

PINNACLE WEST CAPITAL CORP
Form 424B2
November 29, 2017

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Filed Pursuant to Rule 424(b)(2)
Registration No. 333-203578

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities Offered	Maximum Aggregate Offering Price	Amount of Registration Fee(1)
2.25% Notes due 2020	\$300,000,000	\$37,350

(1) Calculated in accordance with Rule 456(b) and Rule 457(r) of the Securities Act of 1933. This "Calculation of Registration Fee" table shall be deemed to update the "Calculation of Registration Fee" table in Registration Statement on Form S-3 (file No. 333-203578), which was filed on April 23, 2015.

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PROSPECTUS SUPPLEMENT (To Prospectus Dated April 23, 2015)

Pinnacle West Capital Corporation
\$300,000,000 2.25% Senior Notes due 2020

This is an offering by Pinnacle West Capital Corporation of \$300,000,000 of its 2.25% Senior Notes due 2020, referred to in this prospectus supplement as the "notes." Interest on the notes is payable semi-annually in arrears on May 30 and November 30 of each year, beginning on May 30, 2018. The notes will mature on November 30, 2020. We may redeem some or all of the notes at any time at the applicable redemption price described under the caption "Description Of The Notes Optional Redemption" in this prospectus supplement. The notes do not have sinking fund provisions. The notes will be issued only in denominations of \$2,000 and integral multiples of \$1,000 in excess thereof. The notes are a new issue of securities with no established trading market. We do not intend to apply to list the notes on any securities exchange or quotation system.

The notes will be our unsecured senior obligations and will rank equally with all of our other unsecured senior indebtedness from time to time outstanding. The notes will be structurally subordinated to the indebtedness and other obligations of our subsidiaries from time to time outstanding.

Investing in the notes involves risks. See "Risk Factors" beginning on page S-4 of this prospectus supplement and the "Risk Factors" sections of our Annual Report on Form 10-K for the year ended December 31, 2016 and our Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, which are incorporated by reference into this prospectus supplement and the accompanying prospectus.

	Per Note	Total Notes
Initial public offering price(1)	99.937%	\$299,811,000
Underwriting discounts and commissions	0.350%	\$1,050,000
Proceeds, before expenses, to Pinnacle West Capital Corporation	99.587%	\$298,761,000

(1) Plus accrued interest, if any, from November 30, 2017 to the date of delivery, if settlement occurs after that date.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the notes to purchasers in book-entry form only through the facilities of The Depository Trust Company against payment in New York, New York on or about November 30, 2017.

Joint Book-Running Managers

Barclays Mizuho Securities SunTrust Robinson Humphrey Wells Fargo Securities

The date of this prospectus supplement is November 28, 2017.

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This prospectus supplement, the accompanying prospectus and any related free writing prospectus required that we file with the Securities and Exchange Commission (the "SEC") contain and incorporate by reference information that you should consider when making your investment decision. Neither we nor the underwriters have authorized anyone to provide you with different information. We are not, and the underwriters are not, making an offer of the notes in any jurisdiction where the offer or sale is not permitted. You should not consider this prospectus supplement and the accompanying prospectus to be an offer to sell, or a solicitation of an offer to buy, the notes if the person making the offer or solicitation is not qualified to do so or if it is unlawful for you to receive the offer or solicitation. You should assume that the information contained in this prospectus supplement and the accompanying prospectus is accurate only as of their respective dates and that the information incorporated by reference is accurate only as of the date such information is filed with the SEC, regardless of the time of delivery of any document or of any sale of the notes. If anyone provides you with different or inconsistent information, you should not rely on it. Our business, financial condition, results of operations and prospects may have changed since the date on any document.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the terms of the offering of the notes and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus. The second part is the accompanying prospectus, which gives more general information, some of which will not apply to the notes. If the description of the offering varies between this prospectus supplement and the accompanying prospectus (or information incorporated by reference into this prospectus supplement or the accompanying prospectus), you should rely on the information in this prospectus supplement. The accompanying prospectus also includes information about certain other securities that we or our wholly-owned subsidiary, Arizona Public Service Company, may offer from time to time, which information does not apply to the notes. You should read both this prospectus supplement and the accompanying prospectus together with the additional information about us described in the section entitled "Where You Can Find More Information."

