

PINNACLE WEST CAPITAL CORP
Form DEF 14A
March 31, 2016

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12

Pinnacle West Capital Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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- No fee required.
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(4) Date Filed:

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Donald E. Brandt
Chairman of the Board,
President
and Chief Executive
Officer

Dear Fellow Shareholder:

On behalf of our Board of Directors, management and employees, I invite you to attend our 2016 Annual Meeting of Shareholders.

The meeting will be held at **10:30 a.m. (MST), Wednesday, May 18, 2016**, at the Heard Museum, located at 2301 North Central Avenue in Phoenix, Arizona, 85004.

In 2015, our continued focus on managing costs and creating a sustainable energy future for Arizona enabled us to meet or exceed our goals, thus marking another successful year for Pinnacle West and your investment in our Company. In 2015:

Your Board increased the common dividend for the fourth straight year, raising it by 5%;

Our earnings were \$437 million, or \$3.92 per share, which is a 9.5% increase over our 2014 earnings per share; and

*Additional highlighted
accomplishments of our
Company's 2015 performance are
set forth in the Proxy Statement
beginning on page 1.*

Our share price reached a new all-time high and new 52-week intraday highs on four trading days.

At this year's Annual Meeting, we will share additional updates with you on the Company's recent performance and operations. As explained in the attached Proxy Statement, we are asking you to: (1) elect ten Board of Director nominees; (2) consider and vote FOR an advisory resolution to approve executive compensation; (3) ratify the appointment of our independent public accounting firm for 2016; and (4) consider a shareholder proposal, if properly presented at the meeting.

Last, but not least, your vote is important to us. Whether or not you plan to attend the Annual Meeting in person, we encourage you to vote promptly. You may vote over the Internet; by telephone; by completing, signing, dating and returning a proxy card or voting instruction form; or by voting in person at the meeting.

Thank you for the confidence you place in Pinnacle West through your investment. We look forward to seeing you at this year's Annual Meeting.

Sincerely,

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Kathryn L. Munro
Lead Director

To Our Shareholders:

First and foremost, on behalf of your Board of Directors, we would like to take this opportunity to tell our fellow shareholders how honored we are to represent your interests as your Board. This is not a commitment we take lightly, and we want you to be assured that we are dedicated to our Company and its continued success.

Don Brandt became our Chairman of the Board and Chief Executive Officer in April 2009. He brought to the Company a focus on returning to our core business of operating and investing in a vertically integrated electric utility. He has built a strong leadership team, and the results are impressive. Here are several examples of our improved performance:

Total Shareholder Return. Since April 2009, our Company's total shareholder return (stock price appreciation plus dividends) ("TSR") has outperformed that of the S&P 1500 Electric Utility Index by over 111%. Also during this period, the Company has delivered an annualized TSR of 18.8%, and ranked 6th out of 15 in our Peer Group (as defined on page 40 of the Proxy Statement) in annualized TSR;

Earnings Performance. The compounded annual growth rate of Pinnacle West's earnings from 2009 to 2015 was 36.4% compared to 19.0% from 2003 to 2009;

Return on Equity. Pinnacle West's average return on equity from 2010 to 2015 was 9.6% compared to 7.1% from 2003 to 2009;

Dividend. Since 2012, the Company has raised the dividend as follows: 2012 by 3.8%; 2013 by 4.1%; 2014 by 4.8%; and 2015 by 5%; and

APS's Credit Rating. Standard and Poor's senior unsecured credit rating for APS was upgraded three levels since 2009 improving from BBB to the current A .

The Board's most significant priorities in 2015 included a continued focus on setting a sustainable long-term view for the success of the Company. This focus includes the reliability and security of the electric power grid, the changing needs and preferences of our customers, and the continued successful operation of our generation, transmission and distribution assets, including Palo Verde Nuclear Generating Station, the largest nuclear generating station in the United States. We also addressed leadership development, succession planning and aligning our compensation programs with performance.

I would like to take this opportunity to highlight some areas of interest to our shareholders that we specifically addressed:

Revised CEO Incentive Plan. Through the Company's ongoing shareholder engagement, we received feedback regarding the Human Resources Committee's ability to exercise discretion with respect to the CEO Incentive Plan. We have amended the CEO Incentive Plan to provide detailed metrics against which his performance will be measured and to limit the exercise of discretion solely to the occurrence of unanticipated events that might arise during the performance period.

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Increased Performance Component in Equity Awards. In prior years, the value of our annual long-term equity incentive awards were 55% performance-based and 45% time-based. Starting in 2016, we have revised that ratio to be 60% performance-based and 40% time-based to more closely align pay with long-term performance.

