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# **Western Market Overview & Regulated Retail Business Update**

**Jack Davis**

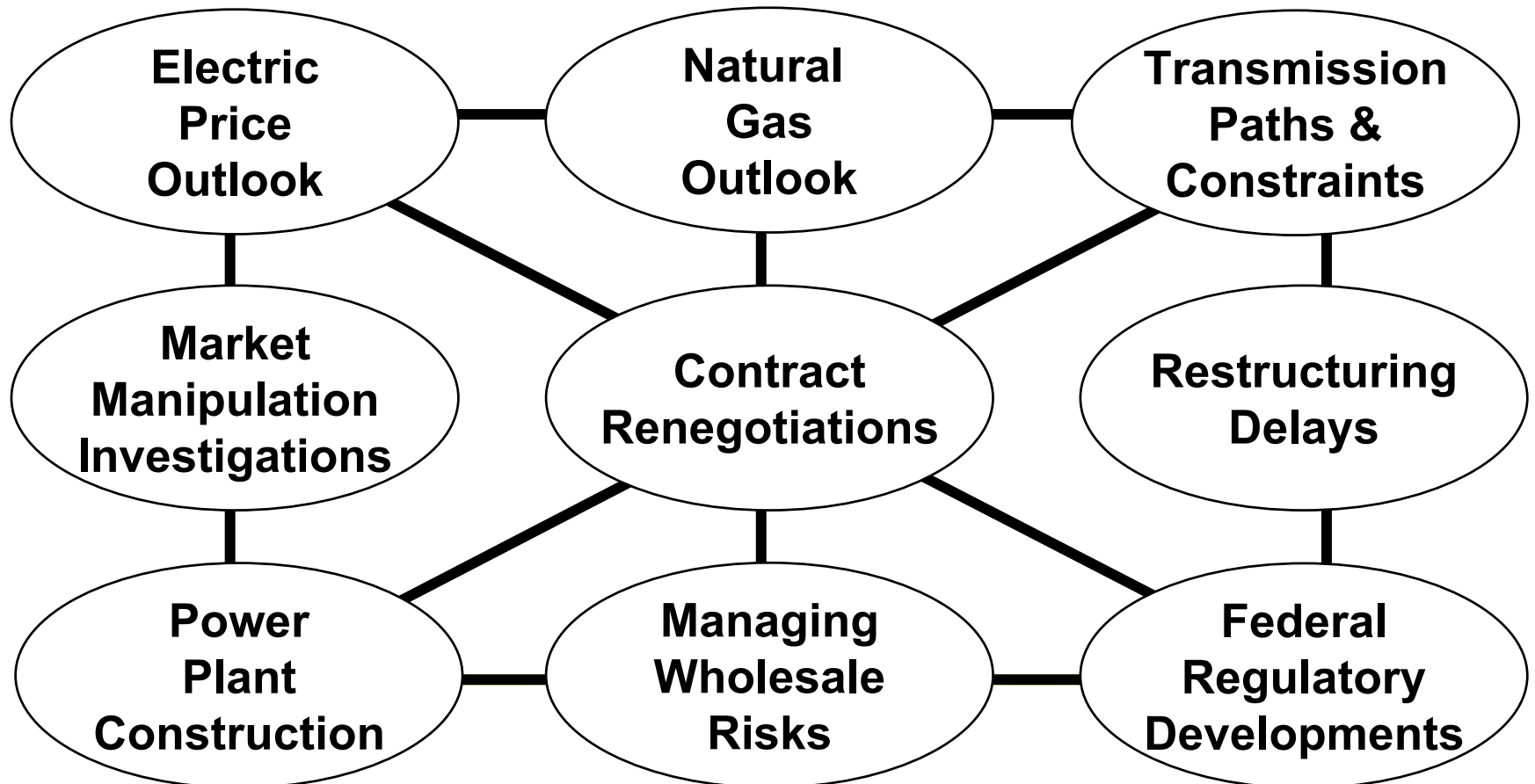
**Analyst Conference  
October 18, 2002**



