extent the ultimate outcome of the general retail rate case includes a net base rate increase in 2009 that exceeds the amount of the interim base rate surcharge. We currently estimate that holding company expenses and other items, net, will be a net loss within a reasonable range around \$0.05 per share. For additional details regarding the major factors affecting our consolidated earnings outlook for 2009, see Exhibit 99.9 attached hereto.

2010 Earnings Outlook

Assuming APS' general retail rate request is granted in full and is effective for the entire year, we estimate that our consolidated earnings for 2010, excluding the impact of SunCor (including any potential real estate impairment charges) will be within a reasonable range around \$3.00 per share. We estimate that APS' earnings contribution included in such 2010 consolidated earnings will be within a reasonable range around \$3.00 per share (equivalent to a return on APS' average common equity of about 9%). We currently estimate that holding company expenses and other items, net, will not have any meaningful impact on our 2010 consolidated financial results. For additional details regarding major factors affecting our consolidated earnings outlook for 2010, see Exhibit 99.10 attached hereto.

Forward-Looking Statements

This Form 8-K contains forward-looking statements regarding our 2009 and 2010 earnings outlook. Neither Pinnacle West 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. These forward-looking statements are often identified by words such as estimate, predict, hope, may, believe, anticipate, plan, expect, require, intend, assume. 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, 2008, these factors include, but are not limited to, state and federal regulatory and legislative decisions and actions, including the outcome or timing of the pending rate case of APS; increases in our capital expenditures and operating costs and our ability to achieve timely and adequate rate recovery of these increased costs; our ability to reduce capital expenditures and other costs while maintaining reliability and customer service levels, and unexpected developments that would limit us from achieving all or some of our planned capital expenditure reductions; volatile fuel and purchased power costs, including fluctuations in market prices for natural gas, coal, uranium and other fuels used in our generating facilities, availability of supplies of such commodities, and our ability to recover the costs of such commodities; the outcome and resulting costs of regulatory, legislative and judicial proceedings, both current and future, including those related to environmental matters and climate change; the availability of sufficient water supplies to operate our generation facilities, including as the result of drought conditions; the potential for additional restructuring of the electric industry, including decisions impacting wholesale competition and the introduction of retail electric competition in Arizona; regional, national and international economic and market conditions, including the strength of the housing, credit and financial markets; the potential adverse impact of current economic conditions on our results of operations; the cost of debt and equity capital and access to capital markets; changes in the market price of our common stock; restrictions on dividends or other burdensome provisions in new or existing credit agreements; our ability, or the ability of our subsidiaries, to meet debt service obligations; current credit ratings remaining in effect for any given period of time; the performance of the stock market and the changing interest rate environment, which affect the value of our nuclear decommissioning trust, pension, and other postretirement benefit 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 and our ability to recover such costs; 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); changes in accounting principles generally accepted in the United States of America, the interpretation of those principles and the impact of the adoption of new accounting standards; customer growth and energy usage; weather variations affecting local and regional customer energy usage; power plant performance and outages; transmission outages and constraints; the completion of generation and transmission construction in the region, which could affect customer growth and the cost of power supplies; risks inherent in the operation of nuclear facilities, such as environmental, regulatory, health and financial risks, risk of terrorist attack, planned and unplanned outages, and unfunded decommissioning costs; the ability of our power plant participants to meet contractual or other obligations; technological developments in the electric industry; the results of litigation and other proceedings resulting from the California and Pacific Northwest energy situations; the performance of Pinnacle West's subsidiaries and any resulting effects on its cash flow; the strength of the real estate market and economic and other conditions affecting 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.

Item 9.01. Financial Statements and Exhibits**(d) Exhibits.**

Exhibit No.	Registrant(s)	Description
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 twelve-month periods ended December 31, 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.
99.6	Pinnacle West APS	Pinnacle West Capital Corporation earnings variance explanations for the three and twelve months ended December 31, 2008 and 2007 and unaudited condensed consolidated statements of income for the three and twelve months ended December 31, 2008 and 2007.
99.7	Pinnacle West APS	Glossary of Terms.
99.8	Pinnacle West APS	Earnings News Release issued on February 20, 2009.
99.9	Pinnacle West APS	2009 Earnings Outlook Reconciliation
99.10	Pinnacle West APS	2010 Earnings Outlook Reconciliation

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: February 20, 2009

By: /s/ James R. Hatfield
James R. Hatfield
Senior Vice President and
Chief Financial Officer

ARIZONA PUBLIC SERVICE COMPANY
(Registrant)

Dated: February 20, 2009

By: /s/ James R. Hatfield
James R. Hatfield
Senior Vice President and
Chief Financial Officer

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