CEO Stock Ownership Guidelines. We have increased the CEO's formal stock ownership guideline requirement to a level corresponding more closely with our peers. As noted on pages 33 and 64 of the Proxy Statement, our Chief Executive Officer maintains a substantial ownership stake in our stock exceeding the formal guideline, aligning his interests with our shareholders.

Clawbacks. We have included compensation clawback provisions in our 2016 performance share equity awards and annual cash incentive plans. These provisions will be fully compliant with the final rules adopted by the Securities and Exchange Commission and the New York Stock Exchange.

Retirement Age for Directors. We have adopted a Director Retirement Policy that provides that no individual may be nominated for election to the Board of Directors who has attained the age of 75 years at the time of the nomination.

Shareholder Engagement. Your views are important to us. Over the past several years we have formalized and intensified our shareholder engagement program. You will find the details on page 20 of the Proxy Statement.

Thank you for your trust and support. Together we have a tremendous Company.

Sincerely,

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Notice of the 2016 Annual Meeting of Shareholders

March 31, 2016

The 2016 Annual Meeting of Shareholders (the "Annual Meeting") of Pinnacle West Capital Corporation ("Pinnacle West", "PNW", or the "Company") will be held at the Heard Museum, 2301 North Central Avenue, Phoenix, Arizona 85004, at 10:30 a.m., Mountain Standard Time, Wednesday, May 18, 2016. The purposes of the Annual Meeting are:

- (1) To elect ten directors to serve until the 2017 Annual Meeting of Shareholders (Proposal 1);
- (2) To hold an advisory vote to approve executive compensation (Proposal 2);
- (3) To ratify the appointment of our independent accountants for the year ending December 31, 2016 (Proposal 3);
- (4) To consider a shareholder proposal, if properly presented at the Annual Meeting (Proposal 4); and
- (5) To transact such other business as may properly come before the Annual Meeting and at any adjournments or postponements thereof.

All shareholders of record at the close of business on March 10, 2016 are entitled to notice of and to vote at the Annual Meeting. Your vote is important. Whether you plan to attend the Annual Meeting in person or not, please promptly vote by telephone, over the Internet, by proxy card, or by voting instruction form.

By order of the Board of Directors,

DIANE WOOD
Corporate Secretary

PINNACLE WEST CAPITAL CORPORATION
Post Office Box 53999
Phoenix, Arizona 85072-3999

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Proxy Statement Summary

This summary highlights our 2015 performance and certain information contained in this Proxy Statement. As it is only a summary, please read the complete Proxy Statement and 2015 Annual Report before you vote. The Proxy Statement and form of proxy are first being made available to shareholders on or about March 31, 2016.

First, here is an overview of what our Company accomplished in 2015:

2015 Highlights: Performance

Our Company continued its strong performance in 2015 as evidenced by the following:

Shareholder Value:

- Pinnacle West increased the dividend for the fourth straight year by 5.0%;
- Pinnacle West's share price reached a new all-time high and new 52-week intraday highs on four trading days;
- Pinnacle West's earnings of \$437 million, or \$3.92 per share, represented an increase of 9.5% over 2014 earnings per share;
- Since April of 2009, our Company's TSR has outperformed that of the S&P 1500 Electric Utility Index by over 111%. Also during this period, the Company has delivered an annualized TSR of 18.8% and ranked 6th in annualized TSR compared to our Peer Group; and

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- Our stock continues its competitive performance, as shown by comparing our stock's performance to companies in the Edison Electric Institute Index and in the Standard and Poor's 500 Index:

Operating Performance:

- Arizona Public Service Company ("APS") operates Palo Verde Nuclear Generating Station ("Palo Verde"), the largest nuclear generating station in the United States. In 2015:
 - Palo Verde generated more electricity than in any year since it began operating in 1986, 32.5 million megawatt-hours, and it remains the only U.S. generating station to produce more than 30 million megawatt-hours in a year; and
 - Palo Verde achieved a capacity factor of 94.3%, and a record capacity factor of 100.2% between June and September;
- APS crews restored service to more than 50,000 customers after one of the most severe monsoon seasons on record, including the replacement of more than 568 damaged poles;

- Our diverse supplier program continues to be successful, with our 2015 spend exceeding \$380 million – the highest total in the program's 23-year history. We were recognized by Edison Electric Institute's Supplier Diversity Executive Council for program innovation and excellence; and
- APS achieved gas fleet commercial availability of 97.1% during the summer months, exceeding the fleet goal.