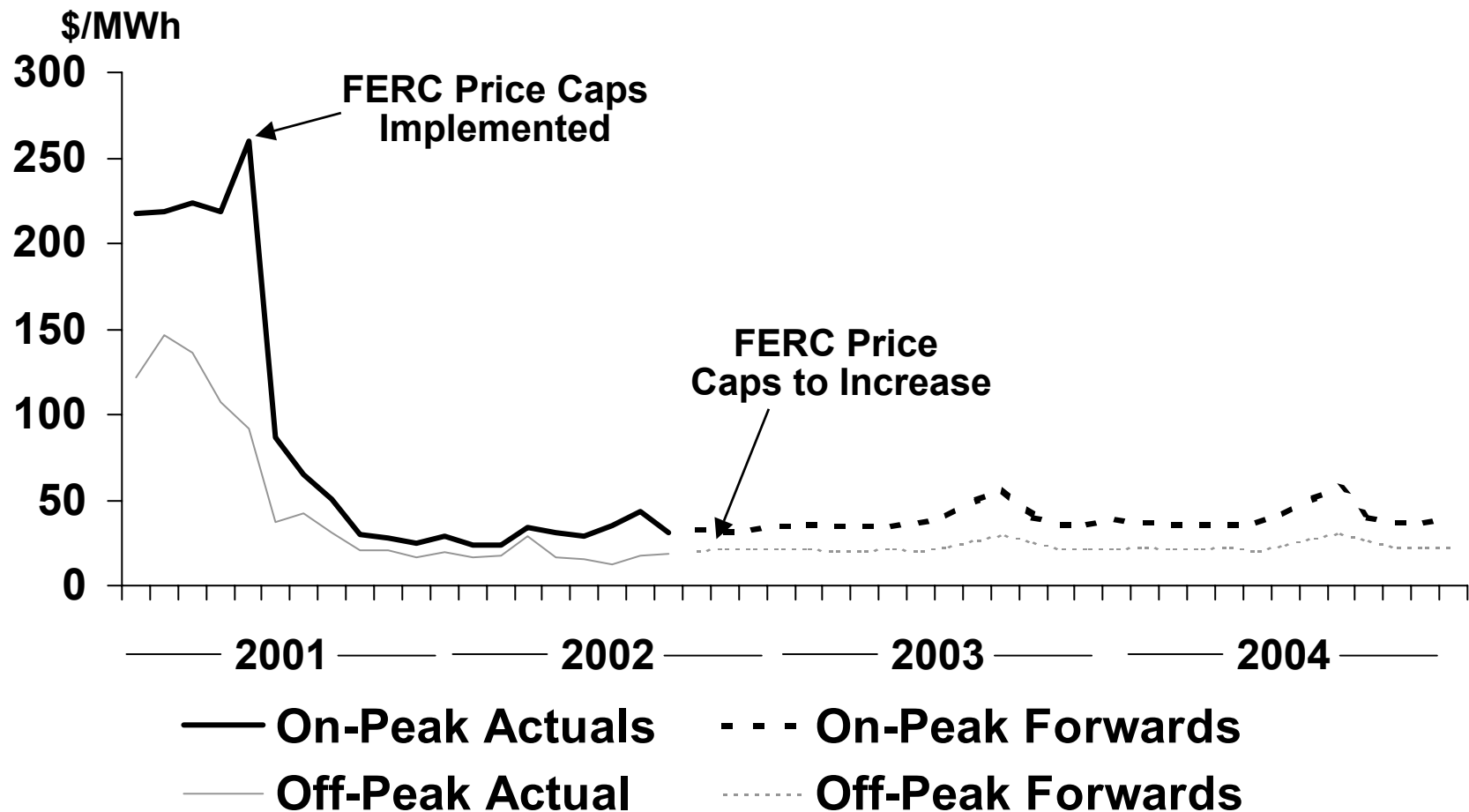
**PINNACLE WEST  
CAPITAL CORPORATION**

# Western Market Overview

