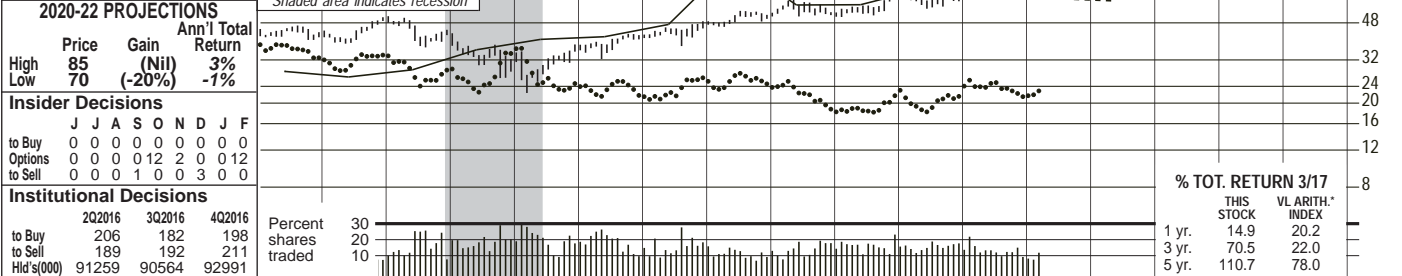


PINNACLE WEST NYSE-PNW

RECENT PRICE **86.18** P/E RATIO **19.7** (Trailing: 21.9; Median: 15.0) RELATIVE P/E RATIO **1.01** DIV'D YLD **3.1%** VALUE LINE

TIMELINESS 4 Lowered 3/24/17	High: 51.0	51.7	42.9	38.0	42.7	48.9	54.7	61.9	71.1	73.3	82.8	86.3	Target Price Range								
SAFETY 1 Raised 5/3/13	Low: 38.3	36.8	26.3	22.3	32.3	37.3	45.9	51.5	51.2	56.0	62.5	75.8	2020 2021 2022								
TECHNICAL 4 Lowered 3/10/17	<p>LEGENDS 0.63 x Dividends p sh divided by Interest Rate Relative Price Strength Options: Yes Shaded area indicates recession</p>																				
BETA .70 (1.00 = Market)	<p>2020-22 PROJECTIONS</p> <table border="1"> <tr> <th>Price</th> <th>Gain</th> <th>Ann'l Total Return</th> </tr> <tr> <td>High 85</td> <td>(Nil)</td> <td>3%</td> </tr> <tr> <td>Low 70</td> <td>(-20%)</td> <td>-1%</td> </tr> </table>												Price	Gain	Ann'l Total Return	High 85	(Nil)	3%	Low 70	(-20%)	-1%
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Insider Decisions	<table border="1"> <tr> <th>J</th><th>J</th><th>A</th><th>S</th><th>O</th><th>N</th><th>D</th><th>J</th><th>F</th> </tr> <tr> <td>to Buy</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td> </tr> <tr> <td>Options</td><td>0</td><td>0</td><td>0</td><td>12</td><td>2</td><td>0</td><td>0</td><td>12</td> </tr> <tr> <td>to Sell</td><td>0</td><td>0</td><td>0</td><td>1</td><td>0</td><td>0</td><td>3</td><td>0</td> </tr> </table>												J	J	A	S	O	N	D	J	F	to Buy	0	0	0	0	0	0	0	0	Options	0	0	0	12	2	0	0	12	to Sell	0	0	0	1	0	0	3	0	% TOT. RETURN 3/17
J	J	A	S	O	N	D	J	F																																									
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Institutional Decisions	<table border="1"> <tr> <th>202016</th><th>3Q2016</th><th>4Q2016</th> </tr> <tr> <td>to Buy</td><td>206</td><td>182</td><td>198</td> </tr> <tr> <td>to Sell</td><td>189</td><td>192</td><td>211</td> </tr> <tr> <td>Hlds(000)</td><td>91259</td><td>90564</td><td>92991</td> </tr> </table>												202016	3Q2016	4Q2016	to Buy	206	182	198	to Sell	189	192	211	Hlds(000)	91259	90564	92991	THIS STOCK INDEX																					
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2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	© VALUE LINE PUB. LLC	20-22
53.66	28.90	30.87	31.59	30.16	34.03	35.07	33.37	32.50	30.01	29.67	30.09	31.35	31.58	31.50	31.42	33.05	34.65	Revenues per sh	39.50
8.72	7.01	7.33	6.93	5.76	9.70	9.29	8.13	8.08	6.85	7.52	7.92	8.15	8.09	9.09	9.39	9.90	10.35	"Cash Flow" per sh	12.00
3.68	2.53	2.52	2.58	2.24	3.17	2.96	2.12	2.26	3.08	2.99	3.50	3.66	3.58	3.92	3.95	4.30	4.45	Earnings per sh A	5.25
1.53	1.63	1.73	1.83	1.93	2.03	2.10	2.10	2.10	2.10	2.10	2.67	2.23	2.33	2.44	2.56	2.68	2.81	Div'd Decl'd per sh B	3.25
12.27	9.81	7.60	5.86	6.39	7.59	9.37	9.46	7.64	7.03	8.26	8.24	9.36	8.38	9.84	11.64	12.55	10.50	Cap'l Spending per sh	10.00
29.44	29.44	31.00	32.14	34.57	34.48	35.15	34.16	32.69	33.86	34.98	36.20	38.07	39.50	41.30	43.15	44.65	46.25	Book Value per sh C	51.75
84.83	91.26	91.29	91.79	99.08	99.96	100.49	100.89	101.43	108.77	109.25	109.74	110.18	110.57	110.98	111.34	112.00	112.50	Common Shs Outst'g D	114.00
12.0	14.4	14.0	15.8	19.2	13.7	14.9	16.1	13.7	12.6	14.6	14.3	15.3	15.9	16.0	18.7	Avg Ann'l P/E Ratio	14.5		
.61	.79	.80	.83	1.02	.74	.79	.97	.91	.80	.92	.91	.86	.84	.81	.98	Relative P/E Ratio	.90		
3.5%	4.5%	4.9%	4.5%	4.5%	4.7%	4.8%	6.2%	6.8%	5.4%	4.8%	5.3%	4.0%	4.1%	3.9%	3.5%	Avg Ann'l Div'd Yield	4.2%		