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Customer Value:

- APS announced plans to join the Energy Imbalance Market administered by the California Independent System Operator;
- APS improved paperless billing adoption, and now has one of the highest adoption levels at 28% of customers (or 330,000) compared to the North American average of 21%;
- We ranked in the top ten nationally among large, investor-owned utilities in the 2015 J.D. Power residential customer satisfaction study; and
- APS was named the Environmental Protection Agency ENERGY STAR Sustained Excellence partner for the 6th consecutive year based on the effective delivery of customer energy efficiency programs.

Sustainability:

- We assessed our sustainability actions to identify our highest priority elements. These elements are: Energy Innovation, Water Resources, Carbon Management, People, and Safety and Security. Examples of 2015 accomplishments in these areas include:

Energy Innovation: APS launched one of the nation's first utility-owned research and development pilot projects to study the offset of peak energy usage with solar energy production. This project makes solar available to a limited number of APS customers who are not typical customers for rooftop solar or have limited income. The approximate ten megawatt project provides a monthly savings on each participant's electric bill for the use of their rooftop;

Water Resources: We generated over 37 million megawatt hours of energy using reclaimed water, our highest amount ever;

Carbon Management: Forty-seven percent of our energy mix was from carbon-free resources;

People: APS focused on improving the engagement of our employees through over 30 individual business unit and department action plans implemented to enhance employee engagement; and

Safety and Security: APS had its second lowest number of OSHA recordables and expects to remain within the top decile for electric utilities; additionally, APS continued to implement physical enhancements and cyber security defenses to protect our people and assets.

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2015 Highlights: Board and Governance

Governance Changes in 2015:

- Last year our directors received an average 97% shareholder vote in favor of their election and no director received a vote of less than 91%;
- We adopted a Director Retirement Age Policy, see page 19;
- We increased the CEO stock ownership requirement to five times base salary; and
- We enhanced our shareholder engagement process, see page 20.

Continuing Governance Highlights:

- Annual election of all directors (see page 7 of this Proxy Statement Summary for a list of the nominees);
- Nine of our ten directors are independent;
- All members of the committees of our Board are independent;
- Our independent Lead Director has clearly defined and robust responsibilities;
- Each of our directors attended at least 75% of the Board meetings and any Board committee meeting on which he or she served; all of our directors attended the 2015 Annual Meeting of Shareholders;
- We do not have a poison pill plan;
- Our directors and officers are prohibited from pledging or hedging our stock; and

- We have director and officer stock ownership guidelines.

2015 Highlights: Compensation

Compensation Changes in 2015:

- Starting with the 2015 Annual CEO Incentive Plan Award (the "CEO Incentive Plan") and continuing with the 2016 Annual CEO Incentive Plan Award, we limit the use of discretion to adjust incentive awards solely to the occurrence of unanticipated events that may arise during the performance period;
- We changed the allocation of the value of our annual long-term equity awards to 60% performance-based and 40% time-based vesting beginning with the 2016 awards; and
- We added clawback provisions to our 2016 annual cash incentive plans and performance share equity grant agreements.

Continuing Compensation Highlights:

- We continued our executive compensation program's focus on being transparent with a clear emphasis on rewarding performance by putting pay at risk and retaining key executives. Our executive compensation philosophy incorporates the following core principles and objectives:

Alignment with shareholder interests;

Key management retention;

A focus on a few key elements that are simple and understandable: base salary; annual performance-based cash incentive; three-year performance-based equity grant; a retention-based equity grant that releases over a four-year period; pension and supplemental pension retirement benefits; and limited perquisites;

A significant portion of our Named Executive Officers' (as defined on page 37 of this Proxy Statement) compensation is at risk and based on performance – our annual cash incentive plans are 100% tied directly to earnings, business unit performance and individual performance, and our performance shares are based on TSR and value-driving business metrics; and

We use multiple business performance metrics, capped payouts and other features that are designed to reward performance but not encourage unacceptable risk taking.

- Please see our "Compensation Discussion and Analysis" beginning on page 37 of this Proxy Statement for a detailed explanation of our executive compensation program.

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Annual Meeting of Shareholders

Date: May 18, 2016
 Time: 10:30 a.m. Mountain Standard Time
 Place: Heard Museum
 2301 North Central Avenue
 Phoenix, Arizona 85004
 Record Date: March 10, 2016
 Admission to the Meeting: An admission card will be required to attend the Annual Meeting. See page 11 of this Proxy Statement under the heading "Attendance at the Annual Meeting" to obtain an admission card.
 Delivery of Materials: Proxy Statement and form of proxy are first being made available to shareholders on or about March 31, 2016.