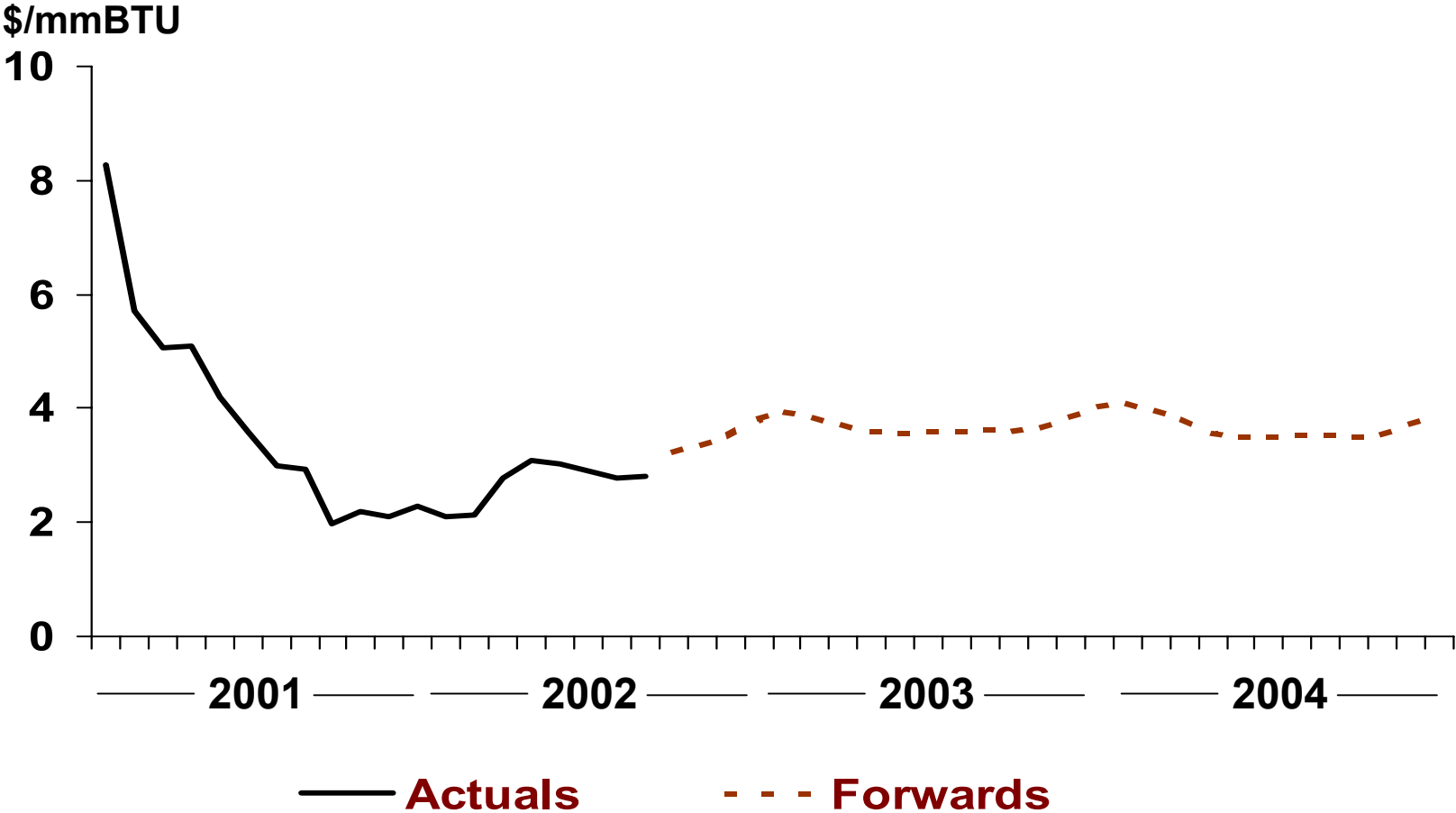
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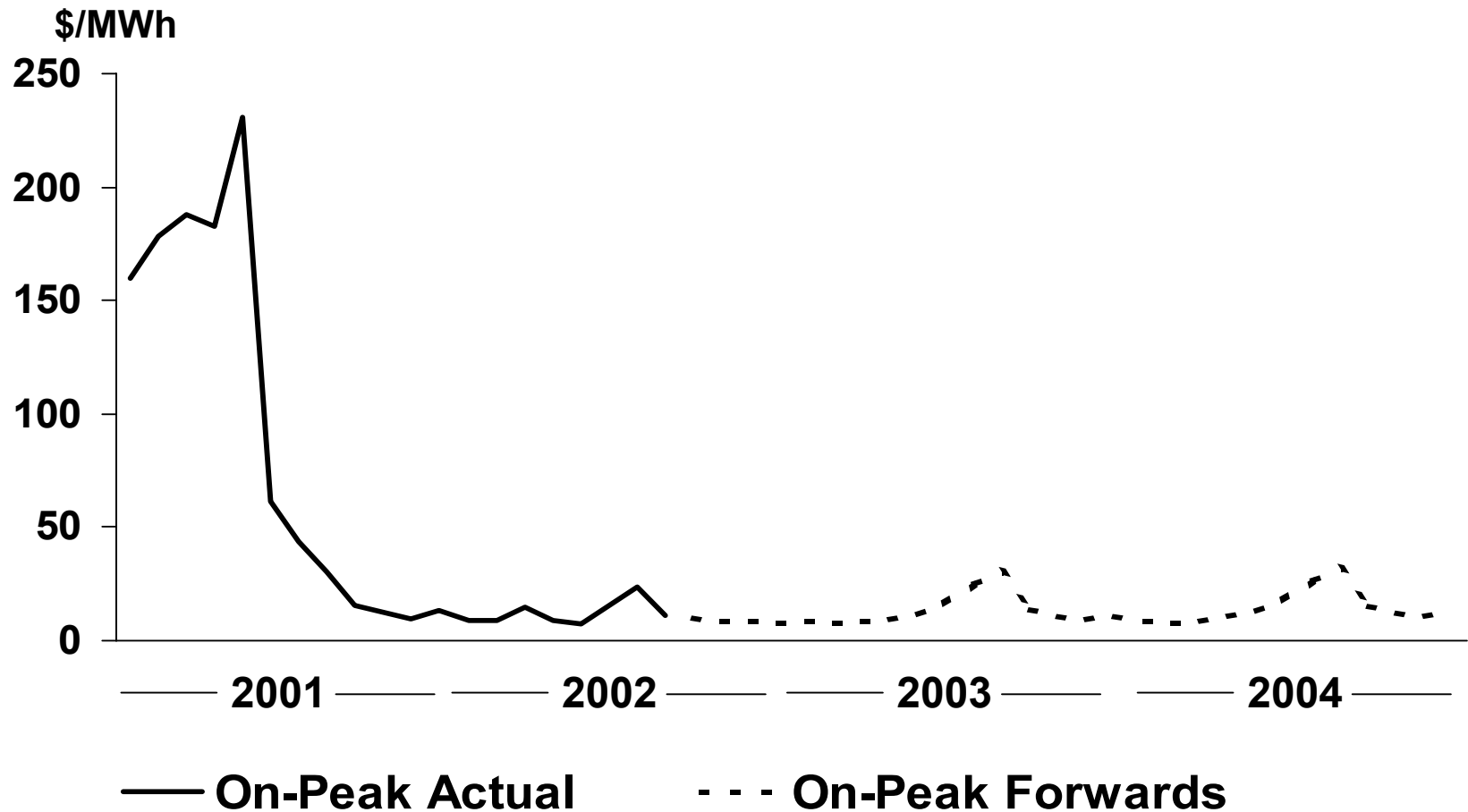
# Wholesale Electricity Prices Palo Verde On-Peak & Off-Peak



# Wholesale Gas Prices Permian Basin



# Western Power Markets Spark Spreads