CAPITAL STRUCTURE as of 12/31/16	3523.6	3367.1	3297.1	3263.6	3241.4	3301.8	3454.6	3491.6	3495.4	3498.7	3700	3900	Revenues (\$mill)	4500
Total Debt \$4324.0 mill. Due in 5 Yrs \$1234.2 mill.	298.8	213.6	229.2	330.4	328.2	387.4	406.1	397.6	437.3	442.0	480	505	Net Profit (\$mill)	600
LT Debt \$4021.8 mill. LT Interest \$187.0 mill.	33.6%	23.4%	36.9%	31.9%	34.0%	36.2%	34.4%	34.2%	34.3%	33.9%	33.5%	33.5%	Income Tax Rate	33.5%
Incl. \$13.4 mill. Palo Verde sale leaseback lessor notes.	14.8%	17.5%	11.2%	11.7%	12.8%	9.7%	10.0%	11.6%	11.8%	14.1%	15.0%	11.0%	AFUDC % to Net Profit	7.0%
(LT interest earned: 4.6x)	47.0%	46.8%	50.4%	45.3%	44.1%	44.6%	40.0%	41.0%	43.0%	45.6%	48.5%	46.0%	Long-Term Debt Ratio	46.0%
Leases, Uncapitalized Annual rentals \$12.3 mill.	53.0%	53.2%	49.6%	54.7%	55.9%	60.0%	59.0%	57.0%	54.4%	51.5%	54.0%	Common Equity Ratio	54.0%	
Pension Assets-12/16 \$2675.4 mill.	6658.7	6477.6	6686.6	6729.1	6840.9	7171.9	6990.9	7398.7	8046.3	8825.4	9725	9625	Total Capital (\$mill)	10925
Oblig \$3204.5 mill.	8436.4	8916.7	9257.8	9578.8	9962.3	10396	10889	11194	11809	12714	13500	14000	Net Plant (\$mill)	15100
Pfd Stock None	5.9%	4.7%	4.8%	6.5%	6.4%	6.8%	7.1%	6.4%	6.4%	6.0%	6.0%	6.5%	Return on Total Cap'l	6.5%
Common Stock 111,340,169 shs.	8.5%	6.2%	6.9%	9.0%	8.6%	9.8%	9.7%	9.1%	9.5%	9.2%	9.5%	9.5%	Return on Shr. Equity	10.0%
as of 2/17/17	8.5%	6.2%	6.9%	9.0%	8.6%	9.8%	9.7%	9.1%	9.5%	9.2%	9.5%	9.5%	Return on Com Equity E	10.0%
MARKET CAP: \$9.6 billion (Large Cap)	2.5%	.3%	.7%	3.1%	2.8%	4.1%	4.1%	3.5%	3.9%	3.5%	3.5%	3.5%	Retained to Com Eq	4.0%
ELECTRIC OPERATING STATISTICS	70%	96%	89%	66%	68%	58%	58%	62%	59%	62%	62%	63%	All Div'ds to Net Prof	61%