Voting Matters and Board of Directors ("Board") Recommendations

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Shareholder proposal, if properly presented at the Annual Meeting	X AGAINST	96

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Director Nominees

Our director nominees are:

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Proxy Statement General Information

Place, Date and Time

The Company's 2016 Annual Meeting of Shareholders ("Annual Meeting") will be held at the Heard Museum, 2301 North Central Avenue, Phoenix, Arizona 85004, at 10:30 a.m., Mountain Standard Time, on Wednesday, May 18, 2016.

Notice of Internet Availability

Unless you elected to receive printed copies of the proxy materials in prior years, you will receive a Notice of Internet Availability of Proxy Materials by mail (the "Internet Notice"). The Internet Notice will tell you how to access and review the proxy materials. If you received an Internet Notice by mail and would like to receive a printed copy of the proxy materials, you should follow the instructions included on the Internet Notice.

The Internet Notice is first being sent to shareholders on or about March 31, 2016. The Proxy Statement and the form of proxy relating to the Annual Meeting are first being made available to shareholders on or about March 31, 2016.

Record Date; Shareholders Entitled to Vote

All shareholders at the close of business on March 10, 2016 (the "Record Date") are entitled to vote at the meeting. Each holder of outstanding Company common stock is entitled to one vote per share held as of the record date on all matters on which shareholders are entitled to vote, except for the election of directors, in which case "cumulative" voting applies (see "Vote Required – Election of directors"). At the close of business on the Record Date, there were 111,138,441 shares of common stock outstanding.

Voting

Vote by Internet. The website address for Internet voting is on the proxy card and the Internet Notice. Internet voting is available 24 hours a day.

Vote by telephone. The toll-free number for telephone voting is on your proxy card. Telephone voting is available 24 hours a day.

Scan this QR device. The QR system is available 24 hours a day.

Vote by mail. You may vote by mail by promptly marking, signing, dating, and mailing your proxy card (a postage-paid envelope is provided for mailing in the United States).

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Vote in person. You may come to and vote at the Annual Meeting. If you hold your shares in street name, you must obtain a proxy, executed in your favor, from the holder of record if you wish to vote these shares at the meeting. Please also review the requirements for attending the Annual Meeting under the heading "Attendance at the Annual Meeting" on page 11.

If you vote by telephone or Internet, DO NOT mail a proxy card.

You may change or revoke your vote at any time before the proxy is exercised by: filing with our Corporate Secretary either a notice of revocation or a signed proxy card bearing a later date; re-voting by telephone; or re-voting by Internet. Your proxy will be suspended with respect to your shares if you attend the meeting in person and so request, although attendance at the meeting will not by itself revoke a previously-granted proxy.

Your vote is confidential. Only the following persons have access to your vote: election inspectors; individuals who help with the processing and counting of votes; and persons who need access for legal reasons. All votes will be counted by an independent inspector of elections appointed for the Annual Meeting.

Quorum

The presence, in person or by proxy, of a majority of the outstanding shares of our common stock is necessary to constitute a quorum at the Annual Meeting. In counting the votes to determine whether a quorum exists, shares that are entitled to vote but are not voted at the direction of the beneficial owner (called abstentions) and votes withheld by brokers in the absence of instructions from beneficial owners (called broker non-votes) will be counted for purposes of determining whether there is a quorum. Shares owned by the Company are not considered outstanding or present at the meeting.

Vote Required

We employ a plurality voting standard with a director resignation policy because we believe a majority voting policy is inconsistent with cumulative voting, which is mandated by the Arizona Constitution.

Election of directors. Individuals receiving the highest number of votes will be elected. The number of votes that a shareholder may, but is not required to, cast is calculated by multiplying the number of shares of common stock owned by the shareholder, as of the Record Date, by the number of directors to be elected. Any shareholder may cumulate his or her votes by casting them for any one nominee or by distributing them among two or more nominees. Abstentions will not be counted toward a nominee's total and will have no effect on the election of directors. You may not cumulate your votes against a nominee. If you hold shares beneficially through a broker, trustee or other nominee and wish to cumulate votes, you should contact your broker, trustee or nominee. If you would like to exercise your cumulative voting rights, you must do so by mail. The Company's Bylaws provide that in an uncontested election, a director nominee who receives a greater number of votes cast "withheld" for his or her election than "for" such election will promptly tender his or her resignation to the Corporate Governance Committee. The Corporate

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PROXY STATEMENT GENERAL INFORMATION

Governance Committee is required to evaluate the resignation, taking into account the best interests of the Company and its shareholders, and will recommend to the Board whether to accept or reject the resignation.

