

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

1995 FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 1995

OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number 1-8962

PINNACLE WEST CAPITAL CORPORATION
(Exact name of registrant as specified in its charter)

ARIZONA (State or other jurisdiction of incorporation or organization)	86-0512431 (I.R.S. Employer Identification No.)
400 East Van Buren Street, Suite 700 Phoenix, Arizona 85004 (Address of principal executive offices, including zip code)	(602) 379-2500 (Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, No Par Value	New York Stock Exchange Pacific Stock Exchange

Title of Each Class of Voting Stock	Shares Outstanding as of March 25, 1996	Aggregate Market Value of Shares Held by Non-affiliates as of March 25, 1996
Common Stock, No Par Value	87,430,265	\$2,483,359,384 (a)

(a) Computed by reference to the closing price on the composite tape on March 25, 1996, as reported by The Wall Street Journal.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Documents Incorporated By Reference

Portions of the registrant's definitive Proxy Statement relating to its annual meeting of shareholders to be held on May 22, 1996 are incorporated by reference into Part III hereof.

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GLOSSARY

ACC -- Arizona Corporation Commission

ACC Staff -- Staff of the Arizona Corporation Commission

AFUDC -- Allowance for Funds Used During Construction

Amendments -- Clean Air Act Amendments of 1990

ANPP -- Arizona Nuclear Power Project, also known as Palo Verde

APS -- Arizona Public Service Company

Cholla -- Cholla Power Plant

Cholla 4 -- Unit 4 of the Cholla Power Plant

Company -- Pinnacle West Capital Corporation

DOE -- United States Department of Energy

El Dorado -- El Dorado Investment Company

EPA -- United States Environmental Protection Agency

Energy Act -- National Energy Policy Act of 1992

FERC -- Federal Energy Regulatory Commission

Four Corners -- Four Corners Power Plant

ITC -- Investment Tax Credit

kW -- Kilowatt, one thousand watts

kWh -- Kilowatt-hour, one thousand watts per hour

Mortgage -- APS' Mortgage and Deed of Trust, dated as of July 1, 1946, as supplemented and amended

MWh -- Megawatt hours, one million watts per hour

1935 ACT -- Public Utility Holding Company Act of 1935

NGS -- Navajo Generating Station

NRC -- Nuclear Regulatory Commission

PacifiCorp -- An Oregon-based utility company

Palo Verde -- Palo Verde Nuclear Generating Station

SEC -- Securities and Exchange Commission

SRP -- Salt River Project Agricultural Improvement and Power District

SunCor -- SunCor Development Company

USEC -- United States Enrichment Corporation

PART I
ITEM 1. BUSINESS

THE COMPANY

GENERAL

Pinnacle West Capital Corporation was incorporated in 1985 under the laws of the State of Arizona and is engaged, through its subsidiaries, in the generation and distribution of electricity; in real estate development; and in venture capital investment. The principal executive offices of the Company are located at 400 East Van Buren Street, Phoenix, Arizona 85004 (telephone 602-379-2500).

The Company and its subsidiaries employ approximately 7,335 persons. Of these employees, approximately 6,484 are employees of the Company's major subsidiary, APS, and employees assigned to joint projects of APS where APS serves as a project manager, and approximately 851 are employees of the Company and its other subsidiaries.

Other subsidiaries of the Company, in addition to APS, include SunCor and El Dorado. See "Business of SunCor Development Company" and "Business of El Dorado Investment Company" in this Item for further information regarding SunCor and El Dorado.

REGULATION

1935 ACT. The Company currently owns no significant assets other than the common stock of its subsidiaries. The Company and its subsidiaries are currently exempt from registration under the 1935 Act; however, the SEC has the authority to revoke or condition an exemption if it appears that any question exists as to whether the exemption may be detrimental to the public interest or the interest of investors or consumers. On June 20, 1995, the SEC issued a Report on the Regulation of Public Utility Holding Companies in which, as its preferred option, the SEC recommended to the Congress conditional repeal of the 1935 Act, with an adequate transition period. The SEC further recommended that legislation repealing the 1935 Act should include provision for state access to books and records of all companies in the holding company system, and for federal audit authority and oversight of affiliate transactions. The Company cannot predict what action, if any, the Congress may take with respect to the SEC's recommendation.

ARIZONA CORPORATION COMMISSION AFFILIATED INTEREST RULES. On March 14, 1990 the ACC issued an order adopting certain rules purportedly applicable only to a certain class of public utilities regulated by the ACC, including APS. The rules define the terms "public utility holding company" and "affiliate" with respect to public service corporations regulated by the ACC in such a manner as to include the Company and all of the Company's non-public service corporation subsidiaries. By their terms, the rules, among other things, require public utilities, such as APS, to receive ACC approval prior to (1) obtaining an interest in, or guaranteeing or assuming the liabilities of, any affiliate not regulated by the ACC; (2) lending to any such affiliate (except for short-term loans in an amount less than \$100,000); or (3) using utility funds to form a subsidiary or divest itself of any established subsidiary. The rules also would prevent a utility from transacting business with an affiliate unless the affiliate agrees to provide the ACC "access to the books and records of the affiliate to the degree required to fully audit, examine or otherwise investigate transactions between the public utility and the affiliate." In addition, the rules provide that an "affiliate or holding company may not divest itself of, or otherwise relinquish control of, a public utility without thirty (30) days prior written notification to the [ACC]" and would require all public utilities subject to them and all public utility holding companies to annually "provide the [ACC] with a description of diversification plans for the current calendar year that have been approved by the Boards of Directors." The order became effective as to APS on December 1, 1992. The rules have not had, nor does the Company expect the rules to have, a material adverse impact on the business or operations of the Company.

BUSINESS OF ARIZONA PUBLIC SERVICE COMPANY

Following is a discussion of the business of APS, the Company's major subsidiary.

GENERAL

APS was incorporated in 1920 under the laws of Arizona and is engaged principally in serving electricity in the State of Arizona. The principal executive offices of APS are located at 400 North Fifth Street, Phoenix, Arizona 85004 (telephone 602-250-1000). At December 31, 1995, APS employed 6,484 people, which includes employees assigned to joint projects where APS is project manager.

APS serves approximately 705,000 customers in an area that includes all or part of 11 of Arizona's 15 counties. During 1995, no single purchaser or user of energy accounted for more than 3% of total electric revenues.

INDUSTRY AND COMPANY ISSUES

The utility industry continues to experience a number of challenges. Depending on the circumstances of a particular utility, these may include (i) competition in general from numerous sources (see "Competition" below); (ii) difficulties in meeting government imposed environmental requirements; (iii) the necessity to make substantial capital outlays for transmission and distribution facilities; (iv) uncertainty regarding projected electrical demand growth; (v) controversies over electromagnetic fields; (vi) controversies over the safety and use of nuclear power; (vii) issues related to spent fuel and low-level waste (see "Generating Fuel" below); and (viii) increasing costs of wages and materials.

COMPETITION

Although APS currently serves electricity in particular areas pursuant to certain retail service territorial rights, APS is subject to varying degrees of competition in certain territories adjacent to or within areas that it serves which are also currently served by other utilities in its region (such as Tucson Electric Power Company, Southwest Gas Corporation, and Citizens Utility Company) as well as cooperatives, municipalities, electrical districts and similar types of governmental organizations (principally SRP). In addition, APS is competing for large commercial and industrial projects which move into Arizona, and faces challenges from low-cost hydroelectric power and natural gas fuel and the access of some utilities to preferential low-priced federal power and other subsidies.

Partly as a result of the Energy Act, the electric utility industry is moving toward a more competitive environment. The Energy Act is designed, among other things, to promote competition among utility and non-utility generators. The Energy Act also amends the Federal Power Act to allow the FERC to order electric utilities to transmit, or "wheel," wholesale power for others. Presently, the Company's primary competitors are the major utilities in its region as competition for wholesale transactions in electricity is already intense in the West. As competition in the electric utility industry continues to evolve, APS will continue to pursue strategies to enhance its competitive position.

The FERC has been encouraging increased competition in the wholesale market, and a proposed FERC rule would require each utility that markets wholesale power to provide access over its transmission system to other energy providers at prices and terms comparable to those which the utility applies to itself. The FERC has also encouraged the formation of regional transmission groups to enhance coordinated transmission planning and comparable access, as APS, other utilities in the Southwest and several power marketers are doing with the Southwestern Regional Transmission Association. All of the members of this association will file comparability and market base tariffs with the FERC this summer.

In 1995, APS and the ACC Staff proposed a regulatory settlement agreement which APS believes lays the groundwork for a responsible transition to a competitive future. See "1995 Regulatory Agreement" in Note 3 of Notes to Consolidated Financial Statements in Item 8.

CAPITAL STRUCTURE

The capital structure of APS (which, for this purpose, includes short-term borrowings and current maturities of long-term debt) as of December 31, 1995 is tabulated below.

	Amount	Percentage
	-----	-----
	(Thousands of Dollars)	
Long-Term Debt Less Current Maturities:		
First mortgage bonds	\$1,604,317	
Other	527,704	

Total long-term debt less current maturities ...	2,132,021	50.7%

Non-Redeemable Preferred Stock	193,561	4.6

Redeemable Preferred Stock	75,000	1.8

Common Stock Equity:		
Common stock, \$2.50 par value, 100,000,000 shares authorized; 71,264,947 shares outstanding	178,162	
Premiums and expenses	1,039,550	
Retained earnings	403,843	

Total common stock equity	1,621,555	38.6

Total capitalization	4,022,137	
Current Maturities of Long-Term Debt	3,512	.1
Short-Term Borrowings	177,800	4.2

Total	\$4,203,449	100.0%
	=====	=====

See Notes 6, 7, and 8 of Notes to Consolidated Financial Statements in Item 8.

So long as any of APS' first mortgage bonds are outstanding, APS is required for each calendar year to deposit with the trustee under its Mortgage, cash in a formulaized amount related to net additions to APS' mortgaged utility plant; however, APS may satisfy all or any part of this "replacement fund" requirement by utilizing redeemed or retired bonds, net property additions, or property retirements. For 1995, the replacement fund requirement amounted to approximately \$128 million. Many, though not all, of the bonds issued by APS under the Mortgage are redeemable at their par value plus accrued interest with cash deposited by APS in the replacement fund, subject in many cases to a period of time after the original issuance of the bonds during which they may not be so redeemed and/or to other restrictions on any such redemption.

RATES

STATE. The ACC has regulatory authority over APS in matters relating to retail electric rates and the issuance of securities. See Note 3 of Notes to Consolidated Financial Statements in Item 8 for a discussion of the 1995 regulatory agreement between APS and the ACC Staff.

FEDERAL. APS' rates for wholesale power sales and transmission services are subject to regulation by the FERC. During 1995, approximately 6% of APS' electric operating revenues resulted from such sales and charges. For most wholesale transactions regulated by the FERC, a fuel adjustment clause results in monthly adjustments for changes in the actual cost of fuel for generation and in the fuel component of purchased power expense.

CONSTRUCTION PROGRAM

During the years 1993 through 1995, APS incurred approximately \$807 million in capitalized expenditures. Utility capitalized expenditures for the years 1996 through 1998 are expected to be primarily for expanding transmission and distribution capabilities to meet customer growth, upgrading existing facilities and for environmental purposes. Capitalized expenditures, including expenditures for environmental control facilities, for the years 1996 through 1998 have been estimated as follows:

(Millions of Dollars)

By Year	By Major Facilities		
1996	\$246	Electric generation	\$244
1997	242	Electric transmission	29
1998	244	Electric distribution	352
	-----	General facilities	107
	\$732		-----
	====		\$732
			====

The amounts for 1996 through 1998 exclude capitalized interest costs and include capitalized property taxes and about \$30 million each year for nuclear fuel expenditures. APS conducts a continuing review of its construction program.

ENVIRONMENTAL MATTERS

EPA ENVIRONMENTAL REGULATION. Pursuant to the Clean Air Act, the EPA has adopted regulations that address visibility impairment in certain federally-protected areas which can be reasonably attributed to specific sources. In September 1991, the EPA issued a final rule that would limit sulfur dioxide emissions at NGS. Compliance with the emission limitation becomes applicable to NGS Units 3, 2, and 1 in 1997, 1998, and 1999, respectively. SRP, the NGS operating agent, has estimated a capital cost of \$500 million, most of which will be incurred through 1998, and annual operations and maintenance costs of approximately \$14 million for all three units, for NGS to meet these requirements. APS will be required to fund 14% of these expenditures.

The Clean Air Act Amendments of 1990 (the "Amendments") address, among other things, "acid rain," visibility in certain specified areas, toxic air pollutants, and the nonattainment of national ambient air quality standards. With respect to "acid rain," the Amendments establish a system of sulfur dioxide emissions "allowances." Each existing utility unit is granted a certain number of "allowances." On March 5, 1993, the EPA promulgated rules listing allowance allocations applicable to APS-owned plants, which allocations will begin in the year 2000. Based on those allocations, APS will have sufficient allowances to permit continued operation of its plants at current levels without installing additional equipment. In addition, the Amendments require the EPA to set nitrogen oxides emissions limitations which would require certain plants to install additional pollution control equipment. In March 1995, the EPA issued revised rules for nitrogen oxides emissions limitations, which may require APS to install additional pollution control equipment at Four Corners. In the year 2000, Four Corners must comply with either these or recently proposed requirements which the EPA published in January 1996. The EPA has until 1997 to finalize these proposed requirements. Based on its initial evaluation, APS currently estimates its capital cost of complying with the March 1995 rules may be approximately \$20 million, the incurrence of which began in 1995 and will continue through 1999, with the highest expenditures expected during 1998.

With respect to protection of visibility in certain specified areas, the Amendments require the EPA to conduct a study which the EPA estimates will be completed in late 1996 concerning visibility impairment in those areas and identification of sources contributing to such impairment. Interim findings of this study have indicated that any beneficial effect on visibility as a result of the Amendments would be offset by expected population and industry growth. The EPA has established a "Grand Canyon Visibility Transport Commission" to complete a study by May 1996 on visibility impairment in the "Golden Circle of National Parks" in the Colorado Plateau. NGS, Cholla, and

Four Corners are located near the "Golden Circle of National Parks." Based on the recommendations of the Commission, the EPA may require additional emissions controls at various sources causing visibility impairment in the "Golden Circle of National Parks" and may limit economic development in several western states. APS cannot currently estimate the capital expenditures, if any, which may be required as a result of the EPA studies and the Commission's recommendations.

With respect to hazardous air pollutants emitted by electric utility steam generating units, the Amendments require two studies. The results of the first study indicated an impact from mercury emissions from such units in certain unspecified areas; however, the EPA has not yet stated whether or not emissions limitations will be imposed. Next, the EPA will complete a general study in late 1996 concerning the necessity of regulating such units under the Amendments. Due to the lack of historical data, and because APS cannot speculate as to the ultimate requirements by the EPA, APS cannot currently estimate the capital expenditures, if any, which may be required as a result of these studies.

Certain aspects of the Amendments may require related expenditures by APS, such as permit fees, none of which APS expects to have a material impact on its financial position.

PURPORTED NAVAJO ENVIRONMENTAL REGULATION. Four Corners and NGS are located on the Navajo Reservation and are held under easements granted by the federal government as well as leases from the Navajo Nation. APS is the Four Corners operating agent and owns a 100% interest in Four Corners Units 1, 2 and 3, and a 15% interest in Four Corners Units 4 and 5. APS owns a 14% interest in NGS Units 1, 2 and 3. In July 1995 the Navajo Nation enacted the Navajo Nation Air Pollution Prevention and Control Act, the Navajo Nation Safe Drinking Water Act, and the Navajo Nation Pesticide Act (collectively, the "Acts").

Pursuant to the Acts, the Navajo Nation Environmental Protection Agency is authorized to promulgate regulations covering air quality, drinking water and pesticide activities, including those that occur at Four Corners and NGS. By separate letters dated October 12 and October 13, 1995, the Four Corners participants and the NGS participants requested the United States Secretary of the Interior to resolve their dispute with the Navajo Nation regarding whether or not the Acts apply to operations of Four Corners and NGS. On October 17, 1995, the Four Corners participants and the NGS participants each filed a lawsuit in the District Court of the Navajo Nation, Window Rock District, seeking, among other things, a declaratory judgment that (i) their respective leases and federal easements preclude the application of the Acts to the operations of Four Corners and NGS, and (ii) the Navajo Nation and its agencies and courts lack adjudicatory jurisdiction to determine the enforceability of the Acts as applied to Four Corners and NGS. On October 18, 1995, the Navajo Nation and the Four Corners and NGS participants agreed to indefinitely stay the proceedings referenced in the preceding two sentences so that the parties may attempt to resolve the dispute without litigation, and the Secretary and the Court have stayed these proceedings pursuant to a request by the parties. APS cannot currently predict the outcome of this matter.

GENERATING FUEL

Coal, nuclear, gas, and other contributions to total net generation of electricity by APS in 1995, 1994, and 1993, and the average cost to APS of those fuels (in dollars per MWh), were as follows:

	Coal		Nuclear		Gas		Other		All Fuels
	Percent of Generation	Average Cost	Average Cost						
1995 (estimate)	54.7%	\$13.83	40.1%	\$5.21	5.0%	\$19.52	0.2%	\$11.84	\$10.66
1994	59.7	13.84	33.8	6.09	6.3	24.64	0.2	16.26	11.90
1993	62.3	12.95	32.4	6.17	5.1	31.53	0.2	18.32	11.70

Other includes oil and hydro generation.

APS believes that Cholla has sufficient reserves of low sulfur coal committed to that plant for the next four years, the term of the existing coal contract. Sufficient reserves of low sulfur coal are available to continue operating Cholla for its useful life. APS also believes that Four Corners and NGS have sufficient reserves of low sulfur coal available for use by those plants to continue operating them for their useful lives. The current sulfur content of coal being used at Four Corners, NGS, and Cholla is approximately 0.8%, 0.6%, and 0.4%, respectively. In 1995, average prices paid for coal supplied from reserves dedicated under the existing contracts were relatively stable, although applicable contract clauses permit escalations under certain conditions. In addition, major price adjustments can occur from time to time as a result of contract renegotiation.

NGS and Four Corners are located on the Navajo Reservation and held under easements granted by the federal government as well as leases from the Navajo Nation. See "Properties" in Item 2. APS purchases all of the coal which fuels Four Corners from a coal supplier with a long-term lease of coal reserves owned by the Navajo Nation and for NGS from a coal supplier with a long-term lease with the Navajo Nation and the Hopi Tribe. APS purchases all of the coal which fuels Cholla from a coal supplier who mines all of the coal under a long-term lease of coal reserves owned by the Navajo Nation, the federal government, and private landholders. See Note 12 of Notes to Consolidated Financial Statements in Item 8 for information regarding APS' obligation for coal mine reclamation.

APS is a party to contracts with twenty-seven natural gas operators and marketers which allow APS to purchase natural gas in the method it determines to be most economic. During 1995, the principal sources of APS' natural gas generating fuel were 19 of these companies. APS is currently purchasing the majority of its natural gas requirements from twelve companies pursuant to contracts. APS' natural gas supply is transported pursuant to a firm transportation service contract between APS and El Paso Natural Gas Company. APS continues to analyze the market to determine the source and method of meeting its natural gas requirements.

The fuel cycle for Palo Verde is comprised of the following stages: (1) the mining and milling of uranium ore to produce uranium concentrates, (2) the conversion of uranium concentrates to uranium hexafluoride, (3) the enrichment of uranium hexafluoride, (4) the fabrication of fuel assemblies, (5) the utilization of fuel assemblies in reactors, and (6) the storage of spent fuel and the disposal thereof. The Palo Verde participants have made arrangements through contract flexibilities to obtain quantities of uranium concentrates anticipated to be sufficient to meet operational requirements through 2000. Existing contracts and options could be utilized to meet approximately 80% of requirements in 2001 and 2002 and 50% of requirements from 2003 through 2007.

Spot purchases in the uranium market will be made, as appropriate, in lieu of any uranium that might be obtained through contract flexibilities and options. The Palo Verde participants have contracted for all conversion services required through 2000 and with options for up to 70% through 2002. The Palo Verde participants, including APS, have an enrichment services contract with USEC which obligates USEC to furnish enrichment services required for the operation of the three Palo Verde units over a term expiring in September 2002, with options to continue through September 2007. In addition, existing contracts will provide fuel assembly fabrication services until at least 2003 for each Palo Verde unit, and through contract options, approximately fifteen additional years are available.

Pursuant to the Nuclear Waste Policy Act of 1982, as amended in 1987 (the "Waste Act"), DOE is obligated to accept and dispose of all spent nuclear fuel and other high-level radioactive wastes generated by all domestic power reactors. The NRC, pursuant to the Waste Act, also requires operators of nuclear power reactors to enter into spent fuel disposal contracts with DOE and APS, on its own behalf and on behalf of the other Palo Verde participants, has done so. Under the Waste Act, DOE was to develop the facilities necessary for the storage and disposal of spent nuclear fuel and to have the first such facility in operation by 1998. That facility was to be a permanent repository, but DOE has announced that such a repository now cannot be completed before 2010. Several bills have been introduced in Congress contemplating the construction of a central interim storage facility which could be available in the latter part of the current decade; however, there is resistance to certain features of these bills both in Congress and in the Administration.

Facility funding is a further complication. While all nuclear utilities pay into a so-called nuclear waste fund an amount calculated on the basis of the output of their respective plants, the annual Congressional appropriations for the permanent repository have been for amounts less than the amounts paid into the waste fund (the balance of which is being used for other purposes) and, according to DOE spokespersons, may now be at a level less than needed to achieve a 2010 operational date for a permanent repository. No funding will be available for a central interim facility until one is authorized by Congress.

APS has storage capacity in existing fuel storage pools at Palo Verde which, with certain modifications, could accommodate all fuel expected to be discharged from normal operation of Palo Verde through about 2005, and believes it could augment that wet storage with new facilities for on-site dry storage of spent fuel for an indeterminate period of operation beyond 2005, subject to obtaining any required governmental approvals.

One way or another, APS currently believes that spent fuel storage or disposal methods will be available for use by Palo Verde to allow its continued operation beyond 2005.

Currently, low-level waste is being stored on-site. A new low-level waste facility was built in 1995 on-site which could store an amount of waste equivalent to up to ten years of normal operation at Palo Verde. APS is currently evaluating whether to ship low-level waste to off-site facilities or to continue to store the waste on-site. APS currently believes that interim low-level waste storage methods are or will be available for use by Palo Verde to allow its continued operation and to safely store low-level waste until a permanent disposal facility is available.

While believing that scientific and financial aspects of the issues of spent fuel and low-level waste storage and disposal can be resolved satisfactorily, APS acknowledges that their ultimate resolution in a timely fashion will require political resolve and action on national and regional scales which it is less able to predict.

PALO VERDE NUCLEAR GENERATING STATION

REGULATORY. Operation of each of the three Palo Verde units requires an operating license from the NRC. Full power operating licenses for Units 1, 2, and 3 were issued by the NRC in June 1985, April 1986, and November 1987, respectively. The full power operating licenses, each valid for a period of approximately 40 years, authorize APS, as operating agent for Palo Verde, to operate the three Palo Verde units at full power. See Note 13 of Notes to Consolidated Financial Statements in Item 8 for a discussion of APS' nuclear decommissioning costs.

STEAM GENERATORS. See "Palo Verde Nuclear Generating Station" in Note 12 of Notes to Consolidated Financial Statements in Item 8 for a discussion of issues relating to the Palo Verde steam generators.

PALO VERDE LIABILITY AND INSURANCE MATTERS. See "Palo Verde Nuclear Generating Station" in Note 12 of Notes to Consolidated Financial Statements in Item 8 for a discussion of the insurance maintained by the Palo Verde participants, including APS, for Palo Verde.

DEPARTMENT OF LABOR MATTER. On May 10, 1993, a Department of Labor ("DOL") Administrative Law Judge issued a Recommended Decision and Order finding that APS discriminated against a former contract employee who worked at Palo Verde because he engaged in protected activities (as defined under federal regulations). APS and the former contract employee who had raised the DOL claim entered into a settlement agreement which was approved by the Secretary of Labor in June 1995. By letter dated March 7, 1996, the NRC sent a Notice of Violation and Proposed Imposition of Civil Penalty notifying APS that the NRC proposes to impose a \$100,000 civil penalty for a "Severity Level III" violation of NRC requirements relating to the circumstances surrounding this matter. The NRC also concluded in its March 7, 1996 letter that APS' actions taken and planned to correct the violation have already been addressed and therefore APS is not required to respond to the Notice of Violation. APS plans to pay the associated penalty within thirty days.

WATER SUPPLY

Assured supplies of water are important both to APS (for its generating plants) and to its customers and, at the present time, APS has adequate water to meet its needs. However, conflicting claims to limited amounts of water in the southwestern United States have resulted in numerous court actions in recent years.

Both groundwater and surface water in areas important to APS' operations have been the subject of inquiries, claims, and legal proceedings which will require a number of years to resolve. APS is one of a number of parties in a proceeding before a state court in New Mexico to adjudicate rights to a stream system from which water for Four Corners is derived. (State of New Mexico, in the relation of S.E. Reynolds, State Engineer vs. United States of America, City of Farmington, Utah International, Inc., et al., San Juan County, New Mexico, District Court No. 75-184). An agreement reached with the Navajo Nation in 1985, however, provides that if Four Corners loses a portion of its rights in the adjudication, the Navajo Nation will provide, for a then-agreed upon cost, sufficient water from its allocation to offset the loss.