BUSINESS: Pinnacle West Capital Corporation is a holding company for Arizona Public Service Company (APS), which supplies electricity to 1.2 million customers in most of Arizona, except about half of the Phoenix metro area, the Tucson metro area, and Mohave County in northwestern Arizona. Discontinued SunCor real estate subsidiary in '10. Electric revenue breakdown: residential, 50%; commercial, 40%; industrial, 5%; other, 5%. Generating sources: nuclear, 28%; gas & other, 26%; coal, 20%; purchased, 26%. Fuel costs: 31% of revenues. '16 reported deprec. rate: 2.7%. Has 6,300 employees. Chairman, President & CEO: Donald E. Brandt, Inc.: AZ. Address: 400 North Fifth St., P.O. Box 53999, Phoenix, AZ 85072-3999. Tel.: 602-250-1000. Internet: www.pinnaclewest.com.

Pinnacle West's utility subsidiary has reached a settlement of its general rate case. Arizona Public Service had filed for a rate hike of \$165.9 million (5.7%), based on a return of 10.5% on a common-equity ratio of 55.8%. The utility also sought changes in rate design so that users of solar power would not be subsidized by nonsolar customers to such an extent. APS, the staff of the Arizona Corporation Commission (ACC), and some intervenor groups, have reached a settlement calling for an increase of \$94.6 million (3.3%), based on a return of 10% on a common-equity ratio of 55.8%. The company didn't get everything it wanted regarding rate design, but the subsidization of solar customers would be reduced initially, and even more so each year after that. Finally, there would be a rate moratorium until mid-2019. The ACC still must rule on the settlement. An order is expected in time for new tariffs to take effect on July 1st.

We estimate strong profit growth this year, followed by a respectable increase in 2018. Our estimates are based on the assumption that the regulatory settlement is approved. The utility should also benefit from modest kilowatt-hour sales growth. Note that management hasn't provided earnings guidance for 2017 due to the pending rate case. **Two major construction projects are under way.** APS is adding pollution control equipment to two coal-fired generating units at an expected cost of \$400 million. Completion is expected by the spring of 2018. The utility is constructing five gas-fired units for \$500 million, which will replace older facilities and provide a net increase in generating capacity of 220 megawatts. This project is expected to be completed by the spring of 2019. Under terms of the aforementioned regulatory settlement, costs associated with these projects would be deferred until APS recovers them in a future rate case.

Untimely Pinnacle West stock has a high valuation. The dividend yield is a bit below the utility average. With the recent quotation above the top end of our 3- to 5-year Target Price Range, total return potential is minimal, despite the company's good dividend growth prospects. *Paul E. Debbas, CFA* April 28, 2017

(A) Diluted EPS. Excl. nonrec. losses: '02, 77¢; '09, \$1.45; excl. gains (losses) from disc. ops.: '05, (36¢); '06, 10¢; '08, 28¢; '09, (13¢); '10, 18¢; '11, 10¢; '12, (5¢). '15 & '16 EPS don't sum due to rounding. Next earnings report due early May. (B) Div'ds historically pd. in early Mar., June, Sept., & Dec. There were 5 declarations in '12. ■ Div'd reinvest. plan avail.	(C) Incl. deferred chgs. In '16: \$14.54/sh. (D) In mil. (E) Rate base: Fair value. Rate allowed on com. eq. in '12: 10%; earned on avg. com. eq., '16: 9.4%. Regulatory Climate: Average.	Company's Financial Strength	A+
		Stock's Price Stability	95
		Price Growth Persistence	70
		Earnings Predictability	90