Under the current rules of the New York Stock Exchange ("NYSE"), your broker is not able to vote on your behalf in any director election unless you give your broker specific voting instructions. We encourage you to provide instructions so that your shares will be counted in the election of directors.

Say-on-Pay. The votes cast "for" must exceed the votes cast "against" to approve the advisory resolution on the compensation disclosed in this Proxy Statement of our Named Executive Officers the Say-on-Pay vote. This resolution is not intended to address any specific item of compensation, but rather the overall compensation of the Named Executive Officers and the compensation philosophy, policies and procedures described in this Proxy Statement. Because your vote is advisory, it will not be binding on the Board or the Company. However, the Board will review the voting results and take them into consideration when making future decisions regarding executive compensation. Abstentions and broker non-votes will have no effect on the outcome of this proposal. We will hold an advisory vote on Say-on-Pay on an annual basis until we next hold an advisory vote of shareholders on the frequency of such votes as required by law.

Ratification of the appointment of the independent accountants and approval of the shareholder proposal. The votes cast "for" must exceed the votes cast "against" to ratify the appointment of the independent accountants for the year ending December 31, 2016 and for the approval of the shareholder proposal. Abstentions and broker non-votes will have no effect on the outcome of these proposals. With respect to the shareholder proposal, because your vote is advisory, it will not be binding on the Board or the Company. However, the Board will review the voting results and take into consideration our shareholders' views.

Board Recommendations

Board Recommendations. The Board recommends a vote:

ü

FOR the election of the nominated slate of directors (Proposal 1);

ü

FOR the approval, on an advisory basis, of the resolution approving the compensation of our Named Executive Officers, as disclosed in this Proxy Statement (Proposal 2);

ü

FOR the ratification of the appointment of D&T as the Company's independent accountants for the year ending December 31, 2016 (Proposal 3); and

X **AGAINST** the approval of the shareholder proposal (Proposal 4).

The Board is not aware of any other matters that will be brought before the shareholders for a vote. If any other matters properly come before the meeting, the proxy holders will vote on those matters in accordance with the recommendations of the Board or, if no recommendations are given, in accordance with their own judgment.

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PROXY STATEMENT GENERAL INFORMATION

Attendance at the Annual Meeting

Only shareholders as of the Record Date, or a validly designated proxy, are invited to attend the Annual Meeting. We have implemented the following procedures for attendance at the Annual Meeting:

Security. You will need both an admission card and a current government-issued picture identification (such as a driver's license or a passport) to enter the meeting. Please follow the instructions below and an admission card will be mailed to you. Please do not carry items such as large handbags and packages to the meeting, as we reserve the right to inspect any items brought into the meeting. Weapons are prohibited in the meeting. We also reserve the right to prohibit bringing cell phones, pagers, cameras, recording devices, banners, signs, and other items into the meeting room.

Who can attend the meeting and how to obtain an admission card. Attendance is limited to Pinnacle West shareholders as of the Record Date or their validly designated proxy. You must pre-register and obtain an admission card in advance if you plan to attend the meeting. Please follow the instructions below that correspond to how you hold your Pinnacle West stock:

- If you hold your Pinnacle West shares directly with the Company and you received a proxy card or you hold your Pinnacle West shares through the Pinnacle West Capital Corporation Savings Plan: Please follow the advance registration instructions set forth on your proxy card, which was included in the mailing from the Company;
- If you hold your Pinnacle West shares directly with the Company and you received a Notice of Internet Availability of Proxy Materials or you received your proxy materials by e-mail: Please follow the advance registration instructions provided when you vote by mobile device or the Internet or, if you vote by telephone, please follow the steps below for submitting an advance registration request and include a copy of your Notice of Internet Availability of Proxy Materials or e-mail, as applicable, as your proof of ownership;
- If you hold your Pinnacle West shares through a broker, bank or other institutional account: Please send an advance registration request containing the information listed below to:

Pinnacle West Capital Corporation
Shareholder Services Department
P.O. Box 53999, Mail Station 8602
Phoenix, AZ 85072-3999

PLEASE INCLUDE THE FOLLOWING INFORMATION IN A REQUEST FOR AN ADMISSION CARD:

- Your name and complete mailing address;
- The name of any other shareholder who will accompany you (the other shareholder's name must appear on the documentation showing ownership of the stock);

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PROXY STATEMENT GENERAL INFORMATION

- If you will be sending a validly designated proxy to attend the meeting on your behalf, the name, address and telephone number of that individual; and
- Proof that you own Pinnacle West shares as of the Record Date (such as a letter from your bank or broker, or a photocopy of your voting instruction form or Notice of Internet Availability of Proxy Materials).