A summons served on APS in early 1986 required all water claimants in the Lower Gila River Watershed in Arizona to assert any claims to water on or before January 20, 1987, in an action pending in Maricopa County Superior Court. (In re The General Adjudication of All Rights to Use Water in the Gila River System and Source, Supreme Court Nos. WC-79-0001 through WC 79-0004 (Consolidated) [WC-1, WC-2, WC-3 and WC-4 (Consolidated)], Maricopa County Nos. W-1, W-2, W-3 and W-4 (Consolidated)). Palo Verde is located within the geographic area subject to the summons, and the rights of the Palo Verde participants, including APS, to the use of groundwater and effluent at Palo Verde is potentially at issue in this action. APS, as project manager of Palo Verde, filed claims that dispute the court's jurisdiction over the Palo Verde participants' groundwater rights and their contractual rights to effluent relating to Palo Verde and, alternatively, seek confirmation of such rights. Three of APS' less-utilized power plants are also located within the geographic area subject to the summons. APS' claims dispute the court's jurisdiction over APS' groundwater rights with respect to these plants and, alternatively, seek confirmation of such rights. On December 10, 1992, the Arizona Supreme Court heard oral argument on certain issues in this matter which are pending on interlocutory appeal. Issues important to APS' claims were remanded to the trial court for further action and the trial court certified its decision for interlocutory appeal to the Arizona Supreme Court. On September 28, 1994, the Arizona Supreme Court granted review of the trial court decision. No trial date concerning the water rights claims of APS has been set in this matter.

APS has also filed claims to water in the Little Colorado River Watershed in Arizona in an action pending in the Apache County Superior Court. (In re The General Adjudication of All Rights to Use Water in the Little Colorado River System and Source, Supreme Court No. WC-79-0006 WC-6, Apache County No. 6417). APS' groundwater resource utilized at Cholla is within the geographic area subject to the adjudication and is therefore potentially at issue in the case. APS' claims dispute the court's jurisdiction over APS' groundwater rights and, alternatively, seek confirmation of such rights. The parties are in the process of settlement negotiations with respect to this matter. No trial date concerning the water rights claims of APS has been set in this matter.

Although the foregoing matters remain subject to further evaluation, APS expects that the described litigation will not have a materially adverse impact on its operations or financial position.

BUSINESS OF SUNCOR DEVELOPMENT COMPANY

SunCor was incorporated in 1965 under the laws of the State of Arizona and is engaged primarily in the owning, holding, and development of real property, including homebuilding. The principal executive offices of SunCor are located at 3838 North Central, Suite 1500, Phoenix, Arizona 85012 (telephone 602-285-6800). SunCor and its subsidiaries, excluding SunCor Resort & Golf Management, Inc. ("Resort Management"), employ approximately 97 persons. Resort Management, which manages the Wigwam Resort and Country Club (the "Wigwam"), employs between 205 and 720 persons, depending on the Wigwam's operating season. Resort Management also operates other golf operations.

SunCor's assets consist primarily of land and improvements and other real estate investments. SunCor's holdings include approximately 11,000 acres west of Phoenix in the area of Goodyear/Litchfield Park, Arizona ("Palm Valley"), including a private water and sewer company to provide those utility services to the property. A substantial portion of the undeveloped property is currently being used for agricultural purposes. SunCor has completed the master-plan for developing Palm Valley, and the commercial and residential development of approximately 640 acres is well underway. The initial phase included the development of an 18-hole championship golf course that was completed in 1993. In addition, within the Palm Valley project, SunCor has entered into joint ventures to develop 2,200 acres as a retirement community, known as PebbleCreek, and 350 acres as a planned area development, known as Litchfield Greens.

SunCor's holdings also include a 1,400 acre master-planned community north of Phoenix called Tatum Ranch, a 1,400 acre master-planned community northeast of Phoenix called Scottsdale Mountain, a 140 acre master-planned project for business use northwest of Phoenix called Talavi and a 420 acre master-planned project for business use east of Phoenix called MarketPlace. Two recent projects - - - SunRidge Canyon, a 950 acre golf and residential master-planned community northeast of Phoenix, and Sedona Golf Resort, a 300 acre golf and residential master-planned community near Sedona, Arizona -- are also being developed jointly with other venture partners.

For the years ended December 31, 1995, 1994, and 1993, SunCor's operating revenues were approximately \$54.8 million, \$59.3 million, and \$32.2 million, respectively, and its income (losses) were approximately \$4.1 million, \$0.5 million, and (\$4.0 million), respectively. SunCor's capital needs consist primarily of capital expenditures and home construction, which, on the basis of projects now under development, are expected to approximate \$85 million, \$68 million, and \$60 million for 1996, 1997, and 1998, respectively.

At December 31, 1995, SunCor had total assets of approximately \$436 million, approximately \$221 million of which has been pledged to secure certain long-term debt of SunCor. See Note 6 of Notes to the Consolidated Financial Statements in Item 8 for information regarding SunCor's long-term debt. SunCor intends to continue its focus on real estate development in residential, commercial, and industrial projects.

BUSINESS OF EL DORADO INVESTMENT COMPANY

El Dorado was incorporated in 1983 under the laws of the State of Arizona and is engaged principally in the business of making equity investments in other companies. El Dorado's offices are located at 400 East Van Buren Street, Suite 750, Phoenix, Arizona 85004 (telephone 602-252-3441).

El Dorado had investments in venture capital partnerships totalling approximately \$7.3 million at December 31, 1995. El Dorado has remaining funding commitments in the aggregate amount of approximately \$3.1 million through 1996. In addition to the foregoing investments, at December 31, 1995, El Dorado had direct investments of approximately \$17.9 million in other private and public companies and partnerships.

For the years ended December 31, 1995, 1994, and 1993 El Dorado's income (losses) were approximately \$8.5 million, (\$4.0 million), and (\$3.9 million), respectively. At December 31, 1995, El Dorado had total assets of approximately \$38.4 million.

ITEM 2. PROPERTIES

APS' present generating facilities have an accredited capacity aggregating 4,025,241 kw, comprised as follows:

	Capacity(kw)

Coal:	
Units 1, 2, and 3 at Four Corners, aggregating	560,000
15% owned Units 4 and 5 at Four Corners, representing	222,000
Units 1, 2, and 3 at Cholla Plant, aggregating	615,000
14% owned Units 1, 2, and 3 at the Navajo Plant, representing	315,000

	1,712,000
	=====
Gas or Oil:	
Two steam units at Ocotillo, two steam units at Saguaro, and one steam unit at Yucca, aggregating	463,400(1)
Eleven combustion turbine units, aggregating	500,600
Three combined cycle units, aggregating	253,500

	1,217,500
	=====
Nuclear:	
29.1% owned or leased Units 1, 2, and 3 at Palo Verde, representing	1,091,541
	=====
Other	4,200
	=====

(1) West Phoenix steam units (96,300 kw) are currently mothballed.

APS' peak one-hour demand on its electric system was recorded on July 28, 1995 at 4,420,400 kw, compared to the 1994 peak of 4,214,000 kw recorded on June 29. Taking into account additional capacity then available to it under purchase power contracts as well as its own generating capacity, APS' capability of meeting system demand on July 28, 1995, computed in accordance with accepted industry practices, amounted to 4,608,941 kw, for an installed reserve margin of 6.4%. The power actually available to APS from its resources fluctuates from time to time due in part to planned outages and technical problems. The available capacity from sources actually operable at the time of the 1995 peak amounted to 4,469,841 kw, for a margin of 1.3%.

NGS and Four Corners are located on land held under easements from the federal government and also under leases from the Navajo Nation. The risk with respect to enforcement of these easements and leases is not deemed by APS to be material. APS is dependent, however, in some measure upon the willingness and ability of the Navajo Nation to honor its commitments. The lease for Four Corners contains a waiver until 2001 of the requirement that APS pay certain taxes to the Navajo Nation. APS and the Navajo Nation are currently negotiating an agreement regarding taxes to be assessed against APS after the expiration of the waiver. APS cannot currently predict the outcome of this matter. Certain of APS' transmission lines and almost all of its contracted coal sources are also located on Indian reservations. See "Generating Fuel" in Item 1.

On August 18, 1986 and December 19, 1986, APS entered into a total of three sale and leaseback transactions under which it sold and leased back approximately 42% of its 29.1% ownership interest in Palo Verde Unit 2. The leases under each of the sale and leaseback transactions have initial lease terms expiring on December 31, 2015. Each of the leases also allows APS to extend the term of the lease and/or to repurchase the leased Unit 2 interest under certain circumstances at fair market value. The leases in the aggregate require annual payments of approximately \$40 million through 1999, approximately \$46 million in 2000, and approximately \$49 million through 2015 (see Note 10 of Notes to Consolidated Financial Statements in Item 8).

See "Water Supply" in Item 1 with respect to matters having possible impact on the operation of certain of APS' power plants, including Palo Verde.

In addition to that available from its own generating capacity, APS purchases electricity from other utilities under various arrangements. One of the most important of these is a long-term contract with SRP which may be canceled by SRP on three years' notice and which requires SRP to make available, and APS to pay for, certain amounts of electricity that are based in large part on customer demand within certain areas now served by APS pursuant to a related territorial agreement. APS believes that the prices payable by it under the contract are fair to both parties. The generating capacity available to APS pursuant to the contract was 313,000 kW through May 1995, at which time the capacity decreased to 305,000 kW. In 1995, APS received approximately 657,765 MWh of energy under the contract and paid approximately \$30 million for capacity availability and energy received.

In September 1990, APS and PacifiCorp entered into certain agreements relating principally to sales and purchases of electric power and electric utility assets, and in July 1991, after regulatory approvals, APS sold Cholla 4 to PacifiCorp for approximately \$230 million. As part of the transaction, PacifiCorp agreed to make a firm system sale to APS for thirty years during APS' summer peak season in the amount of 175 megawatts for the first five years, increasing thereafter, at APS' option, up to a maximum amount equal to the rated capacity of Cholla 4. In April 1995 APS gave PacifiCorp the required three-year notice to change the existing 175 megawatt purchase to one-for-one seasonal capacity exchange beginning in the summer of 1998. APS has one option remaining to increase the firm purchase to the rated capacity of Cholla 4 (less the current exchange capacity) and also to convert this increase to one-for-one seasonal exchange by a three-year written notice prior to May 1, 1996. PacifiCorp has the right to purchase from APS up to 125 average megawatts of energy per year for thirty years. PacifiCorp and APS also entered into a 100 megawatt one-for-one seasonal capacity exchange to be effective upon the latter of May 15, 1997 or the completion of certain new transmission projects. In addition, PacifiCorp agreed to pay APS (i) \$20 million prior to January 15, 1997 and (ii) \$19 million (\$9.5 million of which has been paid) in connection with the construction of transmission lines and upgrades that will afford PacifiCorp 150 megawatts of northbound transmission rights. In addition, PacifiCorp secured additional firm transmission capacity of 30 megawatts, for which approximately \$0.5 million was paid during 1995. In 1995, APS received 386,350 MWh of energy from PacifiCorp under these transactions and paid approximately \$18 million for capacity availability and the energy received.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Capital Needs and Resources -- APS" in Item 7 for a discussion of APS' construction plans.

See Notes 6 and 10 of Notes to Consolidated Financial Statements in Item 8 with respect to property of APS not held in fee or held subject to any major encumbrance.

As part of the Company's restructuring of its debt in 1990, the Company granted substantially all of its lenders at that time a security interest in the outstanding common stock of APS pursuant to a Pledge Agreement, dated as of January 31, 1990 (the "Pledge Agreement"). At December 31, 1995, the APS common stock secured approximately \$210 million of the Company's outstanding debt. Until the Company and the collateral agent under the Pledge Agreement (the "Collateral Agent") receive notice of the occurrence and continuation of an Event of Default (as defined in the Pledge Agreement), the Company is entitled to exercise or refrain from exercising any and all voting and other consensual rights pertaining to the APS common stock. As to matters other than the election of directors, the Company agreed not to exercise or refrain from exercising any such rights if, in the Collateral Agent's judgment, such action would have a material adverse effect on the value of the APS common stock. After notice of an Event of Default, the Collateral Agent would have the right to vote the APS common stock.

See "Business of SunCor Development Company" and "Business of El Dorado Investment Company" in Item 1 for a description of properties held by SunCor and El Dorado, respectively.

[MAP PAGE]

ITEM 3. LEGAL PROCEEDINGS

APS

On June 29, 1990, a new Arizona state property tax law was enacted, effective as of December 31, 1989, which adversely impacted APS' earnings before income taxes in tax years 1990 through 1995 by an aggregate amount of approximately \$21 million per year. On December 20, 1990, the Palo Verde participants, including APS, filed a lawsuit in the Arizona Tax Court, a division of the Maricopa County Superior Court, against the Arizona Department of Revenue, the Treasurer of the State of Arizona, and various Arizona counties, claiming, among other things, that portions of the new tax law are unconstitutional. (Arizona Public Service Company, et al. v. Apache County, et al., No. TX 90-01686 (Consol.), Maricopa County Superior Court). In December 1992, the court granted summary judgment to the taxing authorities, holding that the law is constitutional. APS appealed this decision to the Arizona Court of Appeals. In November 1995, the Arizona Court of Appeals reversed that decision, holding that the law is unconstitutional. The matter has been returned to the Arizona Tax Court for determination of the appropriate remedy consistent with the Arizona Court of Appeals decision. Pursuant to the provisions of APS' 1995 proposed regulatory settlement agreement (see Note 3 of Notes to Consolidated Financial Statements in Item 8), if any overcollected property taxes are refunded to APS by the State of Arizona as a result of the disposition of this lawsuit, APS would refund all of the net jurisdictional amount of such refund to its retail customers. APS cannot currently predict the ultimate outcome of this matter.

See "Environmental Matters," "Palo Verde Nuclear Generating Station," and "Water Supply" in Item 1 in regard to pending or threatened litigation and other disputes involving APS.

PINNACLE WEST

On November 7, 1988 and December 20, 1988, two separate lawsuits were filed in the United States District Court for the District of Arizona against the Company and certain of its directors and officers. The lawsuits, which were consolidated on October 2, 1989, alleged violations of federal securities laws and Arizona securities, consumer fraud and other state laws in connection with certain actions of the Company and statements made on its behalf relating to the Company's diversification activities, future business prospects and dividends. The Court certified a class consisting of all purchasers of the Company's common stock between April 1, 1987 and October 7, 1988. The consolidated complaint sought unspecified compensatory and punitive damages as well as fees and costs.

On December 15, 1989 a shareholder derivative lawsuit was filed in the United States District Court for the District of Arizona naming the Company's directors as defendants and the Company as nominal defendant. The lawsuit alleged breach of fiduciary duties by the directors in connection with the Company's diversification activities, and further alleges violation of federal securities laws by one director in connection with the sale of MeraBank to the Company in 1986. The plaintiffs requested, on the Company's behalf, unspecified compensatory and punitive damages.

On April 22, 1991 a lawsuit was filed in the United States District Court for the District of Arizona by the Resolution Trust Corporation (the "RTC") against certain former officers and directors of MeraBank. The suit sought, among other things, damages in excess of \$270 million, and alleged negligence, gross negligence, breach of fiduciary duty, breach of duty of loyalty and breach of contract with respect to the management and operation of MeraBank by the defendants beginning in the early 1980s.

On December 30, 1993, and as the result of a negotiated settlement, the United States District Court for the District of Arizona entered orders and final judgments (1) dismissing the consolidated shareholder class litigation and shareholder derivative litigation initiated in 1988 and 1989, respectively, and described in the first two paragraphs under this heading and (2) partially dismissing the litigation initiated by the RTC and described in the immediately preceding paragraph. The settlement provides for payments totaling \$61.625 million, of which the Company's share is \$5.75 million. A litigation reserve previously established by the Company is sufficient to cover the Company's share of the settlement. The balance of the settlement payment will be funded by the Company's insurers. Two non-settling individuals who pursued independent claims against the RTC were not dismissed from the RTC litigation and have appealed the settlement. On March 23, 1995, the appeals court affirmed the judgment entered by the District Court which approved the settlement and dismissed the litigation described above. On August 28, 1995, the same individuals filed a petition with the U.S. Supreme Court seeking that court's review of the settlement. On January 16, 1996, the Supreme Court denied the petition and the settlement became final.

The non-settling individuals have filed a third-party complaint against the Company in the United States District Court for the District of Arizona alleging claims for contractual and statutory indemnification in the event that these individuals are found liable on the RTC's claims against them. The third-party complaint, which was served on the Company on or about November 15, 1995, further alleges that the Company acted in bad faith and wrongfully denied indemnification to these individuals and seeks compensatory and punitive damages in an unspecified amount as well as costs and attorneys' fees. In addition, one of these individuals seeks a judicial determination that the Company is obligated to pay him pension benefits in an unspecified amount in the event that the RTC does not fully pay these benefits. The December 30, 1993 settlement order barred the non-settling individuals from asserting claims for contribution and certain claims for noncontractual indemnification against the Company. This order is dispositive of some but not all of the claims alleged in the third-party complaint. The Company believes that it has no obligation with respect to any such costs or damages.

On January 18, 1991 a lawsuit was filed in the United States District Court, Southern District of Ohio, Western Division, against, among other parties, the Company and certain of its officers and directors, the Office of Thrift Supervision ("OTS"), the RTC and the Federal Deposit Insurance Corporation ("FDIC"). The amended complaint in this lawsuit alleges that the plaintiff purchased MeraBank subordinated debentures with a face amount of \$1 million in 1987 in reliance upon a capital maintenance stipulation executed by the Company as a condition to the Company's acquisition of MeraBank. The plaintiff further alleges that the value of such debentures was impaired because of the Company's release from its purported obligations under the stipulation and the actions of the OTS in placing MeraBank in receivership. The amended complaint alleges claims under the federal securities laws, the federal racketeering statutes, and state consumer fraud statutes and seeks damages in the approximate amount of \$4.8 million, plus interest. On June 8, 1993, the Ohio court ordered this case to be transferred to the District of Arizona. The individual director defendants were subsequently dismissed without prejudice pursuant to the stipulation of the parties. On November 10, 1994, the Company filed a motion for summary judgment on all counts, which on September 20, 1995 was granted in part and denied in part. The order rejected the plaintiff's claims as to one of the two purchases of MeraBank debentures at issue, and accordingly, reduced the amount in controversy to one-half of the original claimed amount. The Company and the individual directors and officers believe that the lawsuit is without merit and will vigorously defend themselves.

On August 17, 1993, the Company was served with a separate complaint filed by the same plaintiff in the United States District Court for the District of Arizona alleging claims under the Arizona Racketeering Act and the Arizona Consumer Fraud Act seeking compensatory damages in

the amount of \$1.2 million plus interest, punitive damages, treble damages, interest, attorneys' fees and costs. On September 24, 1993, the plaintiff voluntarily dismissed the Arizona Consumer Fraud Act claims. On March 6, 1995, the court dismissed the Arizona Racketeering Act claims. The plaintiff has filed a motion for reconsideration which remains under advisement. The plaintiff has also appealed the dismissal to the Ninth Circuit Court of Appeals. That appeal has been stayed pending the trial court's ruling on the motion for reconsideration.

On May 1, 1991, a lawsuit was filed in the United States District Court for the District of Arizona against the Company by another purchaser of the same issue of MeraBank subordinated debentures referred to above. This plaintiff also claims to have purchased the debentures, with a face amount of approximately \$12.4 million, in reliance upon the stipulation. The suit further alleges that the Company induced the plaintiff to retain its investment in the debentures by representing to the plaintiff that the Company would keep MeraBank capitalized in accordance with federal regulatory requirements. The suit alleges violations of federal and state securities laws, fraud, negligent representation, promissory estoppel, racketeering and intentional interference with contractual relations. On October 7, 1994, the court dismissed the plaintiff's federal securities law claims. On May 4, 1995, the Court granted the Company's motion for reconsideration and also dismissed plaintiff's state securities law claims. The plaintiff seeks unspecified compensatory and punitive damages and has requested that the compensatory damages be trebled under Arizona's civil racketeering statute. The Company intends to vigorously defend itself in this action.

On December 22, 1993, the Company was served with a complaint filed by other purchasers of MeraBank subordinated debentures with a face amount of approximately \$1.5 million alleging claims substantially similar to the claims described in the preceding paragraph. The complaint, which was filed in the United States District Court for the District of Arizona, seeks compensatory and punitive damages in an unspecified amount plus attorneys' fees and costs. On October 6, 1995, the Company filed a motion for summary judgment seeking dismissal of the suit based on, among other things, a claim that the applicable statute of limitations had expired. On November 13, 1995, the plaintiffs filed a cross-motion for partial summary judgment with respect to certain of the Company's alleged misrepresentations and omissions and on a fraudulent concealment defense to the expiration of the applicable statutes of limitations. Both motions remain under consideration by the court. The Company intends to vigorously defend itself in this action.

ITEM 4. SUBMISSION OF MATTERS TO A
VOTE OF SECURITY HOLDERS

No matter was submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report, through the solicitation of proxies or otherwise.

SUPPLEMENTAL ITEM. EXECUTIVE OFFICERS OF THE REGISTRANT

The Company's executive officers are as follows:

Name	Age at March 1, 1996	Position(s) at March 1, 1996
Michael S. Ash	42	Corporate Counsel
Arlyn J. Larson	61	Vice President of Corporate Planning and Development
Nancy E. Newquist	44	Vice President and Treasurer
William J. Post	45	Executive Vice President
Richard Snell	65	Chairman of the Board of Directors, President and Chief Executive Officer
Faye Widenmann	47	Vice President of Corporate Relations and Administration and Secretary

The executive officers of the Company are elected no less often than annually and may be removed by the Board of Directors at any time. The terms served by the named officers in their current positions and the principal occupations (in addition to those stated in the table) of such officers for the past five years have been as follows:

Mr. Ash was elected Corporate Counsel of the Company in February 1991. He previously held the position of Legal Counsel to the Company from December 1986 to February 1991.

Mr. Larson was elected Vice President, Corporate Planning and Development in July 1986.

Ms. Newquist was elected Treasurer in June 1990 and as a Vice President in February 1994. Ms. Newquist also serves as Treasurer of APS, a position she was elected to in June 1993 after serving as Assistant Treasurer of APS since October 1992.

Mr. Post was elected Executive Vice President of the Company effective June 30, 1995. Since September 1994 he has also been Senior Vice President and Chief Operating Officer of APS. From June 1993 to September 1994 he was Senior Vice President, Planning, Information & Financial Services of APS. Prior to June 1993 he was Vice President, Finance and Rates of APS.

Mr. Snell was elected Chairman of the Board, President and Chief Executive Officer of the Company effective February 5, 1990. He was also elected Chairman of the Board of APS effective the same date. Mr. Snell is a director of Aztar Corporation and is also a director of Banc One Arizona Corporation and Bank One, Arizona N.A., Phoenix, Arizona.

Ms. Widenmann was elected Secretary of the Company in 1985 and Vice President of Corporate Relations and Administration in November 1986.

PART II
ITEM 5. MARKET FOR REGISTRANT'S COMMON
EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's common stock is publicly held and is traded on the New York and Pacific Stock Exchanges. At the close of business on March 13, 1996, the Company's common stock was held of record by approximately 55,000 shareholders.

The chart below sets forth the common stock price ranges on the composite tape, as reported in the Wall Street Journal for 1995 and 1994. The chart also sets forth the dividends declared and paid per share during each of the four quarters for 1995 and 1994.

Common Stock Price Ranges and Dividends

1995	HIGH	LOW	DIVIDEND PER SHARE
1st Quarter	21-1/2	19-5/8	.225
2nd Quarter	24-3/4	20-7/8	.225
3rd Quarter	26-1/2	23-3/8	.225
4th Quarter	28-7/8	26-1/8	.25

1994			

1st Quarter	22-7/8	19-1/2	.20
2nd Quarter	21	16	.20
3rd Quarter	18-3/4	16-1/8	.20
4th Quarter	20-1/8	17-1/8	.225

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA
(Dollars In Thousands, Except Per Share Amounts)

	1995	1994	1993	1992	1991
OPERATING RESULTS					
Operating revenues					
Electric	\$ 1,614,952	\$ 1,626,168	\$ 1,602,413	\$ 1,587,582	\$ 1,385,815
Real estate	54,846	59,253	32,248	19,959	12,697
Income (loss) from continuing operations (a)	199,608	\$ 200,619(b)	\$ 169,978	\$ 150,440	\$ (340,317)
Income from discontinued operations -- net of income tax (c)	--	--	--	6,000	153,455
Extraordinary charge for early retirement of debt -- net of income tax (d)	(11,571)	--	--	--	--
Cumulative effect of change in accounting for income taxes (e)	--	--	19,252	--	--
Net income (loss)	\$ 188,037	\$ 200,619	\$ 189,230	\$ 156,440	\$ (186,862)
COMMON STOCK DATA					
Book value per share -- year-end	\$ 21.49	\$ 20.32	\$ 18.87	\$ 17.00	\$ 15.23
Earnings (loss) per average common share outstanding					
Continuing operations	\$ 2.28	\$ 2.30	\$ 1.95	\$ 1.73	\$ (3.91)
Discontinued operations	--	--	--	0.07	1.76
Extraordinary charge	(0.13)	--	--	--	--
Accounting change	--	--	0.22	--	--
Total	\$ 2.15	\$ 2.30	\$ 2.17	\$ 1.80	\$ (2.15)
Dividends declared per share (f)	\$ 0.925	\$ 0.825	\$ 0.20	\$ --	\$ --
Common shares outstanding					
Year-end	87,515,847	87,429,642	87,423,817	87,161,872	87,009,974
Average	87,419,300	87,410,967	87,241,899	87,044,180	86,937,052
TOTAL ASSETS	\$ 6,997,052	\$ 6,909,752	\$ 6,956,799	\$ 6,270,476	\$ 6,147,639
LIABILITIES AND EQUITY					
Long-term debt less current maturities	\$ 2,510,709	\$ 2,588,525	\$ 2,633,620	\$ 2,774,305	\$ 2,996,910
Other liabilities	2,336,695	2,276,249	2,282,508	1,620,250	1,429,488
Total liabilities	4,847,404	4,864,774	4,916,128	4,394,555	4,426,398
Minority interests					
Non-redeemable preferred stock of APS	193,561	193,561	193,561	168,561	168,561
Redeemable preferred stock of APS	75,000	75,000	197,610	225,635	227,278
Common stock equity	1,881,087	1,776,417	1,649,500	1,481,725	1,325,402
Total liabilities and equity	\$ 6,997,052	\$ 6,909,752	\$ 6,956,799	\$ 6,270,476	\$ 6,147,639

(a) Includes after-tax Palo Verde Unit 3 accretion income in 1994, 1993, 1992 and 1991 of approximately \$20.3 million, \$45.3 million, \$40.7 million and \$3.2 million, respectively. Also includes approximately \$407 million of write-offs and adjustments in 1991, net of income tax, related to the Palo Verde Nuclear Generating Station

(b) Includes a non-recurring income tax benefit of \$26.8 million related to a change in tax law.

