

# **Western Power Market Overview**

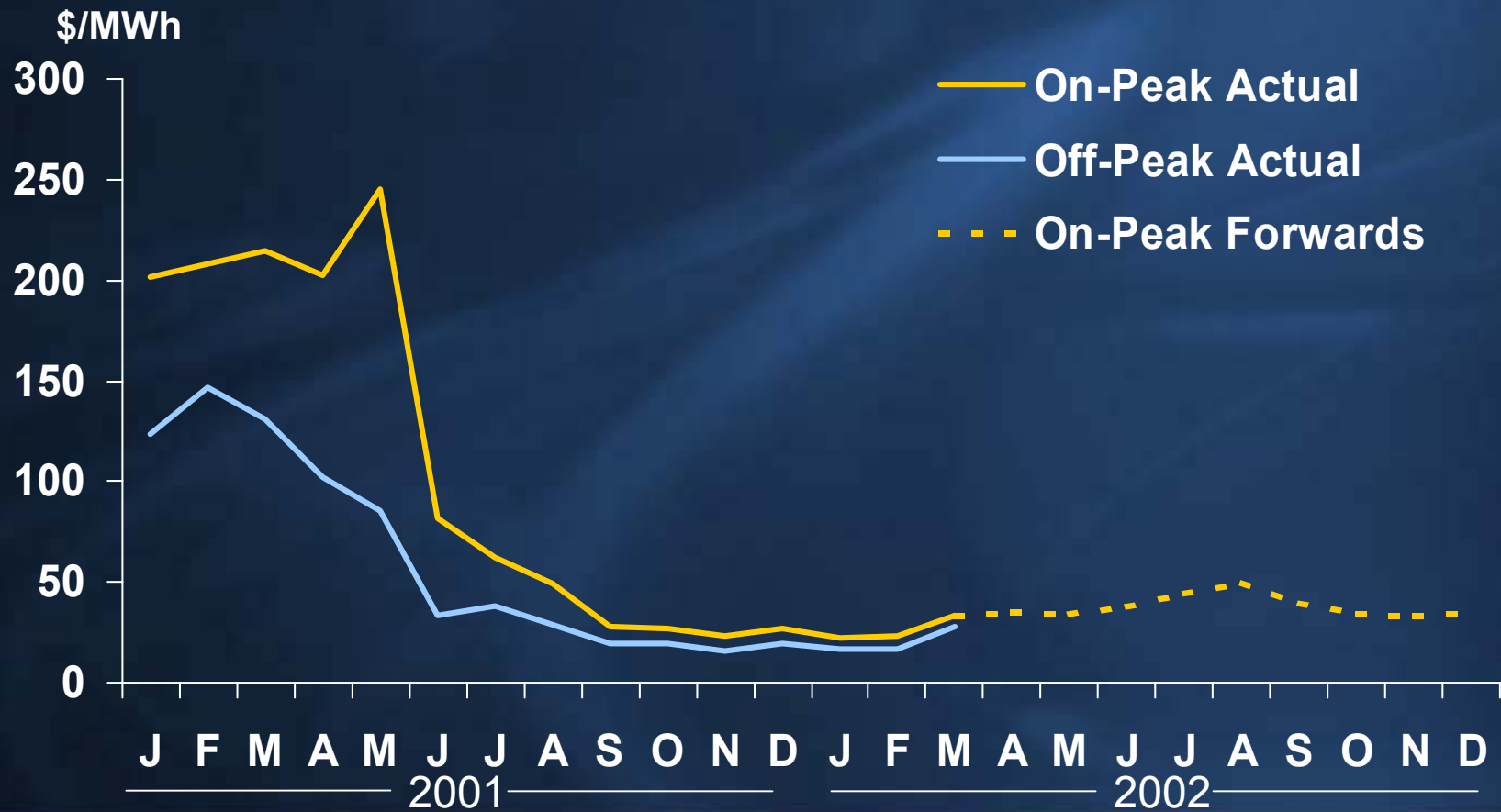
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## **Marketing & Trading and Hedging**