Admission cards will be mailed to shareholders who register before May 12, 2016. Admission cards for requests submitted after May 12, 2016 will be available the day of the Annual Meeting.

Delivery of Annual Reports and Proxy Statements to a Shared Address and Obtaining a Copy of the Annual Report

If you and one or more shareholders share the same address, it is possible that only one Internet Notice, Annual Report or Proxy Statement was delivered to your address. Registered shareholders at the same address who wish to receive separate copies of the Internet Notice, the Annual Report or Proxy Statement may:

Call the Company's Shareholder Services Department at 1-602-250-5511;

Mail a request to Shareholder Services at P.O. Box 53999, Mail Station 8602, Phoenix, Arizona, 85072-3999;
or

E-mail a request to: shareholderdept@pinnaclewest.com.

The Company will promptly deliver to you the information requested. Shareholders who share the same address but wish to receive one Internet Notice, Annual Report or Proxy Statement may contact the Company through the same methods listed above. Shareholders who own Company stock through a broker and who wish to receive separate copies of the Internet Notice, Annual Report or Proxy Statement should contact their broker.

You may access our Annual Report and Proxy Statement via the Internet. Copies of the Annual Report and Proxy Statement are available on the Company's website (www.pinnaclewest.com) and will be provided to any shareholder promptly upon request. Shareholders may request copies from Shareholder Services at the telephone number or addresses set forth above, or as described on the Internet Notice.

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PROXY STATEMENT GENERAL INFORMATION

Shareholder Proposals or Director Nominations for the 2017 Annual Meeting

To be included in the proxy materials for the 2017 Annual Meeting of Shareholders (the "2017 Annual Meeting"), any shareholder proposal intended to be presented must be received by our Corporate Secretary no later than December 1, 2016 at the following address:

Corporate Secretary
Pinnacle West Capital Corporation
400 North Fifth Street, Mail Station 8602
Phoenix, Arizona 85004

A shareholder who intends to present a proposal at the 2017 Annual Meeting, but does not wish it to be included in the 2017 proxy materials, must submit the proposal no earlier than January 18, 2017 and no later than the close of business on February 17, 2017. Nominations for the Board must be received by November 19, 2016. In all cases, shareholders must also comply with the applicable rules of the Securities and Exchange Commission ("SEC") and our Bylaws.

Proxy Solicitation

The Board is soliciting the enclosed proxy. The Company may solicit shareholders over the Internet, by telephone or by mail. The Company has retained D.F. King & Co., Inc. to assist in the distribution of proxy solicitation materials and the solicitation of proxies for \$10,500, plus customary expenses. The costs of the solicitation will be paid by the Company. Proxies may also be solicited in person, by telephone or electronically by Company personnel who will not receive additional compensation for such solicitation. As required, the Company will reimburse brokerage houses and others for their out-of-pocket expenses in forwarding documents to beneficial owners of our stock.

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Information About Our Board and Corporate Governance

Board Meetings and Attendance

In 2015 our Directors had perfect (100%) attendance.

In 2015, our Board held seven meetings and all of our directors attended 100% of the Board meetings and any meetings of Board committees on which he or she served. Each director is expected to be present at the Annual Meeting. All of the Board members attended the 2015 Annual Meeting.

Board Committees

The Board has the following standing committees: Audit; Corporate Governance; Finance; Human Resources; and Nuclear and Operating. All of the charters of the Board's committees are publicly available on the Company's website (www.pinnaclewest.com). All of our committees are comprised of independent directors who meet the independence requirements of the NYSE rules, SEC rules, and the Director Independence Standards, including any specific committee independence requirements.

RESPONSIBILITIES	NUMBER OF MEETINGS DURING FISCAL 2015
The Audit Committee:	6
Oversees the integrity of the Company's financial statements;	
Appoints the independent accountants and is responsible for their qualifications, independence, performance, and compensation;	
Reviews the performance of the Company's internal audit function; and	
Monitors the Company's general compliance with legal and regulatory requirements. The Board has determined that each member of the Audit Committee meets the NYSE experience requirements and that Mr. Nordstrom, the Chair of the Audit Committee, and Mr. Fox are "audit committee financial experts" under applicable SEC rules. None of the members of our Audit Committee, other than Mr. Fox, currently serve on more than three public company audit committees. Mr. Fox currently serves on the audit committees of four public companies, including Pinnacle West. Our Board has discussed with Mr. Fox the time and effort required to be devoted by Mr. Fox to his service on these committees and has affirmatively determined that such services do not impair Mr. Fox's ability to serve as	

an effective member of our Audit Committee.