(c) Tax benefits associated with MeraBank, A Federal Savings Bank.

(d) Prepayment penalty associated with the refinancing of \$100 million of parent company debt.

(e) Results of the adoption of the liability method of accounting for income taxes. See Note 4 of Notes to Consolidated Financial Statements.

(f) In October 1993, the Board of Directors declared a quarterly dividend on common stock, which was previously suspended in October 1989.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

The following discussion relates to Pinnacle West and its subsidiaries: APS, SunCor and El Dorado.

CAPITAL NEEDS AND RESOURCES
Parent Company

During the past three years, the parent company's primary cash needs were for the payment of common stock dividends, interest and optional and mandatory repayment of principal on its long-term debt (see Note 6 of Notes to Consolidated Financial Statements).

Dividends from APS have been the parent company's primary source of cash. SunCor and El Dorado provided cash in 1995. Tax allocations within the consolidated group have been additional sources of cash.

The parent company prepaid or repaid approximately \$120 million, \$134 million and \$152 million of its debt in 1995, 1994 and 1993, respectively. In 1995, the parent company refinanced \$100 million of 11.61% debentures due in 2000 to achieve a lower ongoing interest rate, thereby incurring a prepayment penalty of \$11.6 million after income taxes.

Management expects to have sufficient cash flow in 1996 to reduce parent company debt by approximately \$100 million, of which \$30 million was prepaid on March 1, 1996 at a prepayment penalty of \$3.6 million after income taxes. Additional prepayments, and perhaps refinancing, could result in substantial prepayment penalties in 1996. Subject to approval of the 1995 regulatory agreement (see Note 3 of Notes to Consolidated Financial Statements), \$50 million annually for the years 1996 through 1999 will be invested in APS by the parent company.

In the refinancing of \$100 million of long-term debt in 1995, the parent company established a revolving line of credit of \$100 million; as of December 31, 1995, borrowings of \$100 million were outstanding thereunder.

APS

APS' capital requirements consist primarily of capital expenditures and optional and mandatory repayments of long-term debt and preferred stock. The resources available to meet these requirements include funds provided by operations and external financings.

Present construction plans through the year 2005 do not include any major baseload generating plants. In general, most of the capital expenditures are for expanding transmission and distribution capabilities to meet customer growth, upgrading existing facilities and for environmental purposes. Capital expenditures are anticipated to be approximately \$246 million, \$242 million and \$244 million for 1996, 1997 and 1998, respectively. These amounts include about \$30 million each year for nuclear fuel expenditures.

In the period 1993 through 1995, APS funded all capital expenditures with funds provided by operations, after the payment of dividends. For the period 1996 through 1998, APS estimates that it will fund substantially all capital expenditures in the same manner.

During 1995, APS redeemed \$147 million of long-term debt, of which \$144 million was optional. Refunding obligations for preferred stock, long-term debt, a capitalized lease obligation and certain anticipated early redemptions are expected to approximate \$75 million, \$164 million and \$114 million for the years 1996, 1997 and 1998, respectively. As of March 1, 1996, APS had redeemed approximately \$46 million of its long-term debt and approximately \$15 million of its preferred stock.

Although provisions in APS' bond indenture, articles of incorporation, and financing orders from the Arizona Corporation Commission (ACC) restrict the issuance of additional first mortgage bonds and preferred stock, management does not expect any of these restrictions to limit APS' ability to meet its capital requirements.

As of December 31, 1995, APS had credit commitments from various banks totaling approximately \$300 million, which were available either to support the issuance of commercial paper or to be used as bank borrowings. At the end of 1995, there were \$177.8 million of commercial paper and no bank borrowings outstanding.

Non-Utility Subsidiaries

During the past three years, SunCor and El Dorado together, funded all of their operations through cash flow from operations and financings. SunCor's capital needs consist primarily of capital expenditures and home construction which, on the basis of projects now under development, are expected to approximate \$85 million, \$68 million and \$60 million for 1996, 1997 and 1998, respectively. Capital resources available to meet these requirements include funds provided by SunCor's operations and external financings.

During 1995, SunCor increased its existing revolving lines of credit to \$40 million; at December 31, 1995, borrowings of \$40 million were outstanding thereunder.

RESULTS OF OPERATIONS

1995 Compared with 1994

The Company reported net income of \$188.0 million in 1995 compared with \$200.6 million in 1994. However, both years included significant extraordinary or non-recurring items. In 1995, an extraordinary charge of \$11.6 million after income taxes was recorded for a debt prepayment penalty. Net income for 1994 included a non-recurring income tax benefit of \$26.8 million. Excluding the effects of the extraordinary and non-recurring items, the Company earned \$199.6 million in 1995 compared with \$173.8 million in 1994. The earnings improvement reflects earnings at the subsidiaries and lower interest expense at the parent company due to continued debt reduction.

APS earnings in 1995 were \$220.4 million compared with \$218.2 million in 1994. Earnings increased primarily due to customer growth, lower fuel expenses, accelerated amortization of investment tax credits (ITCs), lower operations and maintenance expenses, lower preferred stock dividends, and a gain recognized on the sale of a small subsidiary. Fuel expenses decreased due to lower fuel prices and a more favorable mix resulting from increased nuclear generation. APS does not have a fuel adjustment clause as part of its retail rate structure; therefore, changes in fuel and purchased power expenses are reflected currently in earnings. The accelerated amortization of ITCs was a result of a 1994 rate settlement (see Note 3 of Notes to Consolidated Financial Statements) and is reflected as an \$18 million decrease in consolidated income tax expense. Operations and maintenance expense decreased as a result of lower fossil plant overhaul costs, improved nuclear operations and severance costs incurred in 1994. Preferred stock dividends decreased due to less preferred stock outstanding.

Substantially offsetting the positive factors at APS were the absence of non-cash income related to a 1991 rate settlement, milder weather, the reversal in 1994 of certain previously recorded depreciation, a retail rate reduction which became effective June 1, 1994, and in 1995 a \$13 million pretax write-down of an APS office building and an \$8 million pretax write-down of certain inventory.

SunCor reported net income of \$4.1 million in 1995 compared with \$0.5 million in 1994. The improvement reflects increased commercial land sales, the expiration of a lease agreement related to the Wigwam Resort and an increase in management fees.

El Dorado reported net income of \$8.5 million in 1995 compared to a \$4.0 million loss in 1994. The improvement reflects sales in 1995 of El Dorado investments and an investment write-down in 1994.

1994 Compared with 1993

The Company reported net income of \$200.6 million in 1994, which included a non-recurring income tax benefit of \$26.8 million. Excluding that benefit, earnings in 1994 were \$173.8 million compared with earnings before an accounting change of \$170.0 million in 1993.

Underlying the small increase were several significant factors. Electric operating revenues increased primarily due to strong customer growth and significantly warmer weather in 1994, partially offset by lower interchange sales and the 1994 rate reduction. Substantially offsetting the earnings effect of the 1994 rate reduction was a one-time depreciation reversal, also occasioned by the 1994 rate settlement (see Note 3 of Notes to Consolidated Financial Statements). Interest expense declined due primarily to parent company debt repayment and APS' refinancing activity in 1994 and 1993.

Substantially offsetting these positive factors were the completion in May 1994 of the recording of non-cash income related to a 1991 rate settlement (see Note 1 of Notes to Consolidated Financial Statements); increased utility operations and maintenance expense due primarily to employee severance costs; and increased nuclear decommissioning costs.

Higher fuel and purchased power expenses in 1994 over 1993 to meet increased retail sales were about offset by lower fuel costs for reduced interchange sales.

SunCor reported a small profit in 1994 compared with a \$4.0 million loss in 1993. Real estate revenues and operating expenses in 1994 increased \$27.0 million and \$21.6 million, respectively, reflecting increased volumes of residential and commercial property sales.

Electric Operating Revenues

Electric operating revenues reflect changes in both the volume of units sold and price per kilowatt-hour (kWh) of electric sales. An analysis of the increases (decreases) in 1995 and 1994 electric operating revenues compared with the prior year follows (in millions of dollars):

	1995	1994
	----	----
Volume variance:		
Customer growth	\$ 48.4	\$ 56.4
Weather	(42.0)	42.0
Other	7.8	(11.7)
1994 rate reduction	(11.4)	(26.5)
Interchange sales	(7.2)	(19.5)
Reversal of refund obligation	(9.3)	(12.1)
Other operating revenues	2.5	(4.8)
	-----	-----
Total change	\$ (11.2)	\$ 23.8
	=====	=====

INCOME TAX ISSUES

See Note 4 of Notes to Consolidated Financial Statements regarding accelerated amortization of ITCs, recognition of \$26.8 million of non-recurring income tax benefits in 1994 and an accounting standard for income taxes which required the recognition in 1993 of \$19.3 million of tax benefits related to net operating loss carryforwards.

OTHER INCOME

Net income reflects accounting practices required for regulated public utilities and represents a composite of cash and non-cash items, including Allowance for Funds Used During Construction (AFUDC), accretion income on Palo Verde Unit 3 and the reversal of a refund obligation arising out of a 1991 rate settlement (see Consolidated Statements of Cash Flows and Note 1 of Notes to Consolidated Financial Statements). The accretion income and refund reversals, net of income taxes, totaled \$25.9 million and \$58.2 million in 1994 and 1993, respectively. Also in 1994 was a one-time depreciation reversal of \$15 million, after income taxes, which was included in "Other -- net" in the Consolidated Statements of Income (see Note 3 of Notes to Consolidated Financial Statements).

1995 REGULATORY AGREEMENT

In December 1995, APS and the ACC Staff announced an agreement which includes an economic proposal to be heard by the full ACC in April 1996. Principal features include an annual rate reduction of approximately \$48 million (\$29 million after income taxes) and recovery of substantially all of APS' present regulatory assets through accelerated amortization over an eight-year period beginning July 1, 1996 increasing annual amortization by approximately \$120 million (\$72 million after income taxes). The agreement also includes an industry restructuring element. See Note 3 of Notes to Consolidated Financial Statements for further discussion of this agreement.

ACCOUNTING MATTERS

Note 2 of Notes to Consolidated Financial Statements describes two new accounting standards related to asset impairment and stock-based compensation, which are effective in 1996. The standards do not have a material impact on the Company's financial position or results of operations at the time of adoption. See Note 13 of Notes to Consolidated Financial Statements for a description of a proposed standard on accounting for certain liabilities related to closure or removal of long-lived assets.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND
FINANCIAL STATEMENT SCHEDULE

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See Note 14 of Notes to Consolidated Financial Statements for the selected quarterly financial data required to be presented in this Item.

REPORT OF MANAGEMENT

The primary responsibility for the integrity of the Company's financial information rests with management, which has prepared the accompanying financial statements and related information. Such information was prepared in accordance with generally accepted accounting principles appropriate in the circumstances, based on management's best estimates and judgments and giving due consideration to materiality. These financial statements have been audited by independent auditors and their report is included.

Management maintains and relies upon systems of internal accounting controls. A limiting factor in all systems of internal accounting control is that the cost of the system should not exceed the benefits to be derived. Management believes that the Company's system provides the appropriate balance between such costs and benefits.

Periodically the internal accounting system is reviewed by both the Company's internal auditors and its independent auditors to test for compliance. Reports issued by the internal auditors are released to management, and such reports, or summaries thereof are transmitted to the Audit Committee of the Board of Directors and the independent auditors on a timely basis.

The Audit Committee, composed solely of outside directors, meets periodically with the internal auditors and independent auditors (as well as management) to review the work of each. The internal auditors and independent auditors have free access to the Audit Committee, without management present, to discuss the results of their audit work.

Management believes that the Company's systems, policies and procedures provide reasonable assurance that operations are conducted in conformity with the law and with management's commitment to a high standard of business conduct.

Richard Snell
Chairman of the Board of Directors,
President and Chief Executive Officer

William J. Post
Executive Vice President

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying consolidated balance sheets of Pinnacle West Capital Corporation and its subsidiaries as of December 31, 1995 and 1994 and the related consolidated statements of income, retained earnings and cash flows for each of the three years in the period ended December 31, 1995. Our audits also included the financial statement schedules listed in the Index at Item 8. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Pinnacle West Capital Corporation and its subsidiaries at December 31, 1995 and 1994 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1995 in conformity with generally accepted accounting principles. Also, in our opinion, such financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

As discussed in Note 4 of Notes to Consolidated Financial Statements, the Company changed its method of accounting for income taxes effective January 1, 1993 to conform with Statement of Financial Accounting Standards No. 109.

Deloitte & Touche LLP
Phoenix, Arizona
March 1, 1996

PINNACLE WEST CAPITAL CORPORATION
Consolidated Statements of Income
(Dollars in Thousands, Except Per Share Amounts)

	Year Ended December 31,		
	1995	1994	1993
Operating Revenues			
Electric	\$ 1,614,952	\$ 1,626,168	\$ 1,602,413
Real estate	54,846	59,253	32,248
Total	1,669,798	1,685,421	1,634,661
Fuel Expenses			
Fuel for electric generation	208,928	237,103	231,434
Purchased power	60,870	63,586	69,112
Total	269,798	300,689	300,546
Operating Expenses			
Utility operations and maintenance	400,814	411,921	401,216
Real estate operations	50,344	59,789	38,220
Depreciation and amortization	243,989	237,326	223,558
Taxes other than income taxes	142,429	141,926	138,468
Total	837,576	850,962	801,462
Operating Income	562,424	533,770	532,653
Other Income (Deductions)			
Allowance for equity funds used during construction	4,982	3,941	2,326
Palo Verde accretion income (Note 1)	--	33,596	74,880
Interest on long-term debt	(209,293)	(229,810)	(245,961)
Other interest	(16,975)	(15,185)	(16,505)
Allowance for borrowed funds used during construction ..	9,065	5,442	4,153
Preferred stock dividend requirements of APS	(19,134)	(25,274)	(30,840)
Other-- net	(3,496)	17,109	(2,282)
Total	(234,851)	(210,181)	(214,229)
Income Before Income Taxes, Extraordinary Charge and Accounting Change	327,573	323,589	318,424
Income Taxes (Note 4)			
Income tax expense	127,965	149,740	148,446
Non-recurring income tax benefit	--	(26,770)	--
Total	127,965	122,970	148,446
Income Before Extraordinary Charge and Accounting Change	199,608	200,619	169,978
Extraordinary Charge for Early Retirement of Debt - Net of Income Tax of \$7,834	(11,571)	--	--
Cumulative Effect of Change in Accounting for Income Taxes (Note 4)	--	--	19,252
Net Income	\$ 188,037	\$ 200,619	\$ 189,230
Average Common Shares Outstanding	87,419,300	87,410,967	87,241,899
Earnings Per Average Common Share Outstanding			
Income before extraordinary charge and accounting change	\$ 2.28	\$ 2.30	\$ 1.95
Extraordinary charge	(0.13)	--	--
Accounting change	--	--	0.22
Total	\$ 2.15	\$ 2.30	\$ 2.17
Dividends Declared Per Share	\$ 0.925	\$ 0.825	\$ 0.200

See Notes to Consolidated Financial Statements.

PINNACLE WEST CAPITAL CORPORATION
Consolidated Balance Sheets
(Thousands of Dollars)

	December 31,	
	1995	1994
Assets		
Current Assets		
Cash and cash equivalents	\$ 79,539	\$ 34,719
Customer and other receivables -- net	131,393	136,143
Accrued utility revenues (Note 1)	53,519	55,432
Materials and supplies (at average cost)	78,271	89,864
Fossil fuel (at average cost)	21,722	35,735
Other current assets	19,671	15,422
Deferred income taxes (Note 4)	46,355	68,263
	-----	-----
Total current assets	430,470	435,578
	-----	-----
Investments and Other Assets		
Real estate investments -- net	411,693	408,505
Other assets (Note 13)	151,127	150,589
	-----	-----
Total investments and other assets	562,820	559,094
	-----	-----
Utility Plant (Notes 6, 10 and 11)		
Electric plant in service and held for future use	6,544,860	6,475,249
Less accumulated depreciation and amortization	2,231,614	2,122,439
	-----	-----
Total	4,313,246	4,352,810
Construction work in progress	281,757	224,312
Nuclear fuel, net of amortization of \$68,275 and \$80,599	52,084	46,951
	-----	-----
Net utility plant	4,647,087	4,624,073
	-----	-----
Deferred Debits		
Regulatory asset for income taxes (Note 4)	548,464	557,049
Palo Verde Unit 3 cost deferral (Note 1)	283,426	292,586
Palo Verde Unit 2 cost deferral (Note 1)	165,873	171,936
Other deferred debits	358,912	269,436
	-----	-----
Total deferred debits	1,356,675	1,291,007
	-----	-----
Total Assets	\$6,997,052	\$6,909,752
	=====	=====

See Notes to Consolidated Financial Statements.

PINNACLE WEST CAPITAL CORPORATION
Consolidated Balance Sheets
(Thousands of Dollars)

	December 31,	
	----- 1995	1994 -----
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	\$ 114,963	\$ 126,842
Accrued taxes	95,962	89,144
Accrued interest	48,958	56,058
Short-term borrowings (Note 5)	177,800	131,500
Current maturities of long-term debt (Note 6) .	8,780	78,512
Other current liabilities	58,030	48,792
	-----	-----
Total current liabilities	504,493	530,848
	-----	-----
Long-term debt less current maturities (Note 6)	2,510,709	2,588,525
	-----	-----
Deferred Credits and Other		
Deferred income taxes (Note 4)	1,327,881	1,297,298
Deferred investment tax credit (Note 4)	97,897	121,426
Unamortized gain -- sale of utility plant	91,514	98,551
Other	314,910	228,126
	-----	-----
Total deferred credits and other	1,832,202	1,745,401
	-----	-----
Commitments and Contingencies (Note 12)		
Minority Interests (Note 7)		
Non-redeemable preferred stock of APS	193,561	193,561
	-----	-----
Redeemable preferred stock of APS	75,000	75,000
	-----	-----
Common Stock Equity (Note 8)		
Common stock, no par value; authorized 150,000,000 shares; issued and outstanding 87,515,847 in 1995 and 87,429,642 in 1994	1,638,684	1,641,196
Retained earnings	242,403	135,221
	-----	-----
Total common stock equity	1,881,087	1,776,417
	-----	-----
Total Liabilities and Equity	\$6,997,052	\$6,909,752
	=====	=====

PINNACLE WEST CAPITAL CORPORATION
Consolidated Statements of Cash Flows
(Thousands of Dollars)

	Year Ended December 31,		
	1995	1994	1993
CASH FLOWS FROM OPERATING ACTIVITIES (Note 1)			
Income before extraordinary charge and accounting change	\$ 199,608	\$ 200,619	\$ 169,978
Items not requiring cash			
Depreciation and amortization	276,288	271,654	258,562
Deferred income taxes-- net	61,076	78,841	139,725
Rate refund reversal	--	(9,308)	(21,374)
Palo Verde accretion income	--	(33,596)	(74,880)
Allowance for equity funds used during construction	(4,982)	(3,941)	(2,326)
Deferred investment tax credit	(23,529)	(5,905)	(6,028)
Other-- net	16,099	4,753	8,186
Changes in current assets and liabilities			
Customer and other receivables-- net	4,653	(7,693)	31,090
Accrued utility revenues	1,913	4,924	(8,839)
Materials, supplies and fossil fuel	25,606	4,795	2,252
Other current assets	(4,249)	(1,640)	(5,782)
Accounts payable	(2,093)	25,068	(27,196)
Accrued taxes	6,818	(7,159)	(21,391)
Accrued interest	(7,100)	(1,616)	(905)
Other current liabilities	3,714	(1,730)	(18,408)
Increase in land held	(4,660)	(10,163)	(7,894)
Other-- net	6,700	(10,730)	34,292
Net Cash Flow Provided By Operating Activities	555,862	497,173	449,062
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(295,772)	(245,925)	(228,465)
Allowance for borrowed funds used during construction ..	(9,065)	(5,442)	(4,153)
Other-- net	422	(1,773)	1,698
Net Cash Flow Used For Investing Activities	(304,415)	(253,140)	(230,920)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of long-term debt	225,128	595,362	535,893
Issuance of preferred stock	--	--	72,644
Short-term borrowings-- net	46,300	(16,500)	(47,000)
Dividends paid on common stock	(80,855)	(72,115)	(17,466)
Repayment of long-term debt	(383,117)	(643,991)	(711,241)
Redemption of preferred stock	--	(124,096)	(78,663)
Extraordinary charge for early retirement of debt	(11,571)	--	--
Other-- net	(2,512)	(101)	(8,108)
Net Cash Flow Used For Financing Activities	(206,627)	(261,441)	(253,941)
Net Cash Flow	44,820	(17,408)	(35,799)
Cash and Cash Equivalents at Beginning of Year	34,719	52,127	87,926
Cash and Cash Equivalents at End of Year	\$ 79,539	\$ 34,719	\$ 52,127

See Notes to Consolidated Financial Statements.

PINNACLE WEST CAPITAL CORPORATION
 Consolidated Statements of Retained Earnings
 (Thousands of Dollars)

	Year Ended December 31,		
	1995	1994	1993
	-----	-----	-----
Retained Earnings (Deficit) at Beginning of Year	\$ 135,221	\$ 6,717	\$(165,047)
Net Income	188,037	200,619	189,230
Common Stock Dividends	(80,855)	(72,115)	(17,466)
	-----	-----	-----
Retained Earnings at End of Year	\$ 242,403	\$ 135,221	\$ 6,717
	=====	=====	=====

See Notes to Consolidated Financial Statements.

1. Summary of Significant Accounting Policies

Consolidation and Nature of Operations

The consolidated financial statements include the accounts of Pinnacle West and its subsidiaries: APS, SunCor, and El Dorado.

APS, the Company's major subsidiary, is the state's largest electric utility serving approximately 705,000 customers in an area that includes all or part of 11 of Arizona's 15 counties. SunCor is a developer of residential, commercial and industrial projects on some 14,000 acres predominantly in the metropolitan Phoenix area, and El Dorado is a venture capital firm with a diversified portfolio.

Accounting Records

The accounting records are maintained in accordance with generally accepted accounting principles (GAAP). The preparation of financial statements in accordance with GAAP requires the use of estimates by management. Actual results could differ from those estimates.

Regulatory Accounting

APS prepares its financial statements in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation." SFAS No. 71 requires a cost-based rate-regulated enterprise to reflect the impact of regulatory decisions in its financial statements.

APS' major regulatory assets are Palo Verde cost deferrals (see "Palo Verde Cost Deferrals" in this note) and deferred taxes (see Note 4). These items, combined with miscellaneous regulatory assets and liabilities, amounted to approximately \$1.2 billion and \$1.1 billion at December 31, 1995 and 1994, respectively, most of which are included in "Deferred Debits" on the Consolidated Balance Sheets.

APS' current regulatory orders and regulatory environment support the recognition of regulatory assets. If rate recovery of these costs becomes unlikely or uncertain, whether due to competition or regulatory action, APS may no longer be able to apply the provisions of SFAS No. 71 to all or a part of its operations.

Utility Plant and Depreciation

Utility plant represents the buildings, equipment and other facilities used to provide electric service. The cost of utility plant includes labor, materials, contract services, other related items and an allowance for funds used during construction. The cost of retired depreciable utility plant, plus removal costs less salvage realized, is charged to accumulated depreciation. See Note 13 for information on a proposed accounting standard which impacts accounting for removal costs.

Depreciation on utility property is recorded on a straight-line basis. The applicable rates for 1993 through 1995 ranged from 1.77% to 15%, which resulted in an annual composite rate of 3.44% for 1995. Depreciation and amortization of non-utility property and equipment are provided over the estimated useful lives of the related assets, ranging from 3 to 33.3 years.

Allowance for Funds Used During Construction

AFUDC represents the cost of debt and equity funds used to finance construction of utility plant. Plant construction costs, including AFUDC, are recovered in authorized rates through depreciation when completed projects are placed into commercial operation. AFUDC does not represent current cash earnings. AFUDC has been calculated using composite rates of 8.52% for 1995; 7.70% for 1994; and 7.20% for 1993. APS compounds AFUDC semiannually and ceases to accrue AFUDC when construction is completed and the property is placed in service.

Revenues

Electric operating revenues are recognized on the accrual basis and include estimated amounts for service rendered but unbilled at the end of each accounting period.

In 1991, a refund obligation of \$53.4 million (\$32.3 million after income taxes) was recorded as a result of a 1991 rate settlement. The refund obligation was used to reduce the amount of a 1991 rate increase granted rather than require specific customer refunds and was reversed over the thirty months ended May 1994. The after-tax refund obligation reversals that were recorded as electric operating revenues amounted to \$5.6 million in 1994 and \$12.9 million in 1993.

Palo Verde Accretion Income

In 1991, the carrying value of Palo Verde Unit 3 was discounted to reflect the present value of lost cash flows resulting from a 1991 rate settlement agreement deeming a portion of the unit to temporarily be excess capacity. In accordance with generally accepted accounting principles, accretion income was recorded over a thirty-month period ended May 1994 in the aggregate amount of the original discount. The after-tax accretion income recorded in 1994 and 1993 was \$20.3 million and \$45.3 million, respectively.

Palo Verde Cost Deferrals

As authorized by the ACC, operating costs (excluding fuel) and financing costs of Palo Verde Units 2 and 3 were deferred from the commercial operation date (September 1986 and January 1988, respectively) until the date the units were included in a rate order (April 1988 and December 1991, respectively). The deferrals are being amortized and recovered through rates over thirty-five year periods.

Nuclear Fuel

Nuclear fuel is charged to fuel expense using the unit-of-production method under which the number of units of thermal energy produced in the current period is related to the total thermal units expected to be produced over the remaining life of the fuel.

Under federal law, the United States Department of Energy is responsible for the permanent disposal of spent nuclear fuel, and assesses \$0.001 per kWh of nuclear generation. This amount is charged to nuclear fuel expense. See Note 13 for information on nuclear decommissioning costs.

Income Taxes

The Company files a consolidated U.S. income tax return. Provisions for income taxes are made by each subsidiary as if separate income tax returns were filed. The difference, if any, between these provisions and consolidated income tax expense is allocated to the parent company.

Reacquired Debt Costs

APS amortizes gains and losses on reacquired debt over the remaining life of the original debt, consistent with ratemaking.

Statements of Cash Flows

Temporary cash investments and marketable securities are considered to be cash equivalents for purposes of the Consolidated Statements of Cash Flows. During 1995, 1994 and 1993 the Company paid interest, net of amounts capitalized, of \$216.8 million, \$231.6 million and \$243.9 million, respectively. Income taxes paid were \$77.4 million, \$56.5 million and \$45.3 million, respectively; and dividends paid on preferred stock of APS were \$19.1 million, \$26.2 million and \$30.9 million, respectively.

Reclassifications

Certain prior year balances have been restated to conform to the 1995 presentation.

2. Accounting Matters

In March 1995, the Financial Accounting Standards Board issued SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," which is effective in 1996. This statement requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss would be recognized if the sum of the estimated future undiscounted cash flows to be generated by an asset is less than its carrying value. The amount of the loss would be based on a comparison of book value to fair value. The standard also amends SFAS No. 71 to require the write-off of a regulatory asset if it is no longer probable that future revenues will recover the cost of the asset. SFAS No. 121 does not have a material impact on financial position or results of operations upon adoption.

In October 1995, the Financial Accounting Standards Board issued SFAS No. 123, "Accounting for Stock-Based Compensation," which is effective in 1996. This statement establishes a fair-value based method of accounting for stock compensation plans. The statement encourages but does not require companies to recognize compensation expense based on the new fair value method. The Company will not apply the recognition and measurement approach in SFAS No. 123 upon adoption.

See Note 13 for a description of a proposed standard on accounting for liabilities related to closure or removal of long-lived assets.

3. Regulatory Matters

1995 Regulatory Agreement

In December 1995, APS and the ACC Staff announced an agreement which includes an economic proposal to be heard by the full ACC beginning on April 9, 1996. In recognition of evolving competition in the electric utility industry and an ongoing investigation by the ACC Staff into industry restructuring in an open competition docket involving many parties, the agreement also includes an element setting out a number of issues which APS and the ACC Staff agree the ACC should be requested to consider in developing restructuring policies.

Economic Proposal

The major provisions of the economic proposal are:

- * An annual rate reduction of approximately \$48 million (\$29 million after income taxes), or 3.25% on average, effective no earlier than July 1, 1996.
- * Recovery of substantially all of APS' present regulatory assets through accelerated amortization over an eight-year period beginning July 1, 1996, increasing annual amortization by approximately \$120 million (\$72 million after income taxes). See Note 1.
- * A formula for sharing future cost savings between customers and shareholders referencing an APS return on equity (as defined) of 11.25%.
- * A moratorium on filing for permanent rate changes, except under the sharing formula and under certain other limited circumstances, prior to July 2, 1999.
- * Infusion of \$200 million of common equity into APS by the parent company, in annual increments of \$50 million starting in 1996.

Industry Restructuring

The issues listed by APS and the ACC Staff in the industry restructuring element of their agreement include the legal nature of utilities' service rights and responsibilities, including the obligation to serve in a restructured environment; compensation for restructuring, taking into account (among other matters) stranded investment; ACC jurisdiction over market entrants; reciprocity of access among electricity providers; maintenance of system reliability; the utility tax structure; and clarification of federal-state jurisdictional uncertainties.

APS believes that, after a series of hearings on these and related issues in the competition docket, the ACC could produce a set of regulatory and legislative reforms for presentation to the appropriate bodies in 1997. Bills for industry restructuring or studies thereof have already been introduced in Congress and the Arizona legislature; the Arizona bill, which is supported by APS, would establish a committee to study the issues and to report back to the legislature by the end of 1997.

Assuming timely resolution of the issues and approval of the economic proposal in the agreement, APS therein proposes (independently of the ACC Staff) a plan whereby it would request the ACC to authorize access by retail customers of Arizona public service corporations to the broad generation market starting in the year 2000 for large customers, and thereafter in phased steps up to all customers in about 2004. Other parties may submit other plans, and the ultimate outcome is not predictable.

1994 Settlement Agreement

In May 1994, the ACC approved a retail rate settlement agreement which provided for a net annual retail rate reduction of 2.2% on average, or approximately \$32 million (\$19 million after income taxes), effective June 1, 1994. As part of the settlement, in 1994 APS reversed approximately \$20 million of depreciation (\$15 million after income taxes) related to a 1991 Palo Verde write-off. The 1994 rate settlement also provided for the accelerated amortization of substantially all deferred ITCs over a five-year period beginning in 1995.

4. Income Taxes

Investment Tax Credit

Beginning in 1995, substantially all of the unamortized ITCs are being amortized over a five-year period in accordance with the 1994 rate settlement agreement. Prior to 1995, ITCs were deferred and amortized to other income over the estimated lives of the related assets as directed by the ACC.

Non-recurring Income Tax Benefit

The recognition of \$26.8 million of non-recurring income tax benefits in 1994 relates to a change in tax law.

Change in Accounting for Income Taxes

Effective in 1993, the Company adopted the liability method of accounting for income taxes which requires that deferred income taxes be recorded for all temporary differences between the tax bases of assets and liabilities and the amounts recognized for financial reporting. The cumulative effect of the change in accounting principle on prior years resulted in an increase in 1993 net income of \$19.3 million, due primarily to the recognition of deferred tax benefits relating to state net operating loss (NOL) carryforwards of the parent company. In accordance with SFAS No. 71, APS established a regulatory asset for certain temporary differences, primarily AFUDC equity, that is flowed through for regulatory purposes. This regulatory asset is being amortized as the related differences reverse.

PINNACLE WEST CAPITAL CORPORATION
Notes to Consolidated Financial Statements (continued)

Income Taxes

The components of income tax expense before extraordinary charge and accounting change are as follows:

	Year Ended December 31,		
	1995	1994	1993
	-----	-----	-----
	(Thousands of Dollars)		
Current			
Federal	\$ 77,869	\$ 49,112	\$ 43,065
State	1,081	922	816
	-----	-----	-----
Total current	78,950	50,034	43,881
Deferred	21,339	(10,012)	33,954
NOL and ITC carryforward utilized	58,019	115,623	81,494
Change in valuation allowance	(6,814)	--	--
Change in federal tax rate	--	--	(4,855)
Change in tax law	--	(26,770)	--
Investment tax credit amortization	(23,529)	(5,905)	(6,028)
	-----	-----	-----
Total expense	\$ 127,965	\$ 122,970	\$ 148,446
	=====	=====	=====

Income tax expense differed from the amount computed by multiplying income before income taxes by the statutory federal income tax rate due to the following:

	Year Ended December 31,		
	1995	1994	1993
	-----	-----	-----
	(Thousands of Dollars)		
Federal income tax expense at statutory rate, 35%	\$ 114,651	\$ 113,256	\$ 111,448
Increases (reductions) in tax expense resulting from:			
Tax under book depreciation	18,186	17,236	17,671
Preferred stock dividends of APS	6,697	8,846	10,794
ITC amortization	(23,529)	(5,905)	(6,002)
State income tax net of federal income tax benefit	19,245	(5,983)	21,604
Change in federal tax rate	--	--	(4,855)
Other	(7,285)	(4,480)	(2,214)
	-----	-----	-----
Income tax expense	\$ 127,965	\$ 122,970	\$ 148,446
	=====	=====	=====

PINNACLE WEST CAPITAL CORPORATION
Notes to Consolidated Financial Statements (continued)

The components of the net deferred income tax liability at December 31 were as follows:

	1995	1994
	----- (Thousands of Dollars)	
Deferred tax assets		
NOL and ITC carryforwards	\$ --	\$ 72,139
Alternative minimum tax (can be carried forward indefinitely)	140,708	165,971
Deferred gain on Palo Verde Unit 2 sale/leaseback	60,686	63,720
Other	110,094	124,498
Valuation allowance	(25,552)	(58,431)

Total deferred tax assets	285,936	367,897

Deferred tax liabilities		
Plant-related	813,229	802,645
Income taxes recoverable through future rates -- net	548,464	557,049
Palo Verde deferrals	148,395	153,410
Other	57,374	83,828

Total deferred tax liabilities	1,567,462	1,596,932

Accumulated deferred income taxes -- net	\$ 1,281,526	\$ 1,229,035
	=====	=====

5. Lines of Credit

APS had committed lines of credit with various banks of \$300 million at December 31, 1995 and 1994, which were available either to support the issuance of commercial paper or to be used for bank borrowings. The commitment fees at December 31, 1995 and 1994 on \$200 million of these lines were 0.15% and 0.20% per annum, respectively, and on \$100 million were 0.10% and 0.15% per annum, respectively. APS had commercial paper borrowings outstanding of \$177.8 million at December 31, 1995 and \$131.5 million at December 31, 1994. The weighted average interest rate on commercial paper borrowings was 6.06% on December 31, 1995 and 6.25% on December 31, 1994. By Arizona statute, APS' short-term borrowings cannot exceed 7% of its total capitalization without the consent of the ACC.

The parent company had a revolving line of credit of \$100 million at December 31, 1995 and none at December 31, 1994. Interest is based on the London Interbank Offered Rate (LIBOR) and the commitment fees on this line are 0.13% per annum through December 14, 1996 and 0.18% thereafter. There was \$100 million outstanding under this line at December 31, 1995.

SunCor had revolving lines of credit totalling \$40 million at December 31, 1995 and \$24.5 million at December 31, 1994. Any borrowings are collateralized by certain real property and bear interest based on the prime rate or on LIBOR. The commitment fees on these lines were 0.5% and 0.2% per annum on \$25 million and \$15 million, respectively. SunCor had \$40 million and \$18.5 million outstanding under these lines at December 31, 1995 and 1994, respectively.

6. Long-Term Debt

Borrowings under the APS mortgage bond indenture are secured by substantially all utility plant; SunCor's debt is collateralized by certain real property; and Pinnacle West's debentures are secured by the common stock of APS. Pinnacle West's bond debenture agreement includes provisions which restrict the payment of common stock dividends (an additional \$273 million could have been declared as of December 31, 1995). Aggregate investments in its existing subsidiaries (excluding APS) and aggregate new investments are also restricted. The following table presents consolidated long-term debt outstanding:

PINNACLE WEST CAPITAL CORPORATION
Notes to Consolidated Financial Statements (continued)

	Maturity Dates	Interest Rates	December 31,	
			1995	1994

(Thousands of Dollars)				
APS				
First mortgage bonds	1997-2028	5.5%-13.25%(a)	\$1,604,317	\$1,740,071
Pollution control indebtedness .	2024-2029	Adjustable(b)	433,280	418,824
Debentures (c)	2025	10%	75,000	--
Capitalized lease obligation (d)	1995-2001	7.48%	22,936	26,365
			-----	-----
			2,135,533	2,185,260
			-----	-----
SUNCOR				
Mortgage bonds	1996-2002	(e)	30,000	30,000
Notes payable	1997-1998	(f)	3,545	3,450
Revolving credit	1998-2001	LIBOR plus 2.50% to 2.75%(g)	40,000	18,500
			-----	-----
			73,545	51,950
			-----	-----
PINNACLE WEST				
Debentures	1995-2000	11.35%-11.61%(h)	210,411	385,411
Revolving credit	2000	(i)	100,000	--
Bank term loans	1996	(j)	--	44,416
			-----	-----
			310,411	429,827
			-----	-----
Total long-term debt			2,519,489	2,667,037
Less current maturities			8,780	78,512
			-----	-----
Total long-term debt less current maturities			\$2,510,709	\$2,588,525
			=====	=====

(a) The weighted-average rate at December 31, 1995 and 1994 was 7.79% and 8.04%, respectively. The weighted-average years to maturity at December 31, 1995 and 1994 was 19 years.

(b) The weighted-average rates for the years ended December 31, 1995 and 1994 were 4.31% and 3.91%, respectively. Changes in short-term interest rates would affect the costs associated with this debt.

(c) Junior subordinated deferrable interest debentures due in 2025, redeemable at the option of APS as a whole or in part on or after January 31, 2000 at par plus accrued interest.

(d) Represents the present value of future lease payments (discounted at an interest rate of 7.48%) on a combined cycle plant sold and leased back from the independent owner-trustee formed to own the facility (see Note 10).

(e) The bonds have interest-only payments until March 1, 1996 and quarterly principal repayments thereafter. Interest rates were LIBOR plus 2.3% and LIBOR plus 3% for the years 1995 and 1994, respectively. The interest rate at December 31, 1995 and 1994 was 8.175% and 9.00%, respectively.

(f) The 1995 balance is at 9.75% (prime rate plus 1.25%) at December 31, 1995. The 1994 amount includes \$2.0 million at 10.25%, and the balance varied with the lender's prime rate.

(g) The weighted-average interest rate at December 31, 1995 and 1994 was 8.43% and 8.47%, respectively.

(h) Includes \$210.4 million and \$310.4 million of 11.61% senior secured debentures at December 31, 1995 and 1994, respectively, which are due in 2000 and are redeemable before then only at a premium determined by a make-whole formula related to U.S. Treasury obligations. The balance in 1994 represents senior debentures with a weighted-average interest rate of approximately 11.35%.

PINNACLE WEST CAPITAL CORPORATION
Notes to Consolidated Financial Statements (continued)

(i) The weighted average interest rate was 6.21% at December 31, 1995. Interest is based on LIBOR plus 0.30% through December 15, 1996 and LIBOR plus 0.35% thereafter.

(j) The weighted average interest rate was 7.71% at December 31, 1994.

In December 1995, the parent company prepaid at a premium \$100 million of its 11.61% debentures due December 2000, using funds from a revolving line of credit (see Note 5). The prepayment yielded a penalty of \$11.6 million after income taxes, which has been reflected as an extraordinary charge in the Consolidated Statements of Income.

Aggregate annual principal payments due on total long-term debt and for sinking fund requirements through 2000 are as follows: 1996, \$8.8 million; 1997, \$156.3 million; 1998, \$131.8 million; 1999, \$107.3 million; and 2000, \$418.3 million. See Note 7 for redemption and sinking fund requirements of redeemable preferred stock of APS.

7. Preferred Stock of APS

Non-redeemable preferred stock is not redeemable except at the option of APS. Redeemable preferred stock is redeemable through sinking fund obligations in addition to being callable by APS. Preferred stock balances of APS are shown below:

	Authorized	Number of Shares Outstanding at December 31,		Par Value Per Share	Par Value Outstanding at December 31,		Call Price Per Share (a)
		1995	1994		1995	1994	
(Thousands of Dollars)							
NON-REDEEMABLE:							
\$1.10 preferred	160,000	155,945	155,945	\$ 25.00	\$ 3,898	\$ 3,898	27.50
\$2.50 preferred	105,000	103,254	103,254	50.00	5,163	5,163	51.00
\$2.36 preferred	120,000	40,000	40,000	50.00	2,000	2,000	51.00
\$4.35 preferred	150,000	75,000	75,000	100.00	7,500	7,500	102.00
Serial preferred:	1,000,000						
\$2.400 Series A		240,000	240,000	50.00	12,000	12,000	50.50
\$2.625 Series C		240,000	240,000	50.00	12,000	12,000	51.00
\$2.275 Series D		200,000	200,000	50.00	10,000	10,000	50.50
\$3.250 Series E		320,000	320,000	50.00	16,000	16,000	51.00
Serial preferred:	4,000,000(b)						
Adjustable rate Series Q		500,000	500,000	100.00	50,000	50,000	(c)
Serial preferred:	10,000,000						
\$1.8125 Series W		3,000,000	3,000,000	25.00	75,000	75,000	(d)
Total		4,874,199	4,874,199		\$193,561	\$193,561	
REDEEMABLE:							
Serial preferred:							
\$10.00 Series U		500,000	500,000	\$ 100.00	\$ 50,000	\$ 50,000	
\$7.875 Series V		250,000	250,000	100.00	25,000	\$ 25,000	(e)
Total		750,000	750,000		\$ 75,000	\$ 75,000	

(a) In each case plus accrued dividends.

(b) This authorization also covers all outstanding redeemable preferred stock.

(c) Dividend rate adjusted quarterly to 2% below that of certain United States Treasury securities, but in no event less than 6% or greater than 12% per annum. Redeemable at par.

PINNACLE WEST CAPITAL CORPORATION
Notes to Consolidated Financial Statements (continued)

(d) Redeemable at par after December 1, 1998.

(e) Redeemable at \$105.51 through May 31, 1996, and thereafter declining by a predetermined amount each year to par after May 31, 2002.

If there were to be any arrearage in dividends on any of its preferred stock or in the sinking fund requirements applicable to any of its redeemable preferred stock, APS could not pay dividends on its common stock or acquire any shares thereof for consideration. The redemption requirements for the above issues for the next five years are: \$0 in 1996 and \$10.0 million in each of the years 1997 through 2000.

Redeemable preferred stock transactions of APS during each of the three years in the period ended December 31, 1995 are as follows:

	Number of Shares -----	Par Value Amount -----
(Dollars in Thousands)		
Balance, December 31, 1992	2,256,350	\$ 225,635
Retirements		
\$8.80 Series K	(45,000)	(4,500)
\$11.50 Series R	(35,250)	(3,525)
\$8.48 Series S	(200,000)	(20,000)
	-----	-----
Balance, December 31, 1993	1,976,100	197,610
Retirements		
\$8.80 Series K	(142,100)	(14,210)
\$11.50 Series R	(284,000)	(28,400)
\$8.48 Series S	(300,000)	(30,000)
\$8.50 Series T	(500,000)	(50,000)
	-----	-----
Balance, December 31, 1994	750,000	75,000
Retirements	--	--
	-----	-----
Balance, December 31, 1995	750,000	\$ 75,000
	=====	=====

8. Common Stock

The Company's common stock issued during each of the three years in the period ended December 31, 1995 is as follows:

	Number of Shares -----	Amount(a) -----
	(Dollars in Thousands)	
Balance, December 31, 1992	87,161,872	\$ 1,646,772
Common stock issued	261,945	(3,989)
	-----	-----
Balance, December 31, 1993	87,423,817	1,642,783
Common stock issued	5,825	(1,587)
	-----	-----
Balance, December 31, 1994	87,429,642	1,641,196
Common stock issued	86,205	(2,512)
	-----	-----
Balance, December 31, 1995	87,515,847	\$ 1,638,684
	=====	=====

(a) Including premiums and expenses of preferred stock issues of APS.

The Company has incentive plans under which it may grant non-qualified stock options (NQSOs), incentive stock options (ISOs) and restricted stock awards to officers and key employees. The plans also provided for the granting of any combinations of stock appreciation rights or dividend equivalents. The awards outstanding under the various plans at December 31, 1995 approximate 1,944,100 NQSOs, 300 ISOs, 251,433 restricted shares and 25,408 dividend equivalent shares. The plans provide for the granting of new options on or awards of up to 3.5 million shares at a price not less than the fair market value on the date the option is granted.

9. Pension Plans and Other Benefits

Pension Plans

The Company sponsors defined benefit pension plans covering substantially all employees. Benefits are based on years of service and compensation utilizing a final average pay benefit formula. The funding policy is to contribute the net periodic cost accrued each year. However, the contribution will not be less than the minimum required contribution nor greater than the maximum tax-deductible contribution. Plan assets consist primarily of domestic and international common stocks and bonds and real estate. Pension cost, including administrative cost, for 1995, 1994 and 1993 was approximately \$21.6 million, \$25.8 million and \$14.3 million, respectively, of which approximately \$10.0 million, \$12.3 million and \$6.8 million, respectively, was charged to expense. The remainder was either capitalized or billed to others.

The components of net periodic pension costs (excluding the costs of special termination benefits of \$1.4 million in 1994) are as follows:

	1995 -----	1994 -----	1993 -----
	(Thousands of Dollars)		
Service cost-- benefits earned during the period	\$ 16,390	\$ 20,728	\$ 17,051
Interest cost on projected benefit obligation ..	39,762	39,748	35,046
Return on plan assets	(83,031)	6,053	(52,026)
Net amortization and deferral	46,469	(44,283)	13,547
	-----	-----	-----
Net consolidated periodic pension cost	\$ 19,590	\$ 22,246	\$ 13,618
	=====	=====	=====

PINNACLE WEST CAPITAL CORPORATION
Notes to Consolidated Financial Statements (continued)

A reconciliation of the funded status of the plan to the amounts recognized in the balance sheets is presented below:

	1995 ----	1994 ----
	(Thousands of Dollars)	
Plan assets at fair value	\$ 474,583	\$ 391,620
	-----	-----
Less:		
Accumulated benefit obligation, including vested benefits of \$399,962 and \$311,126 in 1995 and 1994, respectively ..	432,772	336,880
Effect of projected future compensation increases	151,897	113,753
	-----	-----
Total projected benefit obligation	584,669	450,633
	-----	-----
Plan assets less than projected benefit obligation	(110,086)	(59,013)
Plus:		
Unrecognized net loss (gain) from past experience different from that assumed	45,227	(9,900)
Unrecognized prior service cost	23,892	25,628
Unrecognized net transition asset	(32,917)	(36,143)
	-----	-----
Accrued pension liability	\$ (73,884)	\$ (79,428)
	=====	=====

Principal actuarial assumptions used were:

	1995 ----	1994 ----
Discount rate	7.25%	8.75%
Rate of increase in compensation levels	4.50%	5.00%
Expected long-term rate of return on assets	9.00%	9.00%

In addition to the defined benefit pension plans, the Company also sponsors qualified defined contribution plans. Collectively, these plans cover substantially all employees. The plans provide for employee contributions and partial employer matching contributions after certain eligibility requirements are met. The cost of these plans for 1995, 1994 and 1993 was \$7.0 million, \$7.0 million and \$6.4 million, respectively, of which \$3.2 million, \$3.3 million and \$3.1 million, respectively, was charged to expense.

Postretirement Plans

The Company provides medical and life insurance benefits to its retired employees. Employees may become eligible for these retirement benefits based on years of service and age. The retiree medical insurance plans are contributory; the retiree life insurance plans are non-contributory. In accordance with the governing plan documents, the companies retain the right to change or eliminate these benefits.

Funding is based upon actuarially determined contributions that take tax consequences into account. Plan assets consist primarily of domestic stocks and bonds. The postretirement benefit cost for 1995, 1994 and 1993 was approximately \$23 million, \$28 million and \$35 million, respectively, of which approximately \$14 million, \$14 million and \$17 million was charged to expense. The remainder was either capitalized or billed to others.

The components of net periodic postretirement benefit costs are as follows:

	1995 ----	1994 ----	1993 ----
	(Thousands of Dollars)		
Service cost-- benefits earned during the period	\$ 6,925	\$ 9,030	\$ 9,710
Interest cost on accumulated benefit obligation	13,879	14,152	15,755
Return on plan assets	(15,133)	(6,459)	--
Net amortization and deferral	17,179	11,680	9,212
	-----	-----	-----
Net consolidated periodic postretirement benefit cost	\$ 22,850	\$ 28,403	\$ 34,677
	=====	=====	=====

A reconciliation of the funded status of the plan to the amounts recognized in the balance sheets is presented below:

	1995 ----	1994 ----
	(Thousands of Dollars)	
Plan assets at fair value	\$ 81,309	\$ 49,666
	-----	-----
Less accumulated postretirement benefit obligation:		
Retirees	90,616	65,712
Fully eligible plan participants	15,659	9,219
Other active plan participants	108,235	88,396
	-----	-----
Total accumulated postretirement benefit obligation	214,510	163,327
	-----	-----
Plan assets less than accumulated benefit obligation	(133,201)	(113,661)
Plus:		
Unrecognized transition obligation	156,599	165,811
Unrecognized net gain from past experience different from that assumed	(24,621)	(53,012)
	-----	-----
Accrued postretirement liability	\$ (1,223)	\$ (862)
	=====	=====

Principal actuarial assumptions used were:

	1995 ----	1994 ----
Discount rate	7.25%	8.75%
Annual salary increases for life insurance obligation	4.50%	5.00%
Expected long-term rate of return on assets -- after tax	7.64%	7.71%
Initial health care cost trend rate -- under age 65	9.50%	11.50%
Initial health care cost trend rate -- age 65 and over	8.50%	8.50%
Ultimate health care cost trend rate (reached in the year 2002)	5.50%	5.50%

Assuming a one percent increase in the health care cost trend rate, the 1995 cost of postretirement benefits other than pensions would increase by approximately \$4.5 million and the accumulated benefit obligation as of December 31, 1995 would increase by approximately \$33.7 million.

10. Leases

In 1986, APS entered into sale and leaseback transactions under which it sold approximately 42% of its share of Palo Verde Unit 2 and certain common facilities. The gain of approximately \$140.2 million has been deferred and is being amortized to operations expense over the original lease term. The leases are being accounted for as operat-

ing leases. The amounts to be paid each year approximate \$40.1 million through 1999, \$46.3 million in 2000, and \$49.0 million through 2015. Options to renew for two additional years and to purchase the property at fair market value at the end of the lease terms are also included. Consistent with the ratemaking treatment, an amount equal to the annual lease payments is included in rent expense. A regulatory asset (totaling approximately \$56.9 million at December 31, 1995) has been established for the difference between lease payments and rent expense calculated on a straight-line basis. Lease expense for 1995, 1994 and 1993 was \$41.7 million, \$42.2 million and \$41.8 million, respectively.

APS has a capital lease on a combined cycle plant which it sold and leased back. The lease requires semiannual payments of \$2.6 million through June 2001, and includes renewal and purchase options based on fair market value. This plant is included in plant in service at its original cost of \$54.4 million; accumulated amortization at December 31, 1995 was \$42.4 million.

In addition, the Company leases certain land, buildings, equipment and miscellaneous other items through operating rental agreements with varying terms, provisions and expiration dates. Rent expense for 1995, 1994 and 1993 was approximately \$15.4 million, \$21.3 million and \$21.5 million, respectively. Annual future minimum rental commitments, excluding the Palo Verde and combined cycle leases, through 2000 are as follows: 1996, \$15.5 million; 1997, \$15.5 million; 1998, \$15.5 million; 1999 \$15.6 million and 2000, \$15.7 million. Total rental commitments after the year 2000 are estimated at \$181 million.

11. Jointly-Owned Facilities

At December 31, 1995, APS owned interests in the following jointly-owned electric generating and transmission facilities. APS' share of related operating and maintenance expenses is included in utility operations and maintenance.

	Percent Owned by APS -----	Plant in Service -----	Accumulated Depreciation -----	Construction Work in Progress -----
(Dollars in Thousands)				
GENERATING FACILITIES				
Palo Verde Nuclear Generating Station				
Units 1 and 3	29.1%	\$1,823,062	\$ 477,569	\$ 18,743
Palo Verde Nuclear Generating Station				
Unit 2 (see Note 10)	17.0%	556,236	149,837	9,925
Four Corners Steam Generating Station				
Units 4 and 5	15.0%	142,449	54,349	1,208
Navajo Steam Generating Station				
Units 1, 2 and 3	14.0%	139,607	78,490	38,633
Cholla Steam Generating Station				
Common Facilities(a)	62.8%(b)	70,761	35,900	734
TRANSMISSION FACILITIES				
ANPP 500 KV system	35.8%(b)	62,607	16,589	1,106
Navajo Southern System	31.4%(b)	26,737	15,561	23
Palo Verde-- Yuma 500 KV System	23.9%(b)	11,375	3,483	9
Four Corners Switchyards	27.5%(b)	3,068	1,561	53
Phoenix-- Mead System	17.1%(b)	--	--	39,918

(a) APS is the operating agent for Cholla Unit 4, which is owned by PacifiCorp. The common facilities at the Cholla Plant are jointly-owned.

(b) Weighted average of interests.

12. Commitments and Contingencies

Litigation

The Company is party to various claims, legal actions and complaints arising in the ordinary course of business. In the opinion of management, the ultimate resolution of these matters will not have a material adverse effect on the operations or financial position of the Company.

Palo Verde Nuclear Generating Station

APS has encountered tube cracking in steam generators and has taken, and will continue to take, remedial actions that it believes have slowed the rate of tube degradation. The projected service life of the steam generators is reassessed periodically in conjunction with inspections made during scheduled outages at the Palo Verde units. APS' ongoing analyses indicate that it will be economically desirable for APS to replace the Unit 2 steam generators, which have been most affected by tube cracking, in five to ten years. APS expects that the steam generator replacement can be accomplished within financial parameters established before replacement was a consideration, and APS estimates that its share of the replacement costs (in 1995 dollars and including installation and replacement power costs) will be between \$30 million and \$50 million, most of which will be incurred after the year 2000. APS expects that the replacement would be performed in conjunction with a normal refueling outage in order to limit incremental outage time to approximately 50 days. Based on the latest available data, APS estimates that the Unit 1 and Unit 3 steam generators should operate for the license periods (until 2025 and 2027, respectively), although APS will continue its normal periodic assessment of these steam generators.

The Palo Verde participants have insurance for public liability payments resulting from nuclear energy hazards to the full limit of liability under federal law. This potential liability is covered by primary liability insurance provided by commercial insurance carriers in the amount of \$200 million and the balance by an industry-wide retrospective assessment program. If losses at any nuclear power plant covered by this program exceed the accumulated funds for this program, APS could be assessed retrospective premium adjustments. The maximum assessment per reactor under the program for each nuclear incident is approximately \$79 million, subject to an annual limit of \$10 million per incident. Based upon APS' 29.1% interest in the three Palo Verde units, APS' maximum potential assessment per incident for all three units is approximately \$69 million, with an annual payment limitation of approximately \$9 million.

The Palo Verde participants maintain "all risk" (including nuclear hazards) insurance for property damage to, and decontamination of, property at Palo Verde in the aggregate amount of \$2.75 billion, a substantial portion of which must first be applied to stabilization and decontamination. APS has also secured insurance against portions of any increased cost of generation or purchased power and business interruption resulting from a sudden and unforeseen outage of any of the three units. The insurance coverage discussed in this and the previous paragraph is subject to certain policy conditions and exclusions.

Construction Program

APS' total capital expenditures in 1996 are estimated at \$246 million.

Fuel and Purchased Power Commitments

APS is a party to various fuel and purchased power contracts with terms expiring from 1996 through 2020 that include required purchase provisions. APS estimates its 1996 contract requirements to be approximately \$99 million. However, this amount may vary significantly pursuant to certain provisions in such contracts which permit APS to decrease its required purchases under certain circumstances.

Additionally, APS is contractually obligated to reimburse certain coal providers for amounts incurred for coal mine reclamation. APS' share of the total obligation is estimated at \$123 million. The portion of the coal mine reclamation obligation which was recorded in 1995 on the Consolidated Balance Sheets as "Deferred Credits -- Other" with a corresponding regulatory asset for approximately \$74 million relates to coal already burned.

13. Nuclear Decommissioning Costs

In 1995, APS recorded \$11.7 million for decommissioning expense. APS estimates it will cost approximately \$2.0 billion (\$421 million in 1995 dollars), over a fourteen year period beginning in 2024, to decommission its 29.1% interest in Palo Verde. Decommissioning costs are charged to expense over the respective unit's operating license term and are included in the accumulated depreciation balance until each unit is retired. Nuclear decommissioning costs are currently recovered in rates.

APS is utilizing a 1995 site-specific study for Palo Verde, prepared for APS by an independent consultant, that assumes the prompt removal/dismantlement method of decommissioning. APS is required to update the study every three years.

As required by regulation, APS has established external trust accounts into which quarterly deposits are made for decommissioning. As of December 31, 1995, APS had deposited a total of \$56.7 million. The trust accounts are included in "Investments and Other Assets" on the Consolidated Balance Sheets at a market value of \$74.5 million on December 31, 1995. The trust funds are invested primarily in fixed-income securities and domestic stock and are classified as available for sale. Realized and unrealized gains and losses are reflected in accumulated depreciation.

In 1994, FASB added a project to its agenda on accounting for nuclear decommissioning obligations. FASB recently issued an exposure draft on "Accounting for Certain Liabilities Related to Closure or Removal of Long-lived Assets" (formerly Nuclear Decommissioning) which would require the estimated present value of the cost of decommissioning and certain other removal cost to be recorded as a liability, along with an offsetting plant asset when a decommissioning or other removal obligation is incurred. FASB has requested comments on its proposed statement. The expected effective date is 1997. APS is unable at this time to determine what impact the final statement may have on its financial position or results of operation.

14. Selected Quarterly Financial Data (Unaudited)

Consolidated quarterly financial information for 1995 and 1994 is as follows:

	1995			
	March 31	June 30	September 30	December 31
	(Thousands of Dollars, Except Per Share Amounts)			
Quarter Ended				
Operating Revenues				
Electric	\$ 336,968	\$ 380,178	\$ 549,082	\$ 348,724
Real estate	9,146	13,018	9,709	22,973
Operating Income (a)	\$ 95,699	\$ 127,174	\$ 261,048	\$ 78,503
Income before extraordinary charge	\$ 24,623	\$ 42,249	\$ 114,495	\$ 18,241
Extraordinary charge for early retirement of debt-- net of income tax	--	--	--	(11,571)
Net Income	\$ 24,623	\$ 42,249	\$ 114,495	\$ 6,670
Earnings per average share of common stock outstanding				
Income before extraordinary charge	\$ 0.28	\$ 0.48	\$ 1.31	\$ 0.21
Extraordinary charge	--	--	--	(0.13)
Total	\$ 0.28	\$ 0.48	\$ 1.31	\$ 0.08
Dividends declared per share	\$ 0.225	\$ 0.225	\$ 0.225	\$ 0.25

Quarter Ended	1995			
	March 31	June 30	September 30	December 31
Operating Revenues				
Electric	\$346,049	\$ 397,156	\$540,883	\$342,080
Real estate	9,424	15,436	13,473	20,920
Operating Income (a)	\$ 88,470	\$ 117,329	\$245,436	\$ 82,535
Net Income (b)	\$ 21,619	\$ 48,702	\$ 93,991	\$ 36,307
	=====	=====	=====	=====
Earnings per average share of common stock outstanding	\$ 0.25	\$ 0.56	\$ 1.08	\$ 0.41
	=====	=====	=====	=====
Dividends declared per share	\$ 0.200	\$ 0.200	\$ 0.200	\$ 0.225
	=====	=====	=====	=====

(a) APS' operations are subject to seasonal fluctuations primarily as a result of weather conditions. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year.

(b) Net income for the quarter ended December 31, 1994 includes \$26.8 million (\$0.31 per share) of non-recurring income tax benefits related to a change in income tax law.

15. Fair Value of Financial Instruments

The Company estimates that the carrying amounts of its cash equivalents and commercial paper are reasonable estimates of their fair values at December 31, 1995 and 1994 due to their short maturities.

Investments in debt and equity securities are held for purposes other than trading. The December 31, 1995 and 1994 fair values of such investments, determined by using quoted market values or by discounting cash flows at rates equal to the Company's cost of capital, approximate their carrying amounts. It was not practical to estimate the fair value of several investments in joint ventures and untraded equity securities because costs to do so would be excessive. The carrying value of these investments totaled \$22.8 million and \$40.6 million at year-end 1995 and 1994, respectively.

The carrying value of long-term debt (excluding a capitalized lease obligation) on December 31, 1995 and 1994 was \$2.50 billion and \$2.64 billion, respectively, and the estimated fair value was \$2.52 billion and \$2.49 billion, respectively. The fair value estimates are based on quoted market prices of the same or similar issues.

PINNACLE WEST CAPITAL CORPORATION
 SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS

Column A	Column B	Column C Additions		Column D	Column E
Description	Balance at beginning of period	Charged to costs and expenses	Charged to other accounts	Deductions	Balance at end of period

(Thousands of Dollars)					
		YEAR ENDED	DECEMBER	31,	
Real Estate Valuation Reserves	\$84,000	\$ --	\$ --	\$ 37,000(a)	\$47,000
		YEAR ENDED	DECEMBER	31,	
Real Estate Valuation Reserves	\$84,000	\$ --	\$ --	\$ --	\$84,000
		YEAR ENDED	DECEMBER	31,	
Real Estate Valuation Reserves	\$84,000	\$ --	\$ --	\$ --	\$84,000

(a) Represents pro-rata allocations for sale of land.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON
 ACCOUNTING
 AND FINANCIAL DISCLOSURE

None.

PART III
ITEM 10. DIRECTORS AND EXECUTIVE
OFFICERS OF THE REGISTRANT

Reference is hereby made to "Election of Directors" and "Section 16 Requirements" in the Company's Proxy Statement relating to the annual meeting of shareholders to be held on May 22, 1996 (the "1996 Proxy Statement") and to the Supplemental Item -- "Executive Officers of the Company" in Part I of this report.

ITEM 11. EXECUTIVE COMPENSATION

Reference is hereby made to the fourth and fifth paragraphs under the heading "The Board and its Committees," and to "Executive Compensation" in the 1996 Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF
CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Reference is hereby made to "Certain Securities Ownership" in the 1996 Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Reference is hereby made to the last paragraph under the heading "The Board and its Committees" in the 1996 Proxy Statement.

PART IV
 ITEM 14. EXHIBITS, FINANCIAL STATEMENTS, FINANCIAL STATEMENT
 SCHEDULES, AND REPORTS ON FORM 8-K

Financial Statements and Financial Statement Schedules

See the Index to Financial Statements and Financial Statement Schedule in Part II, Item 8.

Exhibits Filed

Exhibit No.	Description
3.1	-- Bylaws, amended as of February 21, 1996
10.1(a)	-- Summary of the Pinnacle West Capital Corporation 1996 Bonus Plan
10.2(a)	-- First Amendment to Employment Agreement, effective as of March 31, 1995, between Richard Snell and the Company
22	-- Subsidiaries of the Company
23.1	-- Consent of Deloitte & Touche LLP
27.1	-- Financial Data Schedule

In addition to those Exhibits shown above, the Company hereby incorporates the following Exhibits pursuant to Exchange Act Rule 12b-32 and Regulation 201.24 by reference to the filings set forth below:

Exhibit No.	Description	Originally Filed as Exhibit:	File No.	Date Effective
3.2	Articles of Incorporation, restated as of July 29, 1988	19.1 to the Company's September 1988 Form 10-Q Report	1-8962	11-14-88
3.3	Agreement, dated March 21, 1994, relating to the filing of instruments defining the rights of holders of APS long-term debt not in excess of 10% of APS' total assets	4.1 to APS' 1993 Form 10-K Report	1-4473	3-30-94
4.1	Mortgage and Deed of Trust Relating to APS' First Mortgage Bonds, together with forty-eight indentures supplemental thereto	4.1 to APS' September 1992 Form 10-Q Report	1-4473	11-9-92
	Forty-ninth Supplemental Indenture	4.1 to APS' 1992 Form 10-K Report	1-4473	3-30-93
	Fiftieth Supplemental Indenture	4.2 to APS' 1993 Form 10-K Report	1-4473	3-30-94
	Fifty-first Supplemental Indenture	4.1 to APS' August 1, 1993 Form 8-K Report	1-4473	9-27-93
	Fifty-second Supplemental Indenture	4.1 to APS' September 30, 1993 Form 10-Q Report	1-4473	11-15-93

Exhibit No.	Description	Originally Filed as Exhibit:	File No.	Date Effective
	Fifty-third Supplemental Indenture	4.5 to APS' Registration Statement No. 33-61228 by means of February 23, 1994 Form 8-K Report	1-4473	3-1-94
4.2	Indenture dated as of January 1, 1995 among APS and The Bank of New York, as Trustee	4.6 to APS' Registration Statement Nos. 33-61228 and 33-55473 by means of January 1, 1995 Form 8-K Report	1-4473	1-11-95
4.3	Agreement of Resignation, Appointment, Acceptance and Assignment dated as of August 18, 1995 by and among APS, Bank of America National Trust and Savings Association and The Bank of New York	4.1 to APS' September 25, 1995 Form 8-K Report	1-4473	10-24-95
4.4	Portions of the Debenture Agreement, dated as of March 22, 1990, among the Company and the Purchasers named therein relating to the declaration or payment of dividends or the making of other corporate distributions on or the purchase by the Company of its common stock	4.1 to the Company's 1989 Form 10-K Report	1-8962	3-31-90
4.5	Rights Agreement, amended as of November 14, 1990, between the Company and The Valley National Bank of Arizona, as Rights Agent, which includes the Certificate of Designation of Series A Participating Preferred Stock as Exhibit A, the form of Rights Certificate as Exhibit B and the Summary of Rights as Exhibit C	4.1 to the Company's 1990 Form 10-K Report	1-8962	3-28-91
4.6	Specimen Certificate of Pinnacle West Capital Corporation Common Stock, no par value	4.2 to the Company's 1988 Form 10-K Report	1-8962	3-31-89
4.7	Agreement, dated March 29, 1988, relating to the filing of instruments defining the rights of holders of long-term debt not in excess of 10% of the Company's total assets	4.1 to the Company's 1987 Form 10-K Report	1-8962	3-30-88

Exhibit No.	Description	Originally Filed as Exhibit:	File No.	Date Effective
10.4	Agreement, dated December 6, 1989, between the Company and the Office of Thrift Supervision, United States Department of Treasury, and related documents	4.1 to the Company's December 6, 1989 Form 8-K Report	1-8962	12-7-89
10.5	Release from the Office of Thrift Supervision, United States Department of Report the Treasury, to the Company, dated March 22, 1990, releasing the Company from its purported obligations under the Stipulation and under any other source of alleged obligation of the Company to infuse equity capital into MeraBank	10.1 to the Company's 1989 Form 10-K Report	1-8962	3-31-89
10.6	Release from the Federal Deposit Insurance Corporation to the Company, dated March 22, 1990, releasing the Company from its purported obligations under the Stipulation and under any other source of alleged obligation of the Company to infuse equity capital into MeraBank	10.2 to the Company's 1989 Form 10-K Report	1-8962	3-31-89
10.7	Release from the Resolution Trust Corporation (in its corporate capacity) to the Company, dated March 21, 1990, releasing the Company from its purported obligations under the Stipulation and under any other source of alleged obligation of the Company to infuse equity capital into MeraBank	10.3 to the Company's 1989 Form 10-K Report	1-8962	3-31-89

Exhibit No.	Description	Originally Filed as Exhibit:	File No.	Date Effective
10.8	Release from the Resolution Trust Corporation (in its capacity as Receiver of Merabank) to the Company, dated March 21, 1990, releasing the Company from its purported obligations under the Stipulation and under any other source of alleged obligation to the Company to infuse equity capital into Merabank	10.4 to the Company's 1989 Form 10-K Report	1-8962	3-31-89
10.9(ac)	Form of Key Executive Employment and Severance Agreement between the Company and each of its executive officers	10.5 to the Company's 1989 Form 10-K Report	1-8962	3-31-89
10.10(a)	Employment Agreement, effective as of February 5, 1990, between Richard Snell and the Company	10.1 to the Company's 1990 Form 10-K Report	2-96386	3-28-91
10.11	Two separate Decommissioning Trust Agreements (relating to PVNGS Units 1 and 3, respectively), each dated July 1, 1991, between APS and Mellon Bank, N.A., as Decommissioning Trustee	10.2 to APS' September 1991 Form 10-Q Report	1-4473	11-14-91
10.12	Amendment No. 1 to Decommissioning Trust Agreement (PVNGS Unit 1), dated as of December 1, 1994	10.1 to APS' 1994 Form 10-K Report	1-4473	3-30-95
10.13	Amendment No. 1 to Decommissioning Trust Agreement (PVNGS Unit 3), dated as of December 1, 1994	10.2 to APS' 1994 Form 10-K Report	1-4473	3-30-95

Exhibit No.	Description	Originally Filed as Exhibit:	File No.	Date Effective
10.14	Amended and Restated Decommissioning Trust Agreement (PVNGS Unit 2) dated as of January 31, 1992, among APS, Mellon Bank, N.A., as Decommissioning Trustee, and State Street Bank and Trust Company, as Successor to the First National Bank of Boston, as Owner Trustee under two separate Trust Agreements, each with a separate Equity Participant, and as Lessor under two separate Facility Leases, each relating to an undivided interest in PVNGS Unit 2	10.1 to the Company's 1991 Form 10-K Report	1-8962	3-26-92
10.15	First Amendment to Amended and Restated Decommissioning Trust Agreement (PVNGS Unit 2), dated as of November 1, 1992	10.2 to APS' 1992 Form 10-K Report	1-4473	3-30-93
10.16	Amendment No. 2 to Amended and Restated Decommissioning Trust Agreement (PVNGS Unit 2), dated as of November 1, 1994	10.2 to APS' 1994 Form 10-K Report	1-4473	3-30-95
10.17	Asset Purchase and Power Exchange Agreement dated September 21, 1990 between APS and PacifiCorp, as amended as of October 11, 1990 and as of July 18, 1991	10.1 to APS' June 1991 Form 10-Q Report	1-4473	8-8-91
10.18	Long-Term Power Transactions Agreement dated September 21, 1990 between APS and PacifiCorp, as amended as of October 11, 1990, and as of July 8, 1991	10.2 to APS' June 1991 Form 10-Q Report	1-4473	8-8-91
10.19	Amendment No. 1 dated April 5, 1995 to the Long-Term Power Transaction Agreement and Asset Purchase and Power Exchange Agreement between PacifiCorp and APS	10.3 to APS' 1995 Form 10-K Report	1-4473	3-29-96
10.20	Restated Transmission Agreement between PacifiCorp and APS dated April 5, 1995	10.4 to APS' 1995 Form 10-K Report	1-4473	3-29-96

Exhibit No.	Description	Originally Filed as Exhibit:	File No.	Date Effective
10.21	Contract among PacifiCorp, APS and United States Department of Energy Western Area Power Administration, Salt Lake Area Integrated Projects for Firm Transmission Service dated May 5, 1995	10.5 to APS' 1995 Form 10-K Report	1-4473	3-29-96
10.22	Reciprocal Transmission Service Agreement between APS and PacifiCorp dated as of March 2, 1994	10.6 to APS' 1995 Form 10-K Report	1-4473	3-29-96
10.23	Contract, dated July 21, 1984, with DOE providing for the disposal of nuclear fuel and/or high-level radioactive waste, ANPP	10.31 to the Company's Form S-14 Registration Statement	2-96386	3-13-85
10.24	Indenture of Lease with Navajo Tribe of Indians, Four Corners Plant	5.01 to APS' Form S-7 Registration Statement	2-59644	9-1-77
10.25	Supplemental and Additional Indenture of Lease, including amendments and supplements to original lease with Navajo Tribe of Indians, Four Corners Plant	5.02 to APS' Form S-7 Registration Statement	2-59644	9-1-77
10.26	Amendment and Supplement No. 1 to Supplemental and Additional Indenture of Lease, Four Corners, dated April 25, 1985	10.36 to the Company's Registration Statement on Form 8-B Report	1-8962	7-25-85
10.27	Application and Grant of multi-party rights-of-way and easements, Four Corners Plant Site	5.04 to APS' Form S-7 Registration Statement	2-59644	9-1-77
10.28	Application and Amendment No. 1 to Grant of multi-party rights-of-way and easements, Four Corners Power Plant Site, dated April 25, 1985	10.37 to the Company's Registration Statement on Form 8-B	1-8962	7-25-85
10.29	Application and Grant of Arizona Public Service Company rights-of-way and easements, Four Corners Plant Site	5.05 to APS' Form S-7 Registration Statement	2-59644	9-1-77

Exhibit No.	Description	Originally Filed as Exhibit:	File No.	Date Effective
10.30	Application and Amendment No. 1 to Grant of Arizona Public Service Company rights-of-way and easements, Four Corners Power Plant Site, dated April 25, 1985	10.38 to the Company's Registration Statement on Form 8-B	1-8962	7-25-85
10.31	Indenture of Lease, Navajo Units 1, 2, and 3	5(g) to APS' Form S-7 Registration Statement	2-36505	3-23-70
10.32	Application and Grant of rights-of-way and easements, Navajo Plant	5(h) to APS' Form S-7 Registration Statement	2-36505	3-23-70
10.33	Water Service Contract Assignment with the United States Department of Interior, Bureau of Reclamation, Navajo Plant	5(l) to APS' Form S-7 Registration Statement	2-394442	3-16-71
10.34	Arizona Nuclear Power Project Participation Agreement, dated August 23, 1973, among APS, Salt River Project Agricultural Improvement and Power District, Southern California Edison Company, Public Service Company of New Mexico, El Paso Electric Company, Southern California Public Power Authority, and Department of Water and Power of the City of Los Angeles, and amendments 1-12 thereto	10.1 to APS' 1988 Form 10-K	1-4473	3-8-89
10.35	Amendment No. 13, dated as of April 22, 1991, to Arizona Nuclear Power Project Participation Agreement, dated August 23, 1973, among APS, Salt River Project Agricultural Improvement and Power District, Southern California Edison Company, Public Service Company of New Mexico, El Paso Electric Company, Southern California Public Power Authority, and Department of Water and Power of the City of Los Angeles	10.1 to APS' March 1991 Form 10-Q	1-4473	5-15-91

Exhibit No.	Description	Originally Filed as Exhibit:	File No.	Date Effective
10.36(b)	Facility Lease, dated as of August 1, 1986, between State Street Bank and Trust Company, as successor to the First National Bank of Boston, in its capacity as Owner Trustee, as Lessor, and APS, as Lessee	4.3 to APS' Form S-3 Registration Statement	33-9480	10-24-86
10.37(b)	Amendment No. 1, dated as of November 1, 1986, to Facility Lease, dated as of August 1, 1986, between State Street Bank and Trust Company, as successor to The First National Bank of Boston, in its capacity as Owner Trustee, as Lessor, and APS, as Lessee	10.5 to APS' September 1986 Form 10-Q Report by means of Amendment No. 1 on December 3, 1986 Form 8	1-4473	12-4-86
10.38(b)	Amendment No. 2 dated as of June 1, 1987 to Facility Lease dated as of August 1, 1986 between State Street Bank and Trust Company, as successor to The First National Bank of Boston, as Lessor, and APS, as Lessee	10.3 to APS' 1988 Form 10-K Report	1-4473	3-8-89
10.39(b)	Amendment No. 3, dated as of March 17, 1993, to Facility Lease, dated as of August 1, 1986, between State Street Bank and Trust Company, as successor to The First National Bank of Boston, as Lessor, and APS, as Lessee	10.3 to APS' 1992 Form 10-K Report	1-4473	3-30-93
10.40	Facility Lease, dated as of December 15, 1986, between State Street Bank and Trust Company, as successor to The First National Bank of Boston, in its capacity as Owner Trustee, as Lessor, and APS, as Lessee	10.1 to APS' November 18, 1986 Form 8-K Report	1-4473	1-20-87

EXHIBIT NO.	DESCRIPTION	ORIGINALLY FILED AS EXHIBIT:	FILE NO.	DATE EFFECTIVE
10.41	Amendment No. 1, dated as of August 1, 1987, to Facility Lease, dated as of December 15, 1986, between State Street Bank and Trust Company, as successor to the First National Bank of Boston, as Lessor, and APS, as Lessee	4.13 to APS' Form S-3 Registration Statement No. 33-9480 by means of August 1, 1987 Form 8-K Report	1-4473	8-24-87
10.42	Amendment No. 2, dated as of March 17, 1993, to Facility Lease, dated as of December 15, 1986, between State Street Bank and Trust Company, as successor to The First National Bank of Boston, as Lessor, and APS, as Lessee	10.4 to APS' 1992 Form 10-K Report	1-4473	3-30-93
10.43(a)	Directors' Deferred Compensation Plan, as restated, effective January 1, 1986	10.1 to APS' June 1986 Form 10-Q Report	1-4473	8-13-86
10.44(a)	Second Amendment to the Arizona Public Service Company Deferred Compensation Plan, effective as of January 1, 1993	10.2 to APS' 1993 Form 10-K Report	1-4473	3-30-94
10.45(a)	Third Amendment to the Arizona Public Service Company Directors' Deferred Compensation Plan, effective as of May 1, 1993	10.1 to APS' September 1994 Form 10-Q	1-4473	11-10-94
10.46(a)	Arizona Public Service Company Deferred Compensation Plan, as restated, effective January 1, 1984, and the second and third amendments thereto, dated December 22, 1986, and December 23, 1987, respectively	10.4 to APS' 1988 Form 10-K Report	1-4473	3-8-89
10.47	Third Amendment to the Arizona Public Service Company Deferred Compensation Plan, effective as of January 1, 1993	10.3 to APS' 1993 Form 10-K Report	1-4473	3-30-94

Exhibit No.	Description	Originally Filed as Exhibit:	File No.	Date Effective
10.48(a)	Fourth Amendment to the Arizona Public Service Company deferred Compensation Plan	10.2 to APS' September 1994 Form 10-Q Report	1-4473	11-10-94
10.49(a)	Pinnacle West Capital Corporation and Arizona Public Service Company Directors' Retirement Plan, effective as of January 1, 1995	10.7 to APS' 1994 Form 10-K Report	1-4473	3-30-95
10.50(a)	Letter Agreement dated December 21, 1993, between APS and William L. Stewart	10.7 to APS' 1994 Form 10-K Report	1-4473	3-30-95
10.51(a)	Agreement for Utility Consulting Services, dated March 1, 1985, between APS and Thomas G. Woods, Jr., and Amendment No. 1 thereto, dated January 6, 1986	10.6 to APS' 1988 Form 10-K Report	1-4473	3-8-89
10.52(a)	Letter Agreement, dated April 3, 1978, between APS and O. Mark De Michele, regarding certain retirement benefits granted to Mr. De Michele	10.7 to APS' 1988 Form 10-K Report	1-4473	3-8-89
10.53(a)	Letter Agreement dated July 28, 1995, between APS and Jaron B. Norberg regarding certain of Mr. Norberg's retirement benefits.	10.1 to APS' September 1995 Form 10-Q Report	1-4473	11-14-95
10.54(a)	Letter Agreement dated as of January 1, 1996 between APS and Kenneth M. Carr for consulting services	10.7 to APS' 1995 Form 10-K Report	1-4473	3-29-96
10.56(a)	Letter Agreement dated as of January 1, 1996 between APS and Robert G. Mattock & Associates, Inc. for consulting services	10.8 to APS' 1995 Form 10-K Report	1-4473	3-29-96
10.56(ac)	Key Executive Employment and Severance Agreement between APS and certain executive officers of APS	10.3 to APS' 1989 Form 10-K Report	1-4473	3-8-90

Exhibit No.	Description	Originally Filed as Exhibit:	File No.	Date Effective
10.57(ac)	Revised Form of Key Executive Employment and Severance Agreement between APS and certain executive officers of APS	10.5 to APS' 1993 Form 10-K Report	1-4473	3-30-94
10.58(ac)	Second revised form of Key Executive Employment and Severance Agreement between APS and certain executive officers of APS	10.9 to APS' 1994 Form 10-K Report	1-4473	3-30-95
10.59(ac)	Key Executive Employment and Severance Agreement between APS and certain managers of APS	10.4 to APS' 1989 Form 10-K Report	1-4473	3-8-90
10.60(ac)	Revised form of Key Executive Employment and Severance Agreement between APS and certain key employees of APS	10.4 to APS' 1993 Form 10-K Report	1-4473	3-30-94
10.61(ac)	Second revised Form of Key Executive Employment and Severance Agreement between APS and certain key employees of APS	10.8 to APS' 1994 Form 10-K Report	1-4473	3-30-95
10.62(a)	1996 APS Senior Management Variable Pay Plan	10.1 to APS' 1995 Form 10-K Report	1-4473	3-29-96
10.63(a)	1996 APS Officers Variable Pay Plan	10.2 to APS' 1995 Form 10-K Report	1-4473	3-29-96
10.64(a)	Arizona Public Service Company Performance Review Severance Pay Plan, effective January 1, 1990	10.5 to APS' 1989 Form 10-K Report	1-4473	3-8-90
10.65(a)	Arizona Public Service Company Severance Plan, as adopted on June 22, 1993	10.1 to APS' September 30, 1993 Form 10-Q Report	1-4473	11-15-93
10.66(a)	First Amendment to the Arizona Public Service Company Severance Plan, as adopted on August 19, 1994	10.9 to APS' 1995 Form 10-K Report	1-4473	3-29-96
10.67(a)	Pinnacle West Capital Corporation Stock Option and Incentive Plan	10.1 to APS' 1992 Form 10-K Report	1-4473	3-30-93
10.68(a)	Pinnacle West Capital Corporation 1994 Long-Term Incentive Plan, effective as of March 23, 1994	A to the Proxy Statement for the Company's 1994 Annual Meeting of Shareholders	1-8962	4-16-94

Exhibit No.	Description	Originally Filed as Exhibit:	File No.	Date Effective
10.69(a)	Pinnacle West Capital Corporation Director Equity Participation Plan	B to the Proxy Statement for the Company's 1994 Annual Meeting of Shareholders	1-8962	4-16-94
10.70(a)	Pinnacle West Capital Corporation, Arizona Public Service Company, SunCor Development Company, and El Dorado Investment Company Deferred Compensation Plan, as amended and restated effective January 1, 1996	10.10 to APS' 1995 Form 10-K Report	1-4473	3-29-96
10.71(a)	Pinnacle West Capital Corporation, Arizona Public Service Company, SunCor Development Company, and El Dorado Investment Company Supplemental Executive Benefit Plan as amended and restated on December 31, 1992 effective as of January 1, 1992	10.7 to APS' 1993 Form 10-K Report	1-4473	3-30-94
10.72(a)	Arizona Public Service Company Supplemental Excess Benefit Retirement Plan, as amended and restated on December 20, 1995	10.11 to APS' 1995 Form 10-K Report	1-4473	3-29-96
10.73	Agreement No. 13904 (Option and Purchase of Effluent) with Cities of Phoenix, Glendale, Mesa, Scottsdale, Tempe, Town of Youngtown, and Salt River Project Agricultural Improvement and Power District, dated April 23, 1973	10.3 to APS' 1991 Form 10-K Report	1-4473	3-19-92
10.74	Agreement for the Sale and Purchase of Wastewater Effluent with City of Tolleson and Salt River Agricultural Improvement and Power District, dated June 12, 1981, including Amendment No. 1 dated as of November 12, 1981 and Amendment No. 2 dated as of June 4, 1986	10.4 to APS' 1991 Form 10-K Report	1-4473	3-19-92

Exhibit No.	Description	Originally Filed as Exhibit:	File No.	Date Effective
99.1	Collateral Trust Indenture among PVNGS II Funding Corp., Inc., APS and Chemical Bank, as Trustee	4.2 to APS' 1992 Form 10-K Report	1-4473	3-30-93
99.2	Supplemental Indenture to Collateral Trust Indenture among PVNGS II Funding Corp., Inc., APS and Chemical Bank, as Trustee	4.3 to APS' 1992 Form 10-K Report	1-4473	3-30-93
99.3(b)	Participation Agreement, dated as of August 1, 1986, among PVNGS Funding Corp., Inc., Bank of America National Trust and Savings Association, State Street Bank and Trust Company, as successor to The First National Bank of Boston, in its individual capacity and as Owner Trustee, Chemical Bank, in its individual capacity and as Indenture Trustee, APS, and the Equity Participant named therein	28.1 to APS' September 1992 Form 10-Q Report	1-4473	11-9-92
99.4(b)	Amendment No. 1 dated as of November 1, 1986, to Participation Agreement, dated as of August 1, 1986, among PVNGS Funding Corp., Inc., Bank of America National Trust and Savings Association, State Street Bank and Trust Company, as successor to The First National Bank of Boston, in its individual capacity and as Owner Trustee, Chemical Bank, in its individual capacity and as Indenture Trustee, APS, and the Equity Participant named therein	10.8 to APS' September 1986 Form 10-Q Report by means of Amendment No. 1, on December 3, 1986 Form 8	1-4473	12-4-86

Exhibit No.	Description	Originally Filed as Exhibit:	File No.	Date Effective
99.5(b)	Amendment No. 2, dated as of March 17, 1993, to Participation Agreement, dated as of August 1, 1986, among PVNGS funding corp., inc., PVNGS II Funding Corp., Inc., State Street Bank and Trust Company, as successor to the First National Bank of Boston, in its individual capacity and as Owner Trustee, Chemical Bank, in its individual capacity and as indenture trustee, APS, and the Equity Participant named therein	28.4 to APS' 1992 Form 10-K Report	1-4473	3-30-93
99.6(b)	Trust Indenture, Mortgage, Security Agreement and Assignment of Facility Lease, dated as of August 1, 1986, between State Street Bank and Trust Company, as successor to The First National Bank of Boston, as Owner Trustee, and Chemical Bank, as Indenture Trustee	4.5 to APS' Form S-3 Registration Statement	33-9480	10-24-86
99.7(b)	Supplemental Indenture No. 1, dated as of November 1, 1986 to Trust Indenture, Mortgage, Security Agreement and Assignment of Facility Lease, dated as of August 1, 1986, between State Street Bank and Trust Company, as successor to The First National Bank of Boston, as Owner Trustee, and Chemical Bank, as Indenture Trustee	10.6 to APS' September 1986 Form 10-Q Report by means of Amendment No. 1 on December 3, 1986 Form 8	1-4473	12-4-86

Exhibit No.	Description	Originally Filed as Exhibit:	File No.	Date Effective
99.8(b)	Supplemental Indenture No. 2 to Trust Indenture, Mortgage, Security Agreement and Assignment of Facility Lease, dated as of August 1, 1986, between state Street Bank and Trust Company, as successor to the First National Bank of Boston, as Owner Trustee, and Chemical Bank, as Lease Indenture Trustee	28.14 to APS' 1992 Form 10-K Report	1-4473	3-30-93
99.9(b)	Assignment, Assumption and Further Agreement, dated as of August 1, 1986, between APS and State Street Bank and Trust Company, as successor to The First National Bank of Boston, as Owner Trustee	28.3 to APS' Form S-3 of Registration Statement	33-9480	10-24-86
99.10(b)	Amendment No. 1, dated as of November 1, 1986, to Assignment, Assumption and Further Agreement, dated as of August 1, 1986, between APS and State Street Bank and Trust Company, as successor to The First National Bank of Boston, as Owner Trustee	10.10 to APS' September 1986 Form 10-Q Report by means of Amendment No. 1 on December 3, 1986 Form 8	1-4473	12-4-86
99.11(b)	Amendment No. 2, dated as of March 17, 1993, to Assignment, Assumption and Further Agreement, dated as of August 1, 1986, between APS and State Street Bank and Trust Company, as successor to The First National Bank of Boston, as Owner Trustee	28.6 to APS' 1992 Form 10-K Report	1-4473	3-30-93

Exhibit No.	Description	Originally Filed as Exhibit:	File No.	Date Effective
99.12	Participation Agreement, dated as of December 15, 1986, among PVNGS Funding Report Corp., inc., State Street Bank and Trust Company, as successor to the First National Bank of Boston, in its individual capacity and as owner trustee, Chemical Bank, in its individual capacity and as Indenture Trustee under a Trust Indenture, APS, and the Owner Participant named therein	28.2 to APS' September 1992 Form 10-Q Report	1-4473	11-9-92
99.13	Amendment No. 1, dated as of August 1, 1987, to Participation Agreement, dated as of December 15, 1986, among PVNGS Funding Corp., Inc. as Funding Corporation, State Street Bank and Trust Company, as successor to The First National Bank of Boston, as Owner Trustee, Chemical Bank, as Indenture Trustee, APS, and the Owner Participant named therein	28.20 to APS' Form S-3 Registration Statement No. 33-9480 by means of a November 6, 1986 Form 8-K Report	1-4473	8-10-87
99.14	Amendment No. 2, dated as of March 17, 1993, to Participation Agreement, dated as of December 15, 1986, among PVNGS Funding Corp., Inc., PVNGS II Funding Corp., Inc., State Street Bank and Trust Company, as successor to The First National Bank of Boston, in its individual capacity and as Owner Trustee, Chemical Bank, in its individual capacity and as Indenture Trustee, APS, and the Owner Participant named therein	28.5 to APS' 1992 Form 10-K Report	1-4473	3-30-93

Exhibit No.	Description	Originally Filed as Exhibit:	File No.	Date Effective
99.15	Trust Indenture, Mortgage, Security Agreement and Assignment of Facility Lease, dated as of December 15, 1986, between State Street Bank and Trust Company, as Successor to The First National Bank of Boston, as Owner Trustee, and Chemical Bank, as Indenture Trustee	10.2 To APS' November 18, 1986 Form 10-K Report	1-4473	1-20-87
99.16	Supplemental Indenture No. 1, dated as of August 1, 1987, to Trust Indenture, Mortgage, Security Agreement and Assignment of Facility Lease, dated as of December 15, 1986, between State Street Bank and Trust Company, as successor to The First National Bank of Boston, as Owner Trustee, and Chemical Bank, as Indenture Trustee	4.13 to APS' Form S-3 Registration Statement No. 33-9480 by means of August 1, 1987 Form 8-K Report	1-4473	8-24-87
99.17	Supplemental Indenture No. 2 to Trust Indenture, Mortgage, Security Agreement and Assignment of Facility Lease, dated as of December 15, 1986, between State Street Bank and Trust Company, as successor to The First National Bank of Boston, as Owner Trustee, and Chemical Bank, as Lease Indenture Trustee	4.5 to APS' 1992 Form 10-K Report	1-4473	3-30-93
99.18	Assignment, Assumption and Further Agreement, dated as of December 15, 1986, between APS and State Street Bank and Trust Company, as successor to The First National Bank of Boston, as Owner Trustee	10.5 to APS' November 18, 1986 Form 8-K Report	1-4473	1-20-87

Exhibit No.	Description	Originally Filed as Exhibit:	File No.	Date Effective
99.19	Amendment No. 1, dated as of March 17, 1993, to Assignment, Assumption and Further Agreement, dated as of December 15, 1986, between APS and State Street Bank and Trust Company, as successor to the First National Bank of Boston, as Owner Trustee	28.7 TO APS' 1992 Form 10-K Report	1-4473	3-30-93
99.20b	Indemnity Agreement dated as of March 17, 1993 by APS	28.3 to APS' 1992 Form 10-K Report	1-4473	3-30-93
99.21	Extension Letter, dated as of August 13, 1987, from the signatories of the Participation Agreement to Chemical Bank	28.20 to APS' Form S-3 Registration Statement No. 33-9480 by means of a November 6, 1986 Form 8-K Report	1-4473	8-10-87
99.22	Pledge Agreement dated as of January 31, 1990, between Pinnacle West Capital Corporation as Pledgor and Citibank, N.A. as Collateral Agent	28.1 to APS' January 21, 1990 Form 8-K Report	1-4473	2-15-90
99.23	Arizona Corporation Commission Order dated December 6, 1991	28.1 to APS' 1991 Form 10-K Report	1-4473	3-19-92
99.24	Arizona Corporation Commission Order dated June 1, 1994	10.1 to APS' June 1994 Form 10-Q Report	1-4473	8-12-94
99.25	Rate Reduction Agreement dated December 4, 1995 between APS and the ACC Staff	10.1 to APS' December 4, 1995 8-K Report	1-4473	12-14-95

(a) Management contract or compensatory plan or arrangement required to be filed as an exhibit pursuant to Item 14(c) of Form 10-K.

(b) An additional document, substantially identical in all material respects to this Exhibit, has been entered into, relating to an additional Equity Participant. Although such additional document may differ in other respects (such as dollar amounts, percentages, tax indemnity matters, and dates of execution), there are no material details in which such document differs from this Exhibit.

(c) Additional agreements, substantially identical in all material respects to this Exhibit have been entered into with additional persons. Although such additional documents may differ in other respects (such as dollar amounts and dates of execution), there are no material details in which such agreements differ from this Exhibit.

REPORTS ON FORM 8-K

During the quarter ended December 31, 1995, and the period ended March 28, 1996, the Company did not file any Report on Form 8-K.

Report filed December 14, 1995 regarding APS' Rate Reduction Agreement with the ACC Staff dated December 4, 1995.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PINNACLE WEST CAPITAL CORPORATION
(Registrant)

Date: March 29, 1996

RICHARD SNELL

(Richard Snell, Chairman of the Board of Directors,
President and Chief Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
----- RICHARD SNELL ----- (Richard Snell, Chairman of the Board of Directors, President and Chief Executive Officer)	Principal Executive Officer and Director	March 29, 1996
----- WILLIAM J. POST ----- (William J. Post, Executive Vice President)	Principal Financial Officer and Principal Accounting Officer	March 29, 1996
----- O. MARK DEMICHELE ----- (O. Mark DeMichele)	Director	March 29, 1996
----- PAMELA GRANT ----- (Pamela Grant)	Director	March 29, 1996
----- ROY A. HERBERGER, JR. ----- (Roy A. Herberger, Jr.)	Director	March 29, 1996
----- MARTHA O. HESSE ----- (Martha O. Hesse)	Director	March 29, 1996
----- WILLIAM S. JAMIESON, JR. ----- (William S. Jamieson, Jr.)	Director	March 29, 1996
----- H. B. SARGENT ----- (H. B. Sargent)	Director	March 29, 1996
----- JOHN R. NORTON, III ----- (John R. Norton, III)	Director	March 29, 1996
----- HUMBERTO S. LOPEZ ----- (Humberto S. Lopez)	Director	March 29, 1996
----- DOUGLAS J. WALL ----- (Douglas J. Wall)	Director	March 29, 1996

APPENDIX

In accordance with Item 304 of Regulation S-T of the Securities Exchange Act of 1934, APS' Service Territory map contained in this Form 10-K is a map of the State of Arizona showing APS' service area, the location of its major power plants and principal transmission lines, and the location of transmission lines operated by APS for others. The major power plants shown on such map are the Navajo Generating Station located in Coconino County, Arizona; the Four Corners Power Plant located near Farmington, New Mexico; the Cholla Power Plant, located in Navajo County, Arizona; the Yucca Power Plant, located near Yuma, Arizona; and the Palo Verde Nuclear Generating Station, located about 55 miles west of Phoenix, Arizona (each of which plants is reflected on such map as being jointly owned with other utilities), as well as the Ocotillo Power Plant and West Phoenix Power Plant, each located near Phoenix, Arizona, and the Saguaro Power Plant, located near Tucson, Arizona. APS' major transmission lines shown on such map are reflected as running between the power plants named above and certain major cities in the State of Arizona. The transmission lines operated for others shown on such map are reflected as running from the Four Corners Plant through a portion of northern Arizona to the California border.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

EXHIBITS TO

1995 FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 1995

PINNACLE WEST CAPITAL CORPORATION
(Exact name of registrant as specified in charter)

INDEX TO EXHIBITS

EXHIBIT NO.	DESCRIPTION
3.1	-- Bylaws, amended as of February 21, 1996
10.1(a)	-- Summary of the Pinnacle West Capital Corporation 1996 Bonus Plan
10.2(a)	-- First Amendment to Employment Agreement, effective as of March 31, 1995, between Richard Snell and the Company
22	-- Subsidiaries of the Company
23.1	-- Consent of Deloitte & Touche LLP
27.1	-- Financial Data Schedule

(a) Management contract or compensatory plan or arrangement required to be filed as an exhibit pursuant to Item 14(c) of Form 10-K.

PINNACLE WEST CAPITAL CORPORATION
(Amended as of February 21, 1996)

I. REFERENCES; SENIORITY

1.01. References. Any reference herein made to law will be deemed to refer to the law of the State of Arizona, including any applicable provision or provisions of Chapters 1-17 of Title 10, Arizona Revised Statutes (or its successor), as at any given time in effect. Any reference herein made to the Articles will be deemed to refer to the applicable provision or provisions of the Articles of Incorporation of the Company, and all amendments thereto, as at any given time on file with the Arizona Corporation Commission (this reference to that Commission being intended to include any successor to the incorporating and related functions being performed by that Commission at the date of the initial adoption of these Bylaws).

1.02. Seniority. Except as indicated in Part X of these Bylaws, the law and the Articles (in that order of precedence) will in all respects be considered senior and superior to these Bylaws, with any inconsistency to be resolved in favor of the law and the Articles (in that order of precedence), and with these Bylaws to be deemed automatically amended from time to time to eliminate any such inconsistency which may then exist.

1.03. Shareholders of Record. Except as otherwise required by law and subject to any procedure established by the Company pursuant to Arizona Revised Statutes Section 10-723 (or any comparable successor provision), the word "shareholder" as used herein shall mean one who is a holder of record of shares in the Company.

II. SHAREHOLDERS MEETINGS

2.01. Annual Meetings. An annual meeting of the shareholders shall be held within nine months after the end of the Company's fiscal year, at a time of day and place as determined by the Board of Directors (or, in the absence of action by the Board, as set forth in the notice given, or waiver signed, with respect to such meeting as contemplated in Section 2.03 below). If any annual meeting is for any reason not held within the period determined as aforesaid, a special meeting may thereafter be called and held in lieu thereof pursuant to the provisions of Section 2.02 below, and the same proceedings (including the election of directors) may be conducted thereat as at a regular meeting. Any director elected at any annual meeting, or special meeting in lieu of an annual meeting, will continue in office until the election of his or her successor, subject to his or her earlier resignation pursuant to Section 6.01 below or his or her removal pursuant to Section 3.13 below.

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2.02. Special Meetings.

(a) Special meetings of the shareholders may be held whenever and wherever called by the Chairman of the Board, the President, a majority of the Board of Directors, or upon the delivery of proper written request of the holders of not less than forty percent (40%) of all the shares outstanding and entitled to vote at such meeting.

(b) For purposes of this Section, proper written request for the call of a special meeting shall be made by a written request (i) specifying the purposes for any special meeting requested and providing the information required by Section 2.05(c) hereof, (ii) delivered either in person or by registered or certified mail, return receipt requested, (iii) to the Chairman of the Board, the President, or such other person as may be specifically authorized by law to receive such request. Within thirty (30) days after receipt of proper written request, a special meeting shall be called and notice given in the manner required by these Bylaws, and the meeting shall be held at a time and place selected by the Board of Directors, but not later than ninety (90) days after receipt of such proper written request. The shareholder(s) requesting a special meeting of shareholders must pay to the Company the Company's reasonably estimated cost of preparing and mailing a notice of a meeting of shareholders before such notice is prepared and mailed.

2.03. Notice. Notice of any meeting of the shareholders will be given as provided by law to each shareholder entitled to vote at such meeting and, if required by law, to each other shareholder of the Company. Any such notice may be waived as provided by law.

2.04. Right to Vote. For each meeting of the shareholders, the Board of Directors will fix in advance a record date as contemplated by law, and the shares of stock and the shareholders "entitled to vote" (as that or any similar term is herein used) at any meeting of the shareholders will be determined as of the applicable record date. The Secretary (or in his or her absence an Assistant Secretary) will see to the making and production of any record of shareholders entitled to vote or otherwise entitled to notice of shareholder's meetings, in either case which is required by law. Any voting entitlement may be exercised through proxy, or in such other manner as specifically provided by law, in accordance with the applicable law. In the event of contest, the burden of proving the validity of any undated or irrevocable proxy will rest with the person seeking to exercise the same. A telegram, cablegram or facsimile appearing to have been transmitted by a shareholder (or by his or her duly authorized attorney-in-fact) may be accepted as a sufficiently written and executed proxy.

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2.05. Manner of Bringing Business Before Meetings.

(a) At any annual or special meeting of shareholders only such business shall be conducted as shall have been properly brought before the meeting. In order to be properly brought before the meeting, such business must be a proper subject for shareholder action under applicable law and must have been (i) specified in the written notice of the meeting (or any supplement thereto) given to shareholders who were shareholders on the record date for such meeting by or at the direction of the Board of Directors or otherwise in accordance with law or these Bylaws, (ii) brought before the meeting at the direction of the Board of Directors or the Chairman of the meeting, selected as provided in Section 2.09 hereof, or (iii) specified in a written notice given by or on behalf of a shareholder who was a shareholder on the record date for such meeting entitled to vote thereat or a duly authorized proxy for such shareholder, in accordance with Section 2.05(b) and (c) hereof.

(b) A shareholder notice referred to in Section 2.05(a)(iii) hereof must be delivered personally to, or mailed to and received at, the principal executive office of the Company, addressed to the attention of the Secretary, not more than ten (10) days after the date of the initial notice referred to in Section 2.05(a)(i) hereof, in the case of business to be brought before a special meeting of shareholders, and not less than thirty (30) days prior to the anniversary date of the initial notice referred to in Section 2.05(a)(i) hereof with respect to the previous year's annual meeting, in the case of business to be brought before an annual meeting of shareholders. Nothing in this Section 2.05(b) limits Article Fifth of the Articles, which provides, in part, that "except to fill vacancies resulting from the death or resignation of a director and except for nominations by the Board of Directors or a committee thereof, nominations for directors must be made in writing at least 180 days prior to the date of the shareholders' meeting at which election is to occur."

(c) A shareholder notice referred to in Section 2.05(a)(iii) hereof shall set forth:

(i) a full description of each item of business proposed to be brought before the meeting and the reasons for conducting such business at such meeting;

(ii) the name and address of the person proposing to bring such business before the meeting;

(iii) the class and number of shares held of record, held beneficially, and represented by proxy by such person as of the record date for the meeting, if such date has been made publicly available, or as of a date not more than thirty (30) days prior to the delivery of the initial notice referred to in Section 2.05(a)(i) hereof, if the record date has not been made publicly available;

(iv) if any item of business involves a nomination for director, all information regarding each such nominee that would be required to be set forth in a definitive proxy statement filed with the Securities and Exchange Commission pursuant to Section 14 of the Securities Exchange Act of 1934, as amended, or any successor thereto, and the written consent of each such nominee to serve if elected;

(v) any material interest of such shareholder in the specified business;

(vi) whether or not such shareholder is a member of any partnership, limited partnership, syndicate, or other group pursuant to any agreement, arrangement, relationship, understanding, or otherwise, whether or not in writing, organized in whole or in part for the purpose of acquiring, owning, or voting shares of the Company; and

(vii) all other information that would be required to be filed with the Securities and Exchange Commission, if, with respect to the business proposed to be brought before the meeting, the person proposing such business was a participant in a solicitation subject to Section 14 of the Securities Exchange Act of 1934, as amended, or any successor thereto.

No business shall be brought before any meeting of the shareholders of the Company otherwise than as provided in this Section 2.05.

(d) Notwithstanding the provisions of this Section 2.05, the Board of Directors shall not be obligated to include information as to any shareholder nominee for director or any other shareholder proposal in any proxy statements or other communication sent to shareholders.

(e) The Chairman of the meeting may, if the facts warrant, determine that any proposed item of business was not brought before the meeting in accordance with the provisions of this Section 2.05, and if he or she should so determine, he or she shall so declare to the meeting and the defective item of business shall be disregarded.

2.06. Right to Attend. Except only to the extent of persons designated by the Board of Directors or the Chairman of the meeting to assist in the conduct of the meeting (as referred to in Sections 2.08 and 2.09 below) and except as otherwise permitted by the Board or such Chairman, the persons entitled to attend any meeting of shareholders may be confined to (i) shareholders entitled to vote thereat and other shareholders entitled to notice of the meeting and (ii) the persons upon whom proxies valid for purposes of the meeting have been conferred or their duly appointed substitutes (if the related proxies confer a power of substitution); provided, however, that the Board of Directors or the Chairman of the meeting may establish rules limiting the number of persons referred to in clause (ii) as being entitled to attend on behalf of any shareholder so as to preclude such an excessively large representation of such shareholder at the meeting as, in the judgment

of the Board or such Chairman, would be unfair to other shareholders represented at the meeting or be unduly disruptive of the orderly conduct of business at such meeting (whether such representation would result from fragmentation of the aggregate number of shares held by such shareholder for the purpose of conferring proxies, from the naming of an excessively large proxy delegation by such shareholder or from employment of any other device). A person otherwise entitled to attend any such meeting will cease to be so entitled if, in the judgment of the Chairman of the meeting, such person engages thereat in disorderly conduct impeding the proper conduct of the meeting in the interests of all shareholders as a group.

2.07. Quorum. Matters related to a quorum of the shareholders at any meeting thereof will be determined in accordance with applicable law and the Articles, if applicable.

2.08. Election Inspectors. The Board of Directors, in advance of any shareholders meeting may appoint an election inspector or inspectors to act at such meeting (and any adjournment thereof). If an election inspector or inspectors are not so appointed, the Chairman of the meeting may or, upon the request of any person entitled to vote at the meeting will, make such appointment. If any person appointed as an inspector fails to appear or to act, a substitute may be appointed by the Chairman of the meeting. If appointed, the election inspector or inspectors (acting through a majority of them if there be more than one) will determine the number of shares outstanding, the authenticity, validity and effect of proxies, the credentials of persons purporting to be shareholders or persons named or referred to in proxies, and the number of shares represented at the meeting in person and by proxy; they will receive and count votes, ballots and consents and announce the results thereof; they will hear and determine all challenges and questions pertaining to proxies and voting; and, in general, they will perform such acts as may be proper to conduct elections and voting with complete fairness to all shareholders. No such election inspector need be a shareholder of the Company.

2.09. Organization and Conduct of Meetings. Each shareholders meeting will be called to order and thereafter chaired by the Chairman of the Board if there then is one; or, if not, or if the Chairman of the Board is absent or so requests, then by the President; or if both the Chairman of the Board and the President are unavailable, then by such other officer of the Company or such shareholder as may be appointed by the Board of Directors. The Secretary (or in his or her absence an Assistant Secretary) of the Company will act as secretary of each shareholders meeting; if neither the Secretary nor an Assistant Secretary is in attendance, the Chairman of the meeting may appoint any person (whether a shareholder or not) to act as secretary thereat. After calling a meeting to order, the Chairman thereof may require the registration of all shareholders intending to vote in person, and the filing of all proxies, with the election inspector or inspectors, if one or more have been appointed (or, if not, with the secretary of the meeting). After the announced time for such filing of proxies has ended, no further proxies or changes, substitutions or revocations of proxies will be accepted. If directors are to be elected, a tabulation of the proxies so filed will, if any person entitled to vote in such election so requests, be announced at the meeting (or adjournment thereof) prior to the closing of the election polls.

Absent a showing of bad faith on his or her part, the Chairman of a meeting will, among other things, have absolute authority to determine the order of business to be conducted at such meeting and to establish rules for, and appoint personnel to assist in, preserving the orderly conduct of the business of the meeting (including any informal, or question and answer, portions thereof). Any informational or other informal session of shareholders conducted under the auspices of the Company after the conclusion of or otherwise in conjunction with any formal business meeting of the shareholders will be chaired by the same person who chairs the formal meeting, and the foregoing authority on his or her part will extend to the conduct of such informal session.

2.10. Voting. The number of shares voted on any matter submitted to the shareholders which is required to constitute their action thereon or approval thereof will be determined in accordance with applicable law, the Articles, and these Bylaws, if applicable. No ballot or change of vote will be accepted after the polls have been declared closed following the ending of the announced time for voting.

2.11. Shareholder Approval or Ratification. The Board of Directors may submit any contract or act for approval or ratification at any duly constituted meeting of the shareholders, the notice of which either includes mention of the proposed submittal or is waived as provided in Section 2.03 above. Except as otherwise required by law (e.g., Arizona Revised Statutes Section 10-863), any contract or act so submitted is approved or ratified by a majority of the votes cast thereon at such meeting, the same will be valid and as binding upon the Company and all of its shareholders as it would be if approved and ratified by each and every shareholder of the Company.

2.12. Informalities and Irregularities. All informalities or irregularities in any call or notice of a meeting, or in the areas of credentials, proxies, quorums, voting and similar matters, will be deemed waived if no objection is made at the meeting.

2.13. Control Share Act. The provisions of Section 10-1211 through and including Section 10-1217 of the Arizona Revised Statutes shall not apply to the Company.

III. BOARD OF DIRECTORS

3.01. Membership. The Board of Directors of the corporation shall consist of not less than nine (9) nor more than twenty-one (21) shareholders of the Company or of any parent corporation thereof (except that it shall not be a requirement that any member of the initial Board of Directors be a shareholder of the Company or of any parent corporation thereof), and shall be divided into three classes in the manner provided in the Articles (Art. Fifth). The Board will have the power to increase or decrease its size within such limits. Any vacancy occurring in the Board, whether by reason of death, resignation, disqualification or otherwise, may be filled by the directors as contemplated by law and as provided in the Articles (Art. Fifth). Any such increase in the size of the Board, and the filling of any vacancy created thereby, will require action by a majority of the whole membership of the Board as comprised immediately before such increase.

3.02. Qualifications. In order to qualify as a director, a person must be the owner of one or more shares of the capital stock of the Company or of any parent corporation thereof at the time of assuming office (except as may otherwise be provided in these Bylaws or in the Articles) and for so long thereafter as such person remains in office. A person will cease to qualify as a director if he or she (i) is in good faith determined by a majority of the other directors then in office to be physically or mentally incapable of competent performance as a director for a period, starting with inception of the incapacity, that has extended or is likely to extend for more than six months or (ii) has failed to attend six successive regular meetings of the Board (as determined in accordance with Section 3.03 below) unless and to the extent such failure is waived by a majority of the other directors then in office; however, disqualification pursuant to clause (i) or (ii) of this sentence will not preclude the subsequent election or appointment of such person as a director by the shareholders or the Board if a majority of the directors in office immediately prior to the submission of such person for election or appointment shall determine that his or her prior incapacity or principal reason for prior non-attendance no longer exists. A person will not qualify for election or appointment as a director, whether initially or on re-election and whether by the shareholders at their annual meeting or by the Board of Directors as contemplated in Section 3.01 above, if such person's 70th birthday occurs on or has occurred before the date of such election, appointment or re-election. A person who has been a full-time employee of the Company within twelve months prior to the date of any election will not qualify for election as a director on that date unless he or she then remains a full-time employee of the Company or unless the Board of Directors specifically authorizes the election of such person (but it is not intended that any such authorization will extend a person's service on the Board beyond the age limitation set out in the preceding sentence). A person who has qualified by age or employment status for his or her most recent election as a director may serve throughout the term for which such person was elected, notwithstanding the occurrence of his or her 70th birthday or cessation of full-time employment by the Company between the date of such election and the end of such term, subject, however, to his or her otherwise remaining qualified for such office.

3.03. Regular Meetings. A regular annual meeting of the directors is to be held as soon as practicable after the adjournment of each annual shareholders meeting either at the place of the shareholders meeting or at such other place as the directors elected at the shareholders meeting may have been informed of at or before the time of their election. Regular meetings, other than the annual ones, may be held at such intervals at such places and at such times as the Board of Directors may provide.

3.04. Special Meetings. Special meetings of the Board of Directors may be held whenever and wherever called for by the Chairman of the Board, the President or the number of directors which would be required to constitute a quorum.

3.05. Notice. No notice need be given of regular meetings of the Board of Directors. Notice of the time and place (but not necessarily the purpose or all of the purposes) of any special meeting will be given to each director in person or by telephone, or via mail, telegram or facsimile addressed in the manner appearing on the Company's records. Notice to any director of any such special meeting will be deemed given sufficiently in

advance when (i) if given by mail, the same is deposited in the United States mail at least four days before the meeting date, with postage thereon prepaid, (ii) if given by telegram, the same is delivered to the telegraph office for fast transmittal at least 48 hours prior to the convening of the meeting, (iii) if given by facsimile transmission, the same is received by the director or an adult member of his or her office staff or household, at least 24 hours prior to the convening of the meeting, or (iv) if personally delivered or given by telephone, the same is handed, or the substance thereof is communicated over the telephone to the director or to an adult member of his or her office staff or household, at least 24 hours prior to the convening of the meeting. Any such notice may be waived as provided by law. No call or notice of a meeting of directors will be necessary if each of them waives the same in writing or by attendance. Any meeting, once properly called and noticed (or as to which call and notice have been waived as aforesaid) and at which a quorum is formed, may be adjourned to another time and place by a majority of those in attendance.

3.06. Quorum; Voting. A quorum for the transaction of business at any meeting or adjourned meeting of the directors will consist of a majority of those then in office. Any matter submitted to a meeting of the directors will be resolved by a majority of the votes cast thereon, except as otherwise required by these Bylaws (ss.ss. 3.01 and 3.02 above and ss.3.07 below), by law or by any applicable Article. However, in case of an equality of votes, the Chairman of the meeting will have a second or deciding vote. Where action by a majority of the whole membership is required, such requirement will be deemed to relate to a majority of the directors in office at the time the action is taken. In computing any such majority, whether for purposes of determining the presence of a quorum or the adequacy of the vote on any proposed action, any unfilled vacancies at the time existing in the membership of the Board will be excluded from the computation.

3.07. Executive Committee. The Board of Directors may, by resolution adopted by a majority of the whole Board, name three or more of its members as an Executive Committee. Such Executive Committee will have and may exercise the powers of the Board of Directors in the management of the business and affairs of the Company while the Board is not in session, except only as precluded by law or where action other than by a majority of the votes cast is required by these Bylaws, or the law (all as referred to in Section 3.06 above), and subject to such limitations as may be included in any applicable resolution passed by a majority of the whole membership of the Board. A majority of those named to the Executive Committee will constitute a quorum.

3.08. Other Committees. Other standing or ad hoc committees may from time to time be appointed from its own membership by the Board of Directors and be vested with such powers as the Board may see fit.

3.09. Committee Functioning. Notice requirements and related waiver provisions for meetings of the Executive Committee and other committees of the Board will be the same as those set forth in Section 3.05 above for meetings of the Board of Directors. Except as provided in the next two succeeding sentences, a majority of those named to the Executive Committee or any other committee of the Board will constitute a quorum at any meeting thereof (with the effect of departure of committee members from a meeting and

the computation of a majority of committee members to be in accordance with the applicable policies of Section 3.06 above), and any matter submitted to a meeting of any such committee will be resolved by a majority of the votes cast thereon. No distinction will be made among ex-officio or other members of any such committee for quorum, voting or other purposes, except that the membership of any committee (including the Executive Committee), in performing any function vested in it as herein contemplated, may be deemed to exclude any officer or employee of the Company, in either case, or other person having a direct or indirect personal interest in any proposed exercise of such function, whose exclusion for that purpose is deemed appropriate by a majority of the other members of such committee proposing to perform such function. All committees are to keep regular minutes of the transactions of their meetings.

3.10. Action by Telephone or Consent. Any meeting of the Board or any committee thereof may be held by conference telephone or similar communications equipment as permitted by law, in which case any required notice of such meeting may generally describe the arrangements (rather than the place) for the holding thereof, and all other provisions herein contained or referred to will apply to such meeting as though it were physically held at a single place. Action may also be taken by the Board or any committee thereof without a meeting if the members thereof consent in writing thereto as contemplated by law.

3.11. Presumption of Assent. A director of the Company who is present at a meeting of the Board of Directors, or of any committee when corporate action is taken is deemed to have assented to the action taken unless either (i) the director objects at the beginning of the meeting or promptly on the director's arrival to holding it or transacting business at the meeting; (ii) the director's dissent or abstention from the action taken is entered in the minutes of the meeting; or (iii) the director delivers written notice of the director's dissent or abstention to the presiding officer of the meeting before its adjournment or to the Company before 5:00 P.M. on the next business day after the meeting. The right of dissent or abstention is not available to a director who votes in favor of the action taken.

3.12. Compensation. By resolution of the Board, the directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors, or of any committee, and may be paid a fixed sum for attendance at each such meeting and/or a stated salary as a director or committee member. No such payment will preclude any director from serving the Company in any other capacity and receiving compensation therefor.

3.13. Removal. Any director or the entire Board of Directors may be removed with or without cause, only at a special meeting of shareholders called for that purpose, by the affirmative vote of sixty-six and two-thirds percent (66 2/3%) of the issued and outstanding shares of stock then entitled to vote on the election of directors, except that if less than the entire Board of Directors is to be removed, no one of the directors may be removed if the votes cast against the director's removal would be sufficient to elect the director if then cumulatively voted at an election for the class of directors of which the director is a part.

IV. OFFICERS - GENERAL

4.01. Elections and Appointments. The directors will elect or appoint the officers of the Company contemplated in Part V below. Such election or appointment will regularly take place at the annual meeting of the directors, but elections of officers may be held at any other meeting of the Board. A person elected or appointed to any office will continue to hold that office until the election or appointment of his or her successor, subject to action earlier taken pursuant to Section 4.04 or 6.01 below. Any person may hold more than one office.

4.02. Additional Appointments. In addition to the officers contemplated in Part V below, the Board of Directors may create other corporate positions, and appoint persons thereto, with such authority to perform such duties as may be prescribed from time to time by the Board of Directors, by the President or by the superior officer of any person so appointed. Notwithstanding such additional appointments, only those persons whose offices are described in Part V are to be considered an officer of the Company unless the resolution or other Board action appointing such person expressly states that such person is to be considered an officer of the Company. Each of such persons (in the order designated by the Board, the President or the superior officer of such person) will be vested with all of the powers and charged with all of the duties of his or her superior officer in the event of such superior officer's absence or disability.

4.03. Bonds and Other Requirements. The Board of Directors may require any officer or other appointee to give bond to the Company (with sufficient surety, and conditioned upon the faithful performance of the duties of his or her office or position) and to comply with such other conditions as may from time to time be required of him or her by the Board.

4.04. Removal or Delegation. Provided that a majority of the whole membership thereof concurs therein, the Board of Directors may remove any officer of the Company as provided by law and declare his or her office or offices vacant or abolished or, in the case of the absence or disability of any officer or for any other reason considered sufficient, may temporarily delegate his or her powers and duties to any other officer or to any director. Similar action may be taken by the Board of Directors in regard to appointees designated pursuant to Section 4.02 above.

4.05. Salaries. Officer salaries may from time to time be fixed by the Board of Directors or (except as to his or her own) be left to the discretion of the President. No officer will be prevented from receiving a salary by reason of the fact that he or she is also a director of the Company.

V. SPECIFIC OFFICERS, FUNCTIONS AND POWERS

5.01. Chairman of the Board. The Board of Directors may elect a Chairman to serve as a general executive officer of the Company and, if specifically designated as such by the Board, as the Chief Executive Officer of the Company. If elected, the Chairman will preside at all meetings of the directors and be vested with such other powers and duties as the Board may from time to time delegate to him or her.

5.02. Chief Executive Officer. Subject to the control of the Board of Directors exercised as hereinafter provided, the Chief Executive Officer of the Company will supervise its business and affairs and the performance of their respective duties by all other officers, by appointees designated pursuant to Section 4.02 above, and by such additional appointees to such additional positions (corporate, divisional or otherwise) as the Chief Executive Officer may designate, with authority on his or her part to delegate the foregoing duty of supervision to such extent and to such person or persons as may be determined by the Chief Executive Officer. Except as otherwise indicated from time to time by resolution of the Board of Directors, its management of the business and affairs of the Company will be implemented through the office of the Chief Executive Officer.

5.03. President and Vice Presidents. Unless specified to the contrary by resolution of the Board of Directors, the President will be the Chief Executive Officer of the Company. In addition to the supervisory functions above set forth on the part of the Chief Executive Officer or in lieu thereof if a contrary specification is made by the Board relative to the Chief Executive Officer, the President will be vested with such powers and duties as the Board may from time to time designate. Vice Presidents may be elected by the Board of Directors to perform such duties as may be designated by the Board or be assigned or delegated to them by their respective superior officers. The Board may identify (i) one or more Vice Presidents as "Executive" or "Senior" Vice Presidents and (ii) the President or any Vice President as "General Manager" of the Company and the title of any Vice President may include words indicative of his or her particular area of responsibility and authority. Vice Presidents will succeed to the responsibilities and authority of the President, in the event of his or her absence or disability, in the order consistent with their respective titles or regular duties or as specifically designated by the Board of Directors.

5.04. Treasurer, Secretary and Corporate Counsel. The Treasurer, Secretary and Corporate Counsel each will perform all such duties normally associated with his or her office (including, in the case of the Secretary, the giving of notice and the preparation and retention of minutes of corporate proceedings and the custody of corporate records and the seal of the Company) as are not assigned to a Vice President of the Company, along with such other duties as may be designated by the Board or be assigned or delegated to them by their respective superior officers. The Board may appoint one or more Assistant Treasurers, Assistant Secretaries and Assistant Corporate Counsels, each of whom (in the order designated by the Board or their respective superior officers) will be vested with all of the powers and charged with all of the duties of the Treasurer, the Secretary or the Corporate Counsel (as the case may be) in the event of his or her absence or disability.

5.05. Specific Powers. Except as may otherwise be specifically provided in a resolution of the Board of Directors, any of the officers referred to in this Part V will be a proper officer to authenticate records of the Company and to sign on behalf of the Company any deed, bill of sale, assignment, option, mortgage, pledge, note, bond, debenture, evidence of indebtedness, application, consent (to service of process or otherwise), agreement, indenture or other instrument of importance to the Company. Any such officer may represent the Company at any meeting of the shareholders or members of any corporation, association, partnership, joint venture or other entity in which this Company then has an interest, and may vote such interest in person or by proxy appointed by him or her, provided that the Board of Directors may from time to time confer the foregoing authority upon any other person or persons.

VI. RESIGNATIONS AND VACANCIES

6.01. Resignations. Any director, committee member or officer may resign from his or her office at any time by written notice as specified in accordance with Arizona Revised Statutes Sections 10-807 and 10-843. The acceptance of a resignation will not be required to make it effective.

6.02. Vacancies. If the office of any director, committee member or officer becomes vacant by reason of his or her death, resignation, disqualification, removal or otherwise, the Board of Directors may choose a successor to hold office for the unexpired term.

VII. INDEMNIFICATION AND RATIFICATION

7.01. Indemnification. In order to induce qualified persons to serve the Company (and any other corporation, joint venture, partnership, trust or other enterprise at the request of the Company) as directors and officers, the Company may indemnify any and all of its directors and officers, or former directors and officers, to the fullest extent permitted by law or by the Articles, if applicable. Insofar as applicable law requires a determination as to the standard of conduct followed by a person seeking indemnification, the Board of Directors or the disinterested members thereof will consider the relevant facts, or cause them to be submitted for consideration, as soon as practicable, but such consideration of any facts in issue in pending legal proceedings will not be required before the final adjudication thereof. A determination, whether favorable or adverse to the party seeking indemnification, pursuant to any such consideration (which determination, if the same is to be made by a court pursuant to law, will be deemed made when contained in a final unappealed or unappealable decision) will be binding on all parties concerned.

7.02. Ratification; Special Committee. Any transaction involving the Company, any of its subsidiary corporations or any of its directors, officers, employees or agents which at any time is questioned in any manner or context (including a shareholder's derivative suit), on the ground of lack of authority, conflict of interest, misleading or omitted statement of fact or law, nondisclosure, miscomputation, improper principles or practices of accounting,

inadequate records, defective or irregular execution or any similar ground, may be investigated and/or ratified (before or after judgment), or an election may be made not to institute or pursue a claim or legal proceedings on account thereof or to accept or approve a negotiated settlement with respect thereto (before or after the institution of legal proceedings), by the Board of Directors or by a special committee thereof comprised of one or more disinterested directors (that is, a director or directors who did not participate in the questioned transaction with actual knowledge of the questioned aspect or aspects thereof). Such a special committee may be validly formed and fully empowered to act, in accordance with the purposes and duties assigned thereto, by resolution or resolutions of the Board of Directors, notwithstanding (i) the inclusion of Board members who are not disinterested as aforesaid among those who form a quorum at the meeting or meetings at which one or more members of such special committee are elected or appointed to the Board or to such special committee or at which such committee is formed or empowered, or their inclusion among the directors who vote upon or otherwise participate in taking any of the foregoing actions, or (ii) the taking of any of such actions by the disinterested members of the Board (or a majority of such members) whose number is not sufficient to constitute a quorum or a majority of the membership of the full Board. Any such special committee so comprised will, to the full extent consistent with its purposes and duties as expressed in such resolution or resolutions, have all of the authority and powers of the full Board and its Executive Committee (the same as though it were the full Board and/or its Executive Committee in carrying out such purposes and duties) and will function in accordance with Section 3.09 above. No other provisions of these Bylaws which may at any time appear to conflict with any provisions of this Section 7.02, and no defect or irregularity in the formation, empowering or functioning of any such special committee, will serve to impede, impair or bring into question any action taken or purported to be taken by such committee or the validity of any such action. Any ratification of a transaction pursuant to this Section 7.02 will have the same force and effect as if the transaction has been duly authorized originally. Any such ratification, and any election made pursuant to this Section 7.02 with respect to claims, legal proceedings or settlements, will be binding upon the Company and its shareholders and will constitute a bar to any claim or the execution of any judgment in respect of the transaction involved in such ratification or election.

VIII. SEAL

8.01. Form Thereof. The seal of the Company will have inscribed thereon the name of the Company, the state and year of its incorporation and the words "SEAL".

IX. STOCK CERTIFICATES

9.01. Form Thereof. Each certificate representing stock of the Company will be in such form conforming to law as may from time to time be approved by the Board of Directors, and will bear the manual facsimile signatures and seal of the Company as required or permitted by law.

9.02. Ownership. The Company will be entitled to treat the registered owner of any share as the absolute owner thereof and accordingly, will not be bound to recognize any beneficial, equitable or other claim to, or interest in, such share on the part of any other person, whether or not it has notice thereof, except as may expressly be provided by Chapter 8 of Title 47, Arizona Revised Statutes (or its successor), as at the time in effect, or other applicable law.

9.03. Transfers. Transfer of stock will be made on the books of the Company only upon surrender of the certificate therefor, duly endorsed by an appropriate person, with such assurance of the genuineness and effectiveness of the endorsement as the Company may require, all as contemplated by Chapter 8 of Title 47, Arizona Revised Statutes (or its successor), as at the time in effect, and/or upon submission of any affidavit, other document or notice which the Company considers necessary.

9.04. Lost Certificates. In the event of the loss, theft or destruction of any certificate representing capital stock of this Company, the Company may issue (or, in the case of any such stock as to which a transfer agent and/or registrar have been appointed, may direct such transfer agent and/or registrar to countersign, register and issue) a replacement certificate in lieu of that alleged to be lost, stolen or destroyed, and cause the same to be delivered to the owner of the stock represented thereby, provided that the owner shall have submitted such evidence showing the circumstances of the alleged loss, theft or destruction, and his or her ownership of the certificate as the Company considers satisfactory, together with any other factors which the Company considers pertinent, and further provided that an indemnity agreement and/or indemnity bond shall have been provided in form and amount satisfactory to the Company and to its transfer agent and/or registrar, if applicable.

X. EMERGENCY BYLAWS

10.01. Emergency Conditions. The emergency Bylaws provided in this Part X will be as effective in the event of an emergency as prescribed in Arizona Revised Statutes Section 10-207.D. To the extent not inconsistent with the provisions of this Part X, these Bylaws will remain in effect during such emergency and upon its termination these emergency Bylaws will cease to be operative.

10.02. Board Meetings. During any such emergency, a meeting of the Board of Directors or any of its committees may be called by any officer or director of the Company. Notice of the time and place of the meeting will be given by the person calling the same to those of the directors whom it may be feasible to reach by any available means of communication. Such notice will be given so much in advance of the meeting as circumstances permit in the judgment of the person calling the same. At any Board or committee meeting held during any such emergency, a quorum will consist of a majority of those who could reasonably be expected to attend the meeting if they were willing to do so, but in no event more than a majority of those to whom notice of such meeting is required to have been given as above provided.

10.03. Certain Actions. The Board of Directors, either before or during any such emergency, may provide and from time to time modify lines of succession in the event that during such an emergency any or all officers, appointees, employees or agents of the Company are for any reason rendered incapable of discharging their duties. The Board, either before or during any such emergency, may, effective in the emergency, change the head office or designate several alternative head offices of the Company, or authorize the officers to do so.

10.04. Liability. No director, officer, appointee, employee or agent acting in accordance with these emergency Bylaws will be liable except for willful misconduct.

10.05. Modifications. These emergency Bylaws will be subject to repeal or change by further action of the Board of Directors, but no such repeal or change will modify the provisions of Section 10.04 with respect to action taken prior to the time of such repeal or change. Any amendment of these emergency Bylaws may make any further or different provisions that may be practical and necessary for the circumstances of the emergency.

XI. DIVIDENDS

11.01. Declaration. Subject to such restrictions or requirements as may be imposed by law or the Company's Articles or as may otherwise be binding upon the Company, the Board of Directors may from time to time declare dividends on stock of the Company outstanding on the dates of record fixed by the Board, to be paid in cash, in property or in shares of the Company's stock on or as of such payment or distribution dates as the Board may prescribe.

XII. BUSINESS COMBINATIONS

12.01. Definitions. In these Bylaws, the following definitions shall apply:

1. "Affiliate" means a person that directly or indirectly controls, is controlled by, or is under common control with a specified person.

2. "Announcement date," when used in reference to any business combination, means the date of the first public announcement of the final, definitive proposal for the business combination.

3. "Associate," when used to indicate a relationship with any person, means any of the following:

(a) Any corporation or organization of which the person is an officer, director, or partnership or is, directly or indirectly, the beneficial owner of ten percent (10%) or more of any class or series of shares entitled to vote or other equity interest;

(b) Any trust or estate in which the person has a substantial beneficial interest or as to which the person serves as trustee or personal representative or in a similar fiduciary capacity; or

(c) Any relative or spouse of the person, or any relative of the spouse, residing in the home of the person.

4. "Beneficial owner," when used with respect to shares or other securities, includes any person who, directly or indirectly through any agreement, arrangement, relationship, understanding, or otherwise, whether or not in writing, has or shares the power to vote, or direct the voting of the shares or securities or has or shares the power to dispose of or direct the disposition of the shares or securities, except that:

(a) A person is not deemed the beneficial owner of shares or securities tendered pursuant to a tender or exchange offer made by the person or any of the person's affiliates or associates until the tendered shares or securities are accepted for purchase or exchange; and

(b) A person is not deemed the beneficial owner of shares or securities with respect to which the person has the power to vote or direct the voting arising solely from a revocable proxy given in response to a proxy solicitation required to be made and made in accordance with the applicable rules and regulations under the Securities Exchange Act of 1934, as amended, and is not then reportable under that act on a Schedule 13D or comparable report.

5. "Beneficial ownership" includes the right to acquire shares or securities through the exercise of options, warrants, or rights, the conversion of convertible securities, or otherwise. The shares or securities subject to the options, warrants, rights, or conversion privileges held by a person are deemed to be outstanding for the purpose of computing the percentage of outstanding shares or securities of the class or series owned by the person but are not deemed to be outstanding for the purpose of computing the percentage of the class or series owned by any other person. A person is deemed the beneficial owner of shares and securities beneficially owned by the spouse of the person or any relative of the spouse residing in the home of the person, any trust or estate in which the person owns ten percent (10%) or more of the total beneficial interest or serves as trustee or personal representative, any corporation or entity in which the person owns ten percent (10%) or more of the equity and any affiliate of the person.

6. "Business combination," when used in reference to the Company and any interested shareholder of the Company, means any of the following:

(a) Any merger or consolidation of the Company or any subsidiary of the Company with either:

(i) The interested shareholder; or

(ii) Any other domestic or foreign corporation, whether or not itself an interested shareholder of the Company, that is, or after the merger would be, an affiliate or associate of the interested shareholder, except that the foregoing does not include the merger of a wholly-owned subsidiary of the Company into the Company or the merger of two or more wholly-owned subsidiaries of the Company.

(b) Any exchange, pursuant to a plan of exchange under the laws of the State of Arizona or a comparable statute of any other state or jurisdiction, of shares of the Company or any subsidiary of the Company for shares of either:

(i) The interested shareholder; or

(ii) Any other domestic or foreign corporation, whether or not itself an interested shareholder of the Company, that is, or after the exchange would be, an affiliate or associate of the interested shareholder.

(c) Any sale, lease, exchange, mortgage, pledge, transfer, or other disposition, in a single transaction or a series of transactions, to or with the interested shareholder or any affiliate or associate of the interested shareholder, of assets of the Company or any subsidiary of the Company to which any of the following applies:

(i) Has an aggregate market value equal to ten percent (10%) or more of the aggregate market value of all the assets, determined on a consolidated basis, of the Company.

(ii) Has an aggregate market value equal to ten percent (10%) or more of the aggregate market value of all the outstanding shares of the Company.

(iii) Represents ten percent (10%) or more of the earning power or net income, determined on a consolidated basis, of the Company.

(d) The issuance or transfer by the Company or any subsidiary of the Company, in a single transaction or a series of transactions, of any shares of the Company or any subsidiary of the Company that have an aggregate market value equal to five percent (5%) or more of the aggregate market value of all the

outstanding shares of the Company to the interested shareholder or any affiliate or associate of the interested shareholder, except pursuant to the exercise of warrants or rights to purchase shares offered or a dividend or distribution paid or made pro rata to all shareholders of the Company.

(e) The adoption of any plan or proposal for the liquidation or dissolution of the Company, or any reincorporation of the Company in another state or jurisdiction, proposed by, on behalf of, or pursuant to any agreement, arrangement, or understanding, whether or not in writing, with the interested shareholder or any affiliate or associate of the interested shareholder.

(f) Any reclassification of securities, including any share dividend or split, reverse share split, or other distribution of shares in respect of shares, recapitalization of the Company, merger or consolidation of the Company with any subsidiary of the Company exchange of shares of the Company with any subsidiary of the Company or other transaction, whether or not with or into or otherwise involving the interested shareholder, proposed by, on behalf of, or pursuant to any agreement, arrangement, or understanding, whether or not in writing, with the interested shareholder or any affiliate or associate of the interested shareholder that has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class or series of shares entitled to vote, or securities that are exchangeable for or convertible into or that carry a right to acquire shares entitled to vote, of the Company or any subsidiary of the Company that is, directly or indirectly, owned by the interested shareholder or any affiliate or associate of the interested shareholder, except as a result of immaterial changes due to fractional share adjustments.

(g) Any receipt by the interested shareholder or any affiliate or associate of the interested shareholder of the benefit, directly or indirectly, except proportionately as a shareholder of the Company, of any loans, advances, guarantees, pledges, or other financial assistance or any tax credits or other tax advantages provided by or through the Company or any subsidiary of the Company (other than expense account advances made in the ordinary course of business).

7. "Consummation date," with respect to any business combination, means the date of consummation of the business combination or, in the case of a business combination as to which a shareholder vote is taken, the later of:

(i) The business day before the vote; or

(ii) Twenty (20) days before the date of consummation of the business combination.

8. "Control," "controlling," "controlled by" or "under common control with" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting

securities, by contract, or otherwise. A person's beneficial ownership of ten percent (10%) or more of the voting power of the Company's outstanding shares entitled to vote in the election of directors creates a presumption that the person has control of the Company. A person is not considered to have control of the Company if the person holds voting power, in good faith and not for the purpose of avoiding any provision of law as an agent, bank, broker, nominee, custodian, or trustee for one or more beneficial owners who do not individually or as a group have control of the Company.

9. "Interested shareholder," when used in reference to the Company means any person, other than the Company or any subsidiary of the Company, that is either:

(a) The beneficial owner, directly or indirectly, of ten percent (10%) or more of the voting power of the outstanding shares entitled to vote of the Company; or

(b) An affiliate or associate of the Company.

10. "Interested shares" means the shares of the Company with respect to which any of the following persons may exercise or direct the exercise of voting power in the election of directors of the Company:

(a) An interested shareholder;

(b) Any officer of the Company; or

(c) Any director of the Company.

11. "Market value," when used in reference to shares or property of the Company, means the following:

(a) In the case of shares, the highest closing sale price during the thirty (30) day period immediately preceding the date in question of a share on the composite tape for New York Stock Exchange listed shares or, if the shares are not quoted on the composite tape or not listed on the New York Stock Exchange, on the principal United States securities exchange registered under the Securities Exchange Act of 1934, as amended, on which the share are listed or, if the shares are not listed on any such exchange, on the National Association of Securities Dealers, Inc. Automated Quotations National Market System or, if the shares are not quoted on the National Association of Securities Dealers, Inc. Automated Quotations National Market System, the highest closing bid quotation during the thirty (30) day period preceding the date in question of a share on the National Association of Securities Dealers, Inc. Automated Quotations System or any system then in use or, if no such quotation is available, the fair market value on the date in question of a share as determined in good faith by the Board of the Company, subject to arbitration.

(b) In the case of property other than cash or shares, the fair market value of the property on the date in question as determined in good faith by the Board of the Company, subject to arbitration.

12. "Person" means any natural person, partnership, corporation, group, association, venture, firm, or other entity (other than the Company, any subsidiary of the Company, or a trustee or fiduciary holding stock for the benefit of the employees of the Company or its subsidiaries or any one of its subsidiaries, pursuant to one or more employee benefit plans). If two or more persons act as a partnership, limited partnership, syndicate, or other group pursuant to any agreement, arrangement, relationship, understanding, or otherwise, whether or not in writing, for the purposes of acquiring, owning, or voting shares of the Company, all members of the partnership, syndicate, or other group shall be deemed a person. Person does not include a licensed broker, dealer, or underwriter that purchases shares of the Company solely for purposes of resale to the public that is not acting in concert with an interested shareholder.

13. "Share acquisition date," with respect to any person and the Company, means the date that the person first becomes an interested shareholder of the Company.

12.02. Business Combination with Interested Shareholders; Approved by Directors.

1. Except as set forth in these Bylaws, the Company may not engage in any business combination or vote, consent or otherwise act to authorize a subsidiary of the Company to engage in any business combination with respect to, proposed by, or on behalf of, or pursuant to any agreement, arrangement or understanding, whether or not in writing, with any interested shareholder of the Company or any affiliate or associate of the interested shareholder for a period of three (3) years after the interested shareholder's share acquisition date, unless the business combination or the acquisition of shares made by the interested shareholder on the interested shareholder's share acquisition date is approved by a committee of the Board of Directors of the Company before the interested shareholder's share acquisition date. The committee shall be formed in accordance with subsection 4 of this Section 12.02.

2. If a good faith definitive proposal regarding a business combination is made in writing to the Board of Directors of the Company, a committee of the Board formed in accordance with subsection 4 of this Section 12.02 shall consider and take action on the proposal and respond in writing within forty-five (45) days after receipt of the proposal by the Company, setting forth its decision regarding the proposal.

3. If a good faith definitive proposal to acquire shares is made in writing to the Board of Directors of the Company, a committee of the Board of Directors formed in accordance with subsection 4 of this Section 12.02 shall consider and take action on the proposal. Unless the committee responds affirmatively in writing within forty-five (45) days after receipt of the proposal by the Company, the committee shall be considered to have disapproved the share acquisition.

4. When a business combination or acquisition of shares is proposed pursuant to this Section 12.02, the Board of Directors shall promptly form a committee composed of all of the Board's disinterested Directors. The committee shall take action on the proposal by the affirmative vote of a simple majority of the committee members. The committee is not subject to any direction or control by the Board with respect to the committee's consideration of or any action concerning a business combination or acquisition of shares pursuant to this Section 12.02. A committee formed pursuant to this subsection shall be composed of one or more members. Only disinterested Directors may be members of a committee formed pursuant to this subsection. However, if the Board of Directors has no disinterested Directors, the Board shall select three or more disinterested persons to be committee members. For purposes of this subsection, a Director or person is disinterested if the Director or person is not a present or former officer or employee of the Company or an affiliate or associate of the Company.

12.03. Requirements after Three Years. Except for the provisions of Sections 12.02 and 12.04, the Company may not engage at any time in any business combination or vote, consent, or otherwise act to authorize a subsidiary of the Company to engage in any business combination with respect to, proposed by, on behalf of, or pursuant to any agreement, arrangement, or understanding, whether or not in writing, with an interested shareholder of the Company or any affiliate or associate of the interested shareholder other than a business combination meeting all the requirements of this Article XII, the Articles, and the requirements specified in any of the following:

1. A business combination approved by the Board of Directors of the Company before the interested shareholder's share acquisition date, or as to which the acquisition of shares made by the interested shareholder on the interested shareholder's acquisition date had been approved by the Board of Directors before the interested shareholder's share acquisition date.

2. A business combination approved by the affirmative vote of the holders of a majority of the outstanding shares entitled to vote not beneficially owned by the interested shareholder proposing the business combination or any affiliate or associate of the interested shareholder proposing the business combination at a meeting called for that purpose no earlier than three years after the interested shareholder's share acquisition date.

3. A business combination, with respect to which the consummation date is no earlier than three years after the interested shareholder's share acquisition date, that meets all of the following conditions:

(a) The aggregate amount of the cash and the market value as of the consummation date of consideration other than cash to be received per share by holders of outstanding common shares of the Company in the business combination is at least equal to the higher of the following:

(i) The highest per share price paid by the interested shareholder, at a time when the interested shareholder was the beneficial owner, directly or indirectly, of five percent (5%) or more of the outstanding shares entitled to vote of the Company, for any common shares of the same class or series acquired by it within the three (3) year period immediately before the announcement date with respect to the business combination or within the three (3) year period immediately before, or in, the transaction in which the interested shareholder became an interested shareholder, whichever is higher, plus, in either case, interest compounded annually from the earliest date on which the highest per share acquisition price was paid through the consummation date at the rate for one year United States treasury obligations from time to time in effect less the aggregate amount of any cash dividends paid, and the market value of any dividends paid other than in cash, per common share since the earliest date, up to the amount of the interest.

(ii) The market value per common share on the announcement date with respect to the business combination or on the interested shareholder's share acquisition date, whichever is higher, plus interest compounded annually from that date through the consummation date at the rate for one year United States treasury obligations from time to time in effect less the aggregate amount of any cash dividends paid and the market value of any dividends paid other than in cash, per common share since that date, up to the amount of the interest.

(b) The aggregate amount of the cash and the market value as of the consummation date of consideration other than cash to be received per share by holders of outstanding shares of any class or series of shares, other than common shares, of the Company in the business combination is at least equal to the highest of the following, whether or not the interested shareholder has previously acquired any shares of the class or series:

(i) The highest per share price paid by the interested shareholder, at a time when the interested shareholder was the beneficial owner, directly or indirectly, of five percent (5%) or more of the outstanding shares entitled to vote of the Company, for any shares of the class or series acquired by it within the three (3) year period immediately before the announcement date with respect to the business combination or within the three (3) year period immediately before, or in, the transaction in which the interested shareholder became an interested shareholder, whichever is higher, plus, in either case, interest compounded annually from the earliest date on which the highest per share acquisition price was paid through the consummation date at the rate for one year United States treasury obligations from time to time in effect less the aggregate amount of any cash dividends paid and the market value of any dividends paid other than in cash, per share of the class or series since such earliest date, up to the amount of the interest.

(ii) The highest preferential amount per share to which the holders of shares of the class or series are entitled in the event of any voluntary liquidation, dissolution, or winding up of the Company, plus the aggregate amount of any unpaid dividends declared or due as to which the holders are entitled before payment of dividends on some other class or series of shares, unless the aggregate amount of the dividends is included in the preferential amount.

(iii) The market value per share of the class or series on the announcement date with respect to the business combination or on the interested shareholder's share acquisition date, whichever is higher, plus interest compounded annually from that date through the consummation date at the rate for one year United States treasury obligations from time to time in effect less the aggregate amount of any cash dividends paid and the market value of any dividends paid other than in cash, per share of the class or series since that date, up to the amount of the interest.

(c) The consideration to be received by holders of a particular class or series of outstanding shares, including common shares, of the Company in the business combination is in cash or in the same form as the interested shareholder has used to acquire the largest number of shares of the class or series of shares previously acquired by it and the consideration is distributed promptly.

(d) The holders of all outstanding shares of the Company not beneficially owned by the interested shareholder immediately before the consummation date with respect to the business combination are entitled to receive in the business combination cash or other consideration for the shares in compliance with subdivisions (a), (b) and (c).

(e) After the interested shareholder's share acquisition date and before the consummation date with respect to the business combination, the interested shareholder has not become the beneficial owner of any additional shares entitled to vote of the Company except:

(i) As part of the transaction that resulted in the interested shareholder becoming an interested shareholder;

(ii) By virtue of proportionate share splits, share dividends, or other distributions of shares in respect of shares not constituting a business combination;

(iii) Through a business combination meeting all of the conditions of Section 12.02 and this paragraph; or

(iv) Through purchase by the interested shareholder at any price that, if the price had been paid in an otherwise permissible business combination the announcement date and consummation date of which were the date of the purchase, would have satisfied the requirements of subdivisions (a), (b) and (c) of this Section.

12.04. Application. This Article XII does not apply to any business combination of the Company with an interested shareholder of the Company who became an interested shareholder inadvertently, if the interested shareholder both:

1. As soon as practicable, divests itself of a sufficient amount of the shares entitled to vote of the Company so that it no longer is the beneficial owner, directly or indirectly, of ten percent (10%) or more of the outstanding shares entitled to vote of the Company.

2. Would not at any time within the three (3) year period preceding the announcement date with respect to the business combination have been an interested shareholder except for the inadvertent acquisition.

XIII. LIMITATION ON SHARE REPURCHASES

13.01. Limitation on Share Repurchases. The Company shall not, directly or indirectly, purchase or agree to purchase any shares entitled to vote from a person, or two or more persons who act as a partnership, limited partnership, syndicate or other group pursuant to any agreement, arrangement, relationship, understanding or otherwise, whether or not in writing, for the purpose of acquiring, owning or voting shares of the Company who beneficially owns more than five per cent (5%) of the voting stock of the Company for more than the "average market price" of the shares if the shares have been beneficially owned by the person or persons for less than three (3) years, unless the purchase or agreement to purchase is approved at a meeting of shareholders by the affirmative vote of the holders of a majority of the voting stock entitled to vote and not beneficially owned by such person or persons from whom the proposed repurchase is to be made or the Company makes an offer, of at least equal value per share, to all holders of shares of such class or series and to all holders of any class or series into which the shares may be converted.

13.02. Definitions. For the purposes of this Article, "average market price" means the average closing sale price during the thirty trading days immediately preceding the purchase of the shares in question, or if the person or persons have commenced a tender offer or have announced an intention to seek control of the Company, during the thirty trading days preceding the earlier of the commencement of the tender offer or the making of the announcement, of a share of the composite tape for New York Stock Exchange listed shares or, if the shares are not quoted on the composite tape or not listed on the New York Stock Exchange, on the principal United States securities exchange registered under the Securities Exchange Act of 1934, as amended, on which the shares are listed or, if the

shares are not listed on any such exchange, on the National Association of Securities Dealers, Inc. Automated Quotations National Market System or, if the shares are not quoted on the National Association of Securities Dealers, Inc. Automated Quotations National Market System, the average closing bid quotation, during the thirty trading days preceding the purchase of the shares in questions of a share on the National Association of Securities Dealers, Inc. Automated Quotations System or any system then in use, or if the person or persons have commenced a tender offer or have announced an intention to seek control of the issuing public corporation, during the thirty trading days preceding the earlier of the commencement of the tender offer or the making of the announcement, except that if no quotation is available the average market price is the fair market value on the date of purchase of the shares in question of a share as determined in good faith by the Board of Directors of the Company.

XIV. AMENDMENTS

14.01. Amendment of Articles and Bylaws. Notwithstanding any other provision of these Bylaws, Article Fifth of the Articles (Restated As of July 29, 1988) and Sections 2.02, 3.01, and 3.13 and Articles XII, XIII, and XIV of these Bylaws shall not be altered, amended, supplemented, repealed, or temporarily or permanently suspended, in whole or in part, or replacement Bylaw provisions adopted without: (I) the affirmative vote of a majority of the directors then in office; or (ii) the affirmative vote of seventy-five percent (75%) or more of the outstanding shares of the Company entitled to vote generally.

CERTIFICATE

I, FAYE WIDENMANN, Vice President and Secretary of Pinnacle West Capital Corporation, an Arizona Corporation, do HEREBY CERTIFY that the foregoing is a true and correct copy of the Company's Bylaws, as amended, and that they are in full force and effect as of the date hereof.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the corporation this 21st day of February, 1996.

FAYE WIDENMANN
Vice President and Secretary

EXHIBIT 10.1
SUMMARY OF THE COMPANY'S 1996 BONUS PLAN

Under the Pinnacle West Capital Corporation 1996 Bonus Plan, upon the recommendation of the Human Resources Committee, the Board establishes on an annual basis certain financial and other goals to be met, designating parameters of performance and assigning relative weights. The principal measures of performance during 1996 include per-share earnings and the development and implementation of long-term strategies for the Company and APS.

FIRST AMENDMENT TO THE EMPLOYMENT AGREEMENT
BETWEEN PINNACLE WEST CAPITAL CORPORATION
AND RICHARD SNELL, DATED MARCH 28, 1991

WHEREAS, PINNACLE WEST CAPITAL CORPORATION, an Arizona corporation (the "Company") and RICHARD SNELL (the "Employee") entered into an employment agreement on March 28, 1991, effective as of February 5, 1990 (the "Agreement"), pursuant to which the Company retained the services of the Employee as President and Chief Executive Officer for a period of five years; and

WHEREAS, the Company now desires to continue to have the right to the services of the Employee in such capacities for an additional period of two years and the Employee is willing to continue his employment; and

WHEREAS, the Company and the Employee desire to amend the Agreement to extend its term for an additional two years and to clarify the right of the Employee to receive pension benefits which are equivalent to the pension benefits available to officers of the Company generally; and

NOW, THEREFORE, in consideration of the foregoing, the parties hereby agree as follows:

1. This Amendment shall amend only the provisions of the Agreement as set forth herein and those provisions not expressly amended hereby shall remain in full force and effect.

2. Section 2.1(a) is hereby amended to read as follows:

(a) The Employee shall be employed by the Company for the duties as set forth in Section 1 for the two (2) year period commencing on February 5, 1995, and ending on February 5, 1997, (the "Employment Term"), unless the employment of the Employee terminates earlier in accordance with the provisions of this Employment Agreement.

3. Section 3.3(c) is hereby amended to read as follows:

(c) The Company shall pay to the Employee a supplemental pension benefit equal to the amount which the Employee would be entitled to receive as an officer of the Company under the benefit formula set forth under the terms and provisions of the Pinnacle West Capital Corporation Supplemental Excess Benefit Retirement Plan (the "Excess Benefit Plan") determined in accordance with the following assumptions:

(1) The Employee's "Years of Service" (as defined in the Excess Benefit Plan) shall be assumed to be twenty-nine (29) as of February 5, 1990, and the Employee shall be credited with an additional Year of Service for each year of employment with the Company after that date;

(2) The benefit shall be computed without regard to any legal limitation and compensation that may be considered as pensionable earnings under the Code or ERISA, without regard to any legal limitation on benefits under the Code, including Code Sections 401(a)(7) and 415 and the corresponding provisions of the Pinnacle West Capital Corporation Employees' Retirement Plan (the "Retirement Plan") and without regard to whether the employee is vested in his benefits under the Retirement Plan;

(3) The benefit would be computed considering the amounts payable under Section 3.1 and/or 3.2 here and above as pensionable earnings;

(4) Any amounts payable to the Employee under the Retirement Plan and under Excess Benefit Plan based on the Employee's actual period of service and pensionable earnings shall be subtracted from the amount payable pursuant to this Section 3.3(c), so that there is no duplication of benefits; and

(5) The benefit payable under this Section 3.3(c) shall be paid in the same form as the benefit payable under the Excess Benefit Plan.

The benefit payable hereunder may be paid, in the sole discretion of the Company, from the Company's general assets or under a separate funding vehicle.

4. This Amendment shall be effective as of February 5, 1995.

IN WITNESS WHEREOF, the Company has caused this Amendment to be executed by its duly authorized officers, and the Employee has executed this Amendment this 31st day of March, 1995.

PINNACLE WEST CAPITAL CORPORATION

By H. B. Sargent

Its Executive Vice President

ATTEST:

By Faye Widenmann

Its Secretary

EMPLOYEE

Richard Snell

Richard Snell

SUBSIDIARIES OF PINNACLE WEST CAPITAL CORPORATION

Arizona Public Service Company
State of Incorporation: Arizona

Bixco, Inc.
State of Incorporation: Arizona

SunCor Development Company
State of Incorporation: Arizona

SunCor Resort & Golf Management, Inc.
State of Incorporation: Arizona

Litchfield Park Service Company
State of Incorporation: Arizona

SunCor Homes, Inc.
State of Incorporation: Arizona

Golden Heritage Construction, Inc.
State of Incorporation: Arizona

SCM, Inc.
State of Incorporation: Arizona

Golf de Mexico, S.A. DE C.V.
Incorporation: Tijuana, Baja California, Mexico

SunCor Realty & Management Company
State of Incorporation: Arizona

Palm Valley Golf Club, Inc.
State of Incorporation: Arizona

El Dorado Investment Company
State of Incorporation: Arizona

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Post-Effective Amendment No. 2 to Registration Statement No. 33-15190 on Form S-3, Registration Statement Nos. 33-39208, 33-47534, 33-54287, 33-54307 and 33-58372 on Form S-8, Post-Effective Amendment No. 1 to Registration Statement No. 33-1720 on Form S-8, Post-Effective Amendment No. 2 to Registration Statement No. 33-10442 on Form S-8, and Post-Effective Amendment No. 3 on Form S-3 to Registration Statement No. 2-96386 on Form S-14, all of Pinnacle West Capital Corporation, of our report dated March 1, 1996 (which expresses an unqualified opinion and includes an explanatory paragraph relating to the Company's change in method of accounting for income taxes discussed in Note 4 to those financial statements), appearing in this Annual Report on Form 10-K of Pinnacle West Capital Corporation for the year ended December 31, 1995.

Deloitte & Touche LLP
Phoenix, Arizona
March 29, 1996

UT
1,000
U.S. DOLLARS

12-MOS
DEC-31-1995
JAN-01-1995
DEC-31-1995
1
PER-BOOK
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