This prospectus supplement and the accompanying prospectus are part of a registration statement that we filed jointly with our wholly-owned subsidiary, Arizona Public Service Company, with the SEC using a "shelf" registration process as a "well-known seasoned issuer." Under the shelf registration process, we may, from time to time, issue and sell to the public any combination of the securities described in the accompanying prospectus, including the notes, up to an indeterminate amount, of which this offering is a part. In this prospectus supplement, we provide you with specific information about the terms of the notes and this offering.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights information contained elsewhere, or incorporated by reference, in this prospectus supplement and the accompanying prospectus. As a result, it does not contain all of the information that may be important to you. You should carefully read this prospectus supplement and the accompanying prospectus and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus in their entirety before making an investment decision. We describe the documents that we incorporate by reference under the caption "Where You Can Find More Information" in this prospectus supplement, including in particular the information set forth and referred to under "Risk Factors" in this prospectus supplement. The following material is qualified in its entirety by reference to the detailed information and financial statements included or incorporated by reference in this prospectus supplement and the accompanying prospectus. References in this prospectus supplement to "we," "our" and "us" refer to Pinnacle West Capital Corporation and, unless the context requires otherwise, its subsidiaries.

Pinnacle West Capital Corporation

We were incorporated in 1985 under the laws of the State of Arizona. We are a holding company that conducts business through our subsidiaries. We derive essentially all of our revenues and earnings from our wholly owned subsidiary, Arizona Public Service Company ("APS"). APS is a vertically integrated electric utility that provides either retail or wholesale electric service to most of the State of Arizona, with the major exceptions of about one-half of the Phoenix metropolitan area, the Tucson metropolitan area and Mohave County in northwestern Arizona. We describe our other first-tier subsidiaries in our Annual Report on Form 10-K for the year ended December 31, 2016 (the "2016 Form 10-K"). Our principal executive offices are located at 400 North Fifth Street, P.O. Box 53999, Phoenix, Arizona 85072-3999, and our telephone number is 602-250-1000.

The Offering

Issuer	Pinnacle West Capital Corporation.
Securities Offered	\$300,000,000 of 2.25% Senior Notes due 2020.
Maturity	November 30, 2020.
Interest Rate	2.25% per annum.
Interest Payment Dates	May 30 and November 30 of each year, beginning May 30, 2018 (and including the date of maturity).
Record Date for Interest Payments	The record date for interest payments on the notes will be May 15 for the May 30 interest payment date and November 15 for the November 30 interest payment date.
Use of Proceeds	We intend to use the net proceeds from the sale of the notes for general corporate purposes, including the repayment at or prior to maturity of our \$125 million term loan. See "Use Of Proceeds" in this prospectus supplement.

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Optional Redemption	As described under "Description Of The Notes Optional Redemption," all or a portion of the notes may be redeemed at our option at any time or from time to time on at least 10 days' but not more than 60 days' notice before the redemption date. The redemption price for any notes to be redeemed on any redemption date will be equal to the greater of (a) 100% of the principal amount of the notes being redeemed on the redemption date and (b) the applicable make-whole price, plus, in each case, accrued and unpaid interest thereon to the redemption date as described under "Description Of The Notes Optional Redemption" in this prospectus supplement.
Ranking	The notes will be our unsecured senior obligations, will rank equally in right of payment with all of our other unsecured senior indebtedness from time to time outstanding and will be effectively subordinated to any secured indebtedness we may issue or incur in the future. As of September 30, 2017, on an unconsolidated basis, we had approximately \$225 million aggregate principal amount of unsecured senior indebtedness outstanding and no secured indebtedness outstanding. In addition, the notes will be structurally subordinated to the indebtedness and other obligations of our subsidiaries, principally APS, from time to time outstanding. As of September 30, 2017, APS had approximately \$4.6 billion aggregate principal amount of indebtedness outstanding.
Form of Notes	The notes will be represented by one or more global securities to be deposited with the trustee as custodian for The Depository Trust Company ("DTC") in a minimum denomination of \$2,000 and any integral multiple of \$1,000 in excess thereof.
Trustee	The Bank of New York Mellon Trust Company, N.A. See "Description Of The Notes Regarding the Trustee" in this prospectus supplement.
Risk Factors	Your investment in the notes involves risks. You should carefully consider the information referred to or as described in the section of this prospectus supplement entitled "Risk Factors," the "Risk Factors" sections of the 2016 Form 10-K and of our Quarterly Report on Form 10-Q for the quarter ended June 30, 2017 and the other information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus, including information under the caption "Forward-Looking Statements" in this prospectus supplement, before deciding whether to purchase the notes.

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We are providing the following selected consolidated financial data to assist you in analyzing an investment in the notes. We derived the selected consolidated financial data presented below for each of the three years in the period ended December 31, 2016 from our annual consolidated financial statements, which have been audited by Deloitte & Touche LLP, an independent registered public accounting firm. The following selected consolidated financial data as of September 30, 2017 and for the nine months ended September 30, 2017 and 2016 is unaudited, but, in the judgment of our management, contains all necessary adjustments for a fair presentation of our financial position on that date and the results of operations for that period. The information below should be read in conjunction with, and is qualified in its entirety by, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the 2016 Form 10-K and in our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2017, June 30, 2017 and September 30, 2017, as well as in our financial statements, related notes and other financial or statistical information that we include or incorporate by reference in this prospectus supplement and the accompanying prospectus. See "Where You Can Find More Information" in this prospectus supplement. These selected consolidated financial data do not necessarily indicate the results to be expected in the future. See also page S-7 for a description of the historical ratios of our earnings to fixed charges for the years ended December 31, 2016, 2015, 2014, 2013 and 2012 and for the nine months ended September 30, 2017 and 2016.

(All dollar figures in thousands, except per share data)	Nine Months Ended September 30,		Year Ended December 31,		
	2017	2016	2016	2015	2014
Income Statement Data:					
Operating Revenues	\$ 2,805,637	\$ 2,759,483	\$ 3,498,682	\$ 3,495,443	\$ 3,495,443
Operating Expenses	1,961,820	2,026,315	2,642,698	2,640,841	2,680,390
Operating Income	843,817	733,168	855,984	854,602	811,242
Interest Expense	147,099	140,037	185,750	178,705	185,493
Net Income	481,447	403,408	461,527	456,190	423,696
Net Income Attributable to Common Shareholders	466,827	388,788	442,034	437,257	397,595

	As of September 30, 2017			
	Actual (in thousands)	% of Actual Capitalization	As Adjusted(1) (in thousands)	% of As Adjusted Capitalization
Capitalization:				
Total Equity(2)	\$ 5,277,607	52.9%	\$ 5,277,607	52.0%
Current Maturities of Long-Term Debt	\$ 207,000	2.1%	\$ 82,000	0.8%
Long-Term Debt Less Current Maturities(3)	\$ 4,491,048	45.0%	\$ 4,791,048	47.2%
Total Capitalization	\$ 9,975,655	100.0%	\$ 10,150,655	100.0%

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- (1) As adjusted for the issuance of the notes and the application of the net proceeds thereof. See "Use of Proceeds" in this prospectus supplement.
- (2) Includes noncontrolling interests of approximately \$136 million.
- (3) Includes unamortized debt discount/premium and debt issuance costs of approximately \$35.1 million.

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RISK FACTORS

You should consider carefully the following risk factors. See also the discussions of risk factors contained in the accompanying prospectus and Part I, Item 1A of the 2016 Form 10-K and Part II, Item 1A of our Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, which are incorporated by reference in this prospectus supplement and the accompanying prospectus, to read about certain risks relating to our business and an investment in the notes.

An investment in the notes involves a significant degree of risk. Before investing in the notes, you should carefully consider the discussion of those risks and the other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus, including the risks and uncertainties described below and the information under the caption "Forward-Looking Statements" in this prospectus supplement. Although we try to discuss material risks in these risk factors and other information, please be aware that other risks may prove to be important in the future. New risks may emerge at any time and we cannot predict those risks or estimate the extent to which they may affect our business, financial condition, cash flows or operating results.

The notes will be effectively subordinated to any existing and future secured indebtedness and structurally subordinated to existing and future indebtedness and other obligations of our subsidiaries.

The notes will be general, unsecured senior obligations of Pinnacle West Capital Corporation only and will rank equal in right of payment with all of Pinnacle West Capital Corporation's other existing and future unsecured senior indebtedness from time to time outstanding. As a result, the notes will be effectively subordinated to Pinnacle West Capital Corporation's existing and future secured indebtedness to the extent of the value of the related collateral securing that indebtedness.

Our ability to meet our financial obligations under the notes, and cash needs generally, is dependent on our operating cash flow (which, in turn, is dependent upon the earnings of our subsidiaries and the distribution of those earnings to, or upon loans or other payments of funds by those subsidiaries to, us), our ability to access the short-term and long-term debt and equity capital markets, and our bank facilities. Various financing arrangements, charter provisions and statutory and regulatory requirements may impose certain restrictions on the ability of our subsidiaries to transfer funds to us, including in the form of cash dividends, loans or advances or other distributions. The notes will not be obligations of or guaranteed by any of our subsidiaries. As a result, the notes will be structurally subordinated to any existing and future indebtedness and other obligations of our subsidiaries. These liabilities may include indebtedness, trade payables, guarantees, lease obligations and letter of credit obligations. The notes do not restrict us or our subsidiaries from incurring additional indebtedness, including secured indebtedness.

The terms of the notes and the indenture for the notes do not provide protection against certain significant events that could adversely impact a holder's investment in the notes.

Anyone evaluating the terms of the notes should be aware that the terms of the notes and the indenture for the notes do not restrict our ability (or the ability of our subsidiaries) to engage in, or to otherwise be a party to, a variety of corporate transactions, circumstances and events that could adversely affect our capital structure or credit ratings or otherwise have an adverse impact on an investment in the notes. In particular, the indenture for the notes does not:

permit the holders of the notes to require us to repurchase the notes in the event we undergo a change of control, highly leveraged or similar transaction (whether or not in connection with a change of control);

require us to maintain any financial ratios or specific levels of net worth, revenues, income, cash flow or liquidity;

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limit our ability to incur unsecured indebtedness;

restrict the ability of our subsidiaries (whether owned at the date that the notes are initially issued or subsequently acquired or formed) to issue securities or otherwise incur indebtedness or other obligations that would be senior to our equity interests in our subsidiaries and therefore rank effectively senior to the notes with respect to the assets of our subsidiaries;

restrict our ability to repurchase or prepay any of our other securities or indebtedness; or

restrict our ability to make investments or to repurchase, or pay dividends or make other payments in respect of, our common stock or other securities ranking junior to the notes.

FORWARD-LOOKING STATEMENTS

The forward-looking statements disclaimer set forth below supersedes any similarly entitled forward-looking statements disclaimer contained in the accompanying prospectus.

This prospectus supplement, the accompanying prospectus and the information incorporated by reference in this prospectus supplement and the accompanying prospectus may contain forward-looking statements within the meaning of the safe harbor of the Private Securities Litigation Reform Act of 1995, and are based on current expectations. These forward-looking statements are often identified by words such as "estimate," "predict," "may," "believe," "plan," "expect," "require," "intend," "assume," "project" and similar words. Because actual results may differ materially from expectations, we caution readers not to place undue reliance on these statements. A number of factors could cause future results to differ materially from historical results, or from outcomes currently expected or sought by us. These factors include, but are not limited to:

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

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

power plant and transmission system performance and outages;

competition in retail and wholesale power markets;

regulatory and judicial decisions, developments and proceedings;

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

fuel and water supply availability;

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

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

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

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

the development of new technologies which may affect electric sales or delivery;

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

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environmental, economic and other concerns surrounding coal-fired generation, including regulation of greenhouse gas emissions;

volatile fuel and purchased power costs;

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

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

potential shortfalls in insurance coverage;

new accounting requirements or new interpretations of existing requirements;

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

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

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

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

These and other factors are discussed in the risk factors described in Part I, Item 1A of the 2016 Form 10-K and in Part II, Item 1A of our Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, which you should review carefully before placing any reliance on our financial statements or disclosures. We do not assume any obligation to update any forward-looking statements, even if our internal estimates change, except as may be required by applicable law.

We claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 for any forward-looking statements contained in this prospectus supplement and the accompanying prospectus, including in the information incorporated by reference in this prospectus supplement and the accompanying prospectus.

WHERE YOU CAN FIND MORE INFORMATION

Available Information

We file annual, quarterly and current reports and other information with the SEC under File No. 1-8962. Our SEC filings are available to the public over the Internet at the SEC's website: <http://www.sec.gov>. You may also read and copy any materials we file with the SEC at the SEC's public reference room, which is located at 100 F Street, N.E., Washington D.C. 20549. You may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330. Our filings with the SEC are also available on our website at <http://www.pinnaclewest.com>. The information on our website is not part of this prospectus supplement or the accompanying prospectus.

Incorporation by Reference

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We are incorporating by reference the information we file with the SEC, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus supplement and the accompanying prospectus, except for information superseded by information in this prospectus supplement and the accompanying prospectus, and later information that we file with the SEC will automatically update and supersede this information. We incorporate by reference the documents listed below and any future filings we make with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of

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1934, as amended, excluding, in each case, information deemed furnished and not filed, until all of the notes offered by this prospectus supplement are sold.

the 2016 Form 10-K;

Quarterly Reports on Form 10-Q for the quarters ended March 31, 2017, June 30, 2017 and September 30, 2017; and

Current Reports on Form 8-K filed on February 7, 2017, February 28, 2017, March 21, 2017, April 3, 2017, April 21, 2017, May 23, 2017, June 20, 2017, June 29, 2017, July 27, 2017, August 3, 2017, August 16, 2017, August 21, 2017 and September 11, 2017

These documents contain important information about us and our finances.

We will provide to each person, including any beneficial owner, to whom this prospectus supplement and the accompanying prospectus is delivered, a copy of any or all of the information that has been incorporated by reference in this prospectus supplement and the accompanying prospectus but not delivered with this prospectus supplement and the accompanying prospectus. You may request a copy of these filings, at no cost, by writing, telephoning or contacting us through our website at the following address:

Pinnacle West Capital Corporation
Office of the Secretary
Station 8602
P.O. Box 53999
Phoenix, Arizona 85072-3999
(602) 250-4400
www.pinnaclewest.com

USE OF PROCEEDS

We estimate that the net proceeds from the sale of the notes, after deducting underwriting discounts and commissions but before deducting estimated offering expenses, will be approximately \$298.8 million. We intend to use the net proceeds from the sale of the notes for general corporate purposes, including the repayment at or prior to maturity of our \$125 million term loan, which matures on December 31, 2017. As of November 27, 2017, the interest rate on that term loan was 1.99233% per annum. Until we use the net proceeds for any of the above purposes, we may temporarily invest the net proceeds in highly liquid short-term investments such as institutional money market funds, deposit the net proceeds with banks, repay short-term borrowings and/or temporarily utilize the proceeds in our business.

RATIOS OF EARNINGS TO FIXED CHARGES

The following table sets forth the historical ratio of our earnings to fixed charges for each of the indicated periods:

Nine Months Ended September 30,		Year Ended December 31,				
2017	2016	2016	2015	2014	2013	2012
5.17	4.71	4.17	4.33	3.96	4.08	3.84

For the purposes of computing our ratios of earnings to fixed charges, earnings are divided by fixed charges. "Earnings" represent the aggregate of income (loss) from continuing operations before income taxes and fixed charges. "Fixed charges" represent interest expense, the amortization of debt discount and the interest portion of rentals.

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DESCRIPTION OF THE NOTES

The notes will be issued as a separate series of debt securities under the indenture dated as of December 1, 2000, between us and The Bank of New York Mellon Trust Company, N.A., successor to The Bank of New York Mellon (formerly The Bank of New York), as trustee. The following description of specific terms of the notes supplements the description of the general terms and provisions of the debt securities in the accompanying prospectus under the caption "Description Of Pinnacle West Unsecured Debt Securities." Because this is a summary, it does not contain all the information that may be important to you.

General

The terms of the notes are set forth below:

Title: 2.25% Senior Notes due 2020.

Total principal amount being issued: \$300,000,000.

Maturity date: November 30, 2020.

Interest rate: 2.25% per annum.

Date interest starts accruing: November 30, 2017.

Interest payment dates: May 30 and November 30 of each year (including the date of maturity). In the event that any interest payment date is not a business day, then payment of interest will be made on the succeeding business day without any interest or other payment in respect of such delay.

First interest payment date: May 30, 2018.

Regular record dates for interest payment dates: May 15 for the May 30 interest payment date and November 15 for the November 30 interest payment date.

Computation of interest: On the basis of a 360-day year of twelve 30-day months.

Form of notes: The notes will be represented by one or more global securities in denominations of \$2,000 and any integral multiples of \$1,000 in excess thereof. We will deposit each global security with the trustee as custodian for DTC. See "Description Of Pinnacle West Unsecured Debt Securities Global Securities" in the accompanying prospectus. We may allow exchange of each global security for registered notes and transfer of each global security to a person other than DTC in additional circumstances that we agree to other than those described under that caption.

Sinking fund: The notes will not be subject to any sinking fund.

The notes will constitute a separate series of our unsecured senior debt securities under the indenture relating to the notes. The notes will be our unsecured senior obligations, will rank equally in right of payment with all of our existing and future unsecured senior indebtedness, will be senior to all of our existing and future subordinated indebtedness and will be effectively subordinated to any secured indebtedness we may issue

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or incur in the future. As of September 30, 2017, on an unconsolidated basis, we had approximately \$225 million aggregate principal amount of senior unsecured indebtedness outstanding, none of which was outstanding under the indenture relating to the notes, and no outstanding secured indebtedness. The limitation on liens covenant described under " Limitation on Liens" below will limit our ability to create liens on any of the capital stock of APS (but no other subsidiary). The prospectus that accompanies this prospectus supplement further describes our debt securities under the caption "Description Of Pinnacle West Unsecured Debt Securities."

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The notes will be structurally subordinated to the indebtedness and other obligations of our subsidiaries, principally APS, from time to time outstanding. As of September 30, 2017, APS had approximately \$4.6 billion aggregate principal amount of indebtedness outstanding, of which \$4.3 billion represented APS senior notes.

Additional Notes

We may from time to time, without notice to, or the consent of, the then existing registered holders of the notes, create and issue additional notes equal in rank and having the same maturity, payment terms, redemption features, and other terms as the notes, except for the issue date of the additional notes, the public offering price of the additional notes, the payment of interest accruing prior to the issue date of the additional notes and (under some circumstances) the first payment of interest following the issue date of the additional notes, but we will not issue such additional notes unless the additional notes are fungible with the previously issued notes for U.S. federal income tax purposes or are issued with a separate CUSIP number. These additional notes may be consolidated and form a single series with the notes.

Optional Redemption

All or a portion of the notes may be redeemed at our option at any time or from time to time. The redemption price for any notes to be redeemed on any redemption date will be equal to the greater of the following amounts:

100% of the principal amount of the notes being redeemed on the redemption date; or

the sum of the present values of the remaining scheduled payments of principal of and interest on the notes being redeemed on that redemption date (not including any portion of any payments of interest accrued to the redemption date) discounted to the redemption date on a semiannual basis at the Adjusted Treasury Rate (as defined below), plus 10 basis points, as determined by a Reference Treasury Dealer (as defined below) appointed by us for such purpose;

plus, in each case, accrued and unpaid interest on the notes being redeemed to the redemption date. Notwithstanding the foregoing, installments of interest on notes that are due and payable on interest payment dates falling on or prior to a redemption date will be payable on the interest payment date to the registered holders as of the close of business on the relevant record date according to the notes and the related indenture. The redemption price will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The trustee shall have n