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INFORMATION ABOUT OUR BOARD AND CORPORATE GOVERNANCE

	NUMBER OF MEETINGS DURING FISCAL 2015
RESPONSIBILITIES	
The Corporate Governance Committee:	5
Reviews and assesses the Corporate Governance Guidelines;	
Develops and recommends to the Board criteria for selecting new directors;	
Identifies and evaluates individuals qualified to become members of the Board, consistent with the criteria for selecting new directors;	
Recommends director nominees to the Board;	
Recommends to the Board who should serve on each of the Board's committees;	
Reviews the results of the Annual Meeting shareholder votes; and	
Reviews and makes recommendations to the Board regarding the selection of the CEO and CEO succession planning. The Corporate Governance Guidelines are available on the Company's website (www.pinnaclewest.com).	
The Finance Committee:	4
Reviews the Company's historical and projected financial performance and the Company's financing plan and recommends approval of credit facilities and the issuance of long-term debt, common equity and preferred securities;	

Reviews and recommends approval of the Company's annual capital budget and reviews the annual operations and maintenance budget;

Reviews and recommends approval of short-term investments and borrowing policies; and

Reviews and recommends to the Board the Company's dividend actions.

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INFORMATION ABOUT OUR BOARD AND CORPORATE GOVERNANCE

	NUMBER OF MEETINGS DURING FISCAL 2015
RESPONSIBILITIES	
The Human Resources Committee:	4
Reviews management's programs for the attraction, retention, and development of the Company's human resources;	
Recommends to the Board persons for election as officers;	
Annually reviews the goals and performance of the officers of the Company and APS;	
Approves corporate goals and objectives relevant to the compensation of the Company's CEO, assesses the CEO's performance in light of these goals and objectives, and sets the CEO's compensation based on this assessment;	
Makes recommendations to the Board with respect to non-CEO executive compensation and director compensation; and	
Acts as the "committee" under the Company's long-term incentive plans. Under the Human Resources Committee's charter, the Human Resources Committee may delegate authority to subcommittees, but did not do so in 2015. Additional information on the processes and procedures of the Human Resources Committee is provided under the heading "Compensation Discussion and Analysis ("CD&A")".	
The Nuclear and Operating Committee:	4
Receives regular reports from management and monitors the overall performance of Palo Verde;	

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Reviews the results of major Palo Verde inspections and evaluations by external oversight groups, such as the Institute of Nuclear Power Operations ("INPO") and the Nuclear Regulatory Commission ("NRC");

Reviews and monitors the power plant operations, energy transmission and delivery, and customer service functions of the Company; and

Reviews and monitors the Company's compliance with environmental, health and safety policies. In addition, the Nuclear and Operating Committee receives regular reports from the Offsite Safety Review Committee (the "OSRC"). The OSRC provides independent assessments of the safe and reliable operations of Palo Verde. Pursuant to Palo Verde's operating licenses, the OSRC focuses its assessment on operations, engineering, maintenance, safety, security and other support functions. The OSRC is comprised of non-employee individuals with senior management experience in the nuclear industry and the Palo Verde Director of Nuclear Assurance. The OSRC meets periodically throughout the year.

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INFORMATION ABOUT OUR BOARD AND CORPORATE GOVERNANCE

The Board's Leadership Structure

Lead Director. Kathryn L. Munro serves as the Company's Lead Director and chairs the Corporate Governance Committee. The Lead Director performs the following functions:

Serves as a liaison between the Chairman of the Board (the "Chairman") and the independent directors;

Advises the Chairman as to an appropriate schedule of Board meetings, reviews and provides the Chairman with input regarding agendas for the Board meetings and, as appropriate or as requested, reviews and provides the Chairman with input regarding information sent to the Board;

Presides at all meetings at which the Chairman is not present, including executive sessions of the independent directors (which are regularly scheduled as part of each Board meeting) and calls meetings of the independent directors when necessary and appropriate;

Oversees the Board and Board committee self-assessment process;

Is available for appropriate consultation and direct communication with the Company's shareholders and other interested parties;

Performs such other duties as the Board may from time to time delegate; and

Reviews the results of the Annual Meeting shareholder votes.