# Western Power Markets

## Wholesale Electricity Prices

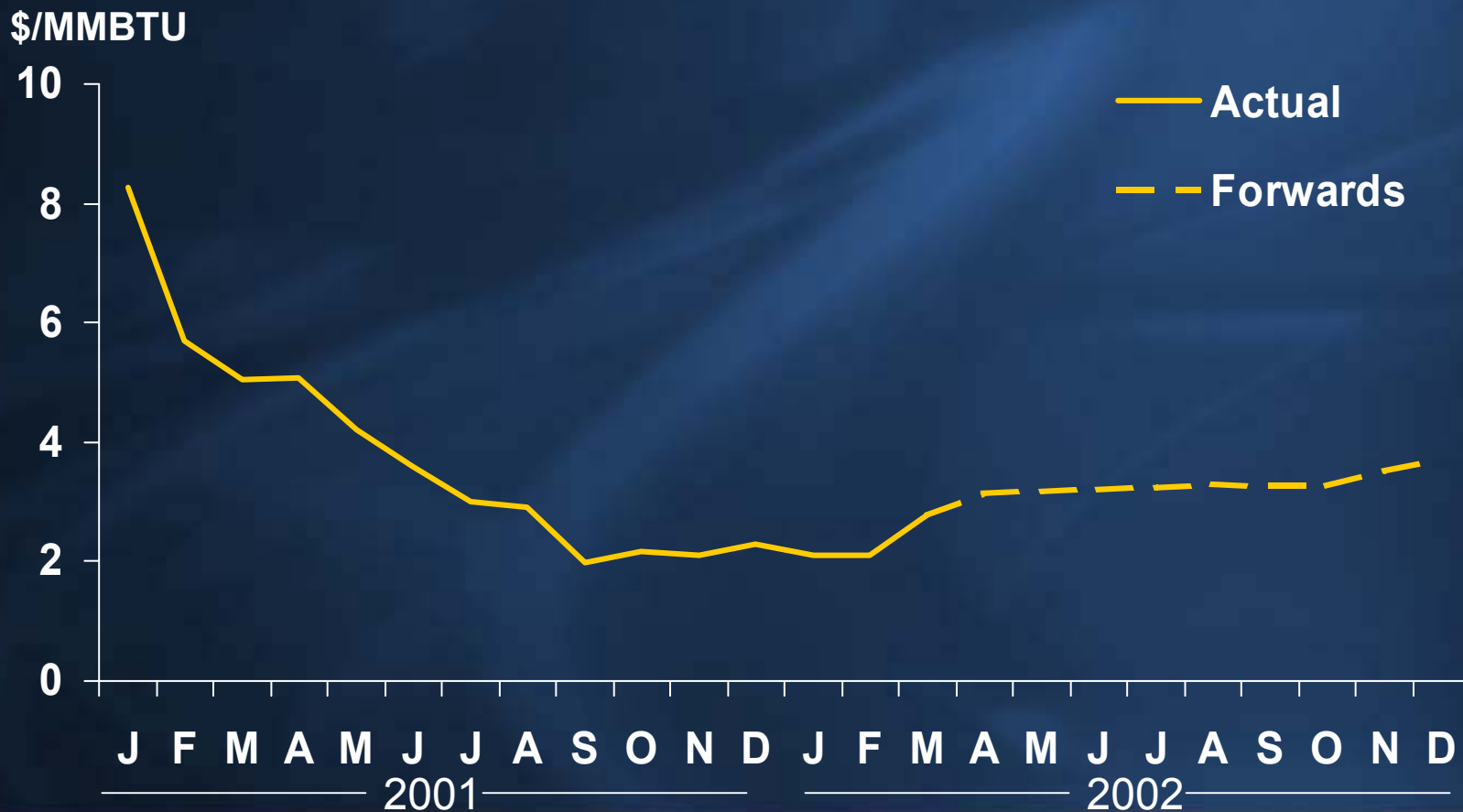
Average Daily Prices -- Palo Verde



# Western Power Markets

## Natural Gas Prices

Average Daily Prices -- Permian Basin



# Western Power Markets

## Spark Spreads\*

Implied Heat Rate

MMBTU/MWh

80

60

40

20

0

— Actual

- - Forecast

J F M A M J J A S O N D J F M A M J J A S O N D  
2001 2002

\*Based on Palo Verde on-peak electricity and San Juan gas

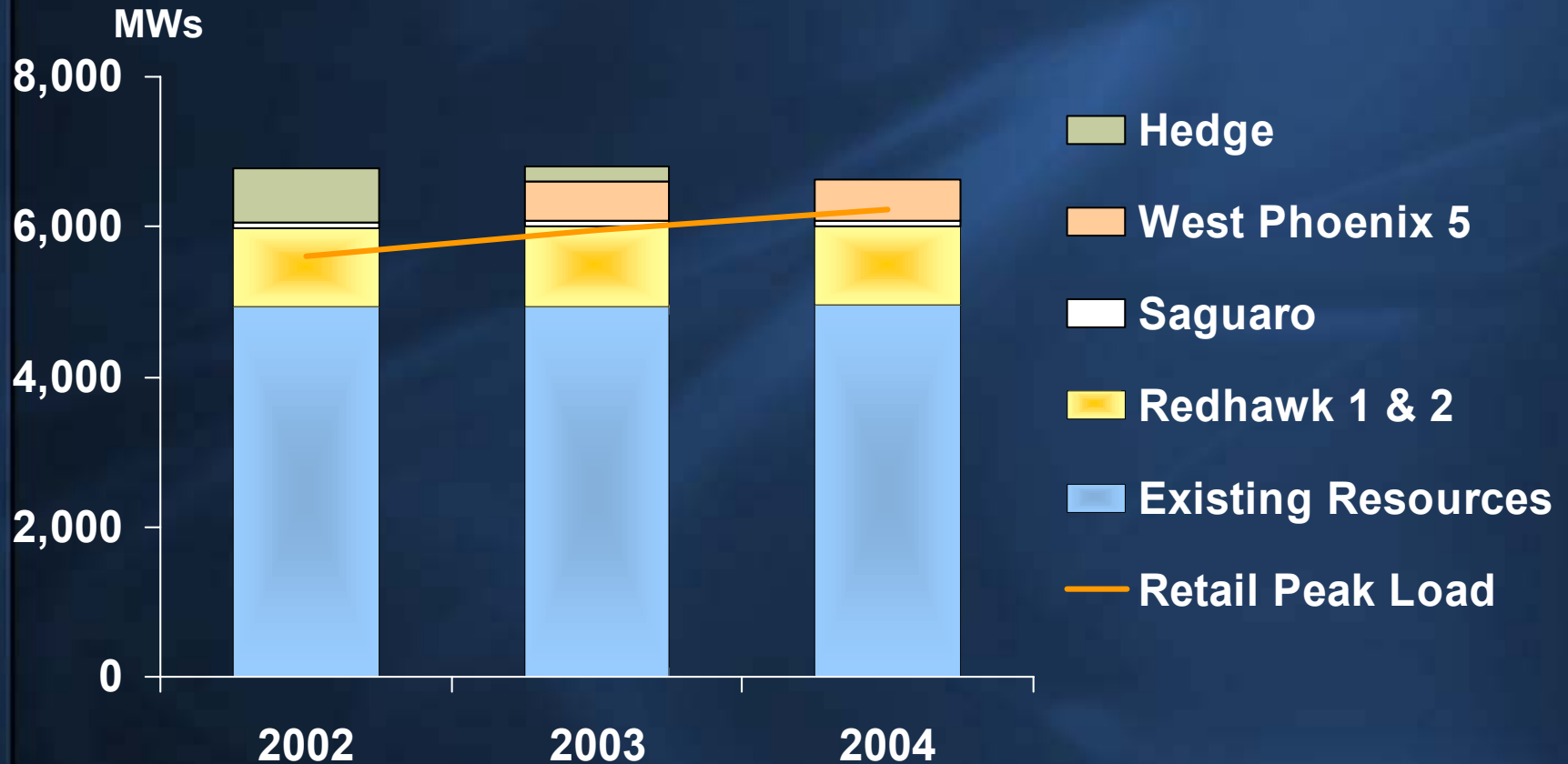
# Western Power Market

## Influences

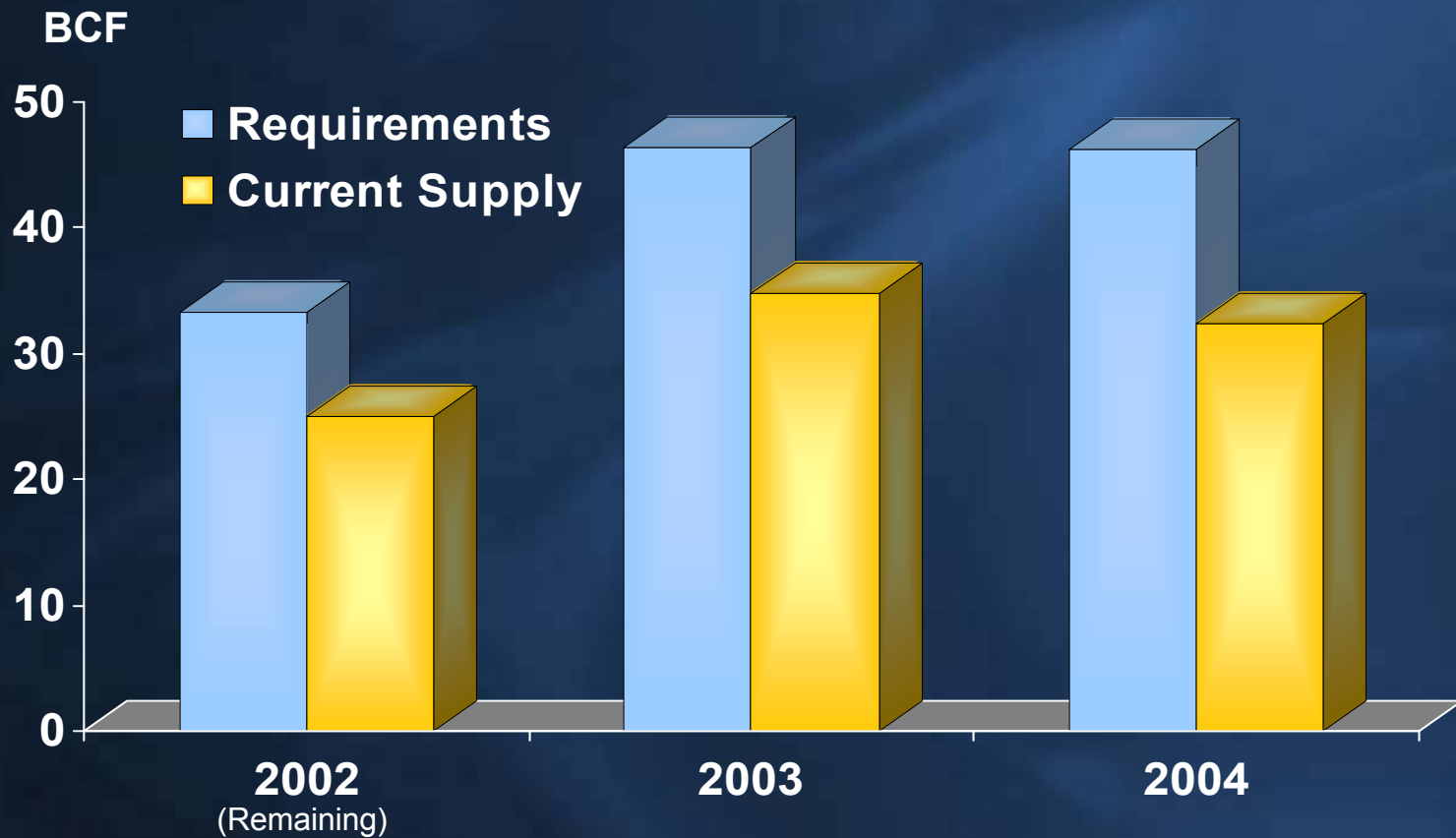
- **Regulatory pressures flatten spark spreads**
- **FERC market interference**
- **California DWR contracts and issues**

# Pinnacle West

## Enterprisewide Hedging Strategy



# Pinnacle West Natural Gas Supply



# El Paso Natural Gas Line

## FERC Issues

- **Arizona companies signed firm contracts**
- **California shippers contesting firm requirements contracts**
- **Staff recommendation would reduce Arizona rights**
- **Technical conference**