Chairman and CEO Positions. The Chairman is Donald E. Brandt, the Company's President and CEO. The independent directors believe that Mr. Brandt, as an experienced leader with extensive knowledge of the Company and our industry, serves as a highly effective conduit between the Board and management and that Mr. Brandt provides the vision and leadership to execute on the Company's strategy and create shareholder value. The Board believes that separating the roles of the CEO and Chairman and appointing an independent Board Chairman at this time would simply create an additional level of unneeded hierarchy that would only duplicate the activities already being vigorously carried out by our Lead Director.

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INFORMATION ABOUT OUR BOARD AND CORPORATE GOVERNANCE

The Board's Role in Risk Oversight

The ultimate responsibility for the management of the Company's risks rests with the Company's senior management team. The Board's oversight of the Company's risk management function is designed to provide assurance that the Company's risk management processes are well adapted to and consistent with the Company's business and strategy, and are functioning as intended. The Board focuses on fostering a culture of risk awareness and risk-adjusted decision-making and ensuring that an appropriate "tone at the top" is established. The Board regularly discusses and updates a listing of areas of risk and a suggested allocation of responsibilities for such risks among the Board and the Board committees. The charter for each of our committees requires each committee to periodically review risks in their respective areas. Each committee:

Top risks discussed by the Board and its committees in 2015 included cyber security, data privacy and utility regulation. The Board believes it is important to look at the list fresh each year as part of a diligent risk review.

Receives periodic presentations from management about its assigned risk areas;

Considers the effectiveness of the risk identification and mitigation measures being employed; and

Discusses their risk reviews with the Board at least annually.

Consistent with the requirements of the NYSE's corporate governance standards, the Audit Committee periodically reviews the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures. The Audit Committee also reviews the comprehensiveness of the Board's risk oversight and the Company's risk assessment process, and plays a coordinating role designed to ensure that no gaps exist in the coverage by the Board committees of risk areas. In recommending the composition of the Board's committees and the selection of committee Chairs, the Corporate Governance Committee takes into account the effective functioning of the risk oversight role of each Board committee and the risk areas assigned to it.

The Executive Risk Committee is comprised of senior level officers of the Company and is chaired by the Chief Financial Officer. Among other responsibilities, this Committee is responsible for ensuring that the Board receives timely information concerning the Company's material risks and risk management processes. The Executive Risk Committee provides the Board with a list of the Company's top risks on an annual basis. The internal enterprise risk management group reports to the Vice President, Controller and Chief Accounting Officer, who reports to the Executive Vice President and Chief Financial Officer. The internal risk management group is responsible for (1) implementing a consistent risk management framework and reporting process across APS, and (2) ensuring that the Executive Risk Committee is informed of those processes and regularly apprised of existing material risks and the emergence of additional material risks.

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INFORMATION ABOUT OUR BOARD AND CORPORATE GOVERNANCE

Director Resignation Due to a Substantial Change in their Primary Business Position

Under the Company's Corporate Governance Guidelines, upon a substantial change in a director's primary business position from the position the director held when originally elected to the Board, a director is required to apprise the Corporate Governance Committee and to offer his or her resignation for consideration to the Corporate Governance Committee. The Corporate Governance Committee will recommend to the Board the action, if any, to be taken with respect to the tendered resignation.

Director Retirement Policy

Under the Company's Corporate Governance Guidelines, an individual shall not be eligible to be nominated for election or re-election as a member of the Board of the Company or APS if, at the time of the nomination, the individual has attained the age of 75 years. This policy shall apply regardless of the source of the nomination or whether the nomination was made at a meeting of the Board of Directors, at an Annual Meeting or otherwise.

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Shareholder Engagement and Communications with the Board

What our shareholders think is important to us. We have a long-standing investor outreach program conducted throughout the year to maintain a dialogue with current and potential shareholders. For the last several years, we have also had an increasingly active proxy engagement program in support of the Annual Meeting, in order to understand the governance priorities of our shareholders. Discussion topics include governance best practices, Board makeup, compensation policies and sustainability. The diagram below provides an overview of our outreach program cycle:

Shareholders and other parties interested in communicating with the Board may do so by writing to the Corporate Secretary, Pinnacle West Capital Corporation, 400 North Fifth Street, Mail Station 8602, Phoenix, Arizona 85004, indicating who should receive the communication. The Corporate Secretary will transmit communications not otherwise specifically addressed and that raise substantial issues to the Lead Director and to the Chair of the Board Committee most closely associated with the matter. The Corporate Secretary has discretion to exclude communications that are commercial advertisements or other forms of solicitations, service or billing complaints and complaints related to individual employment-related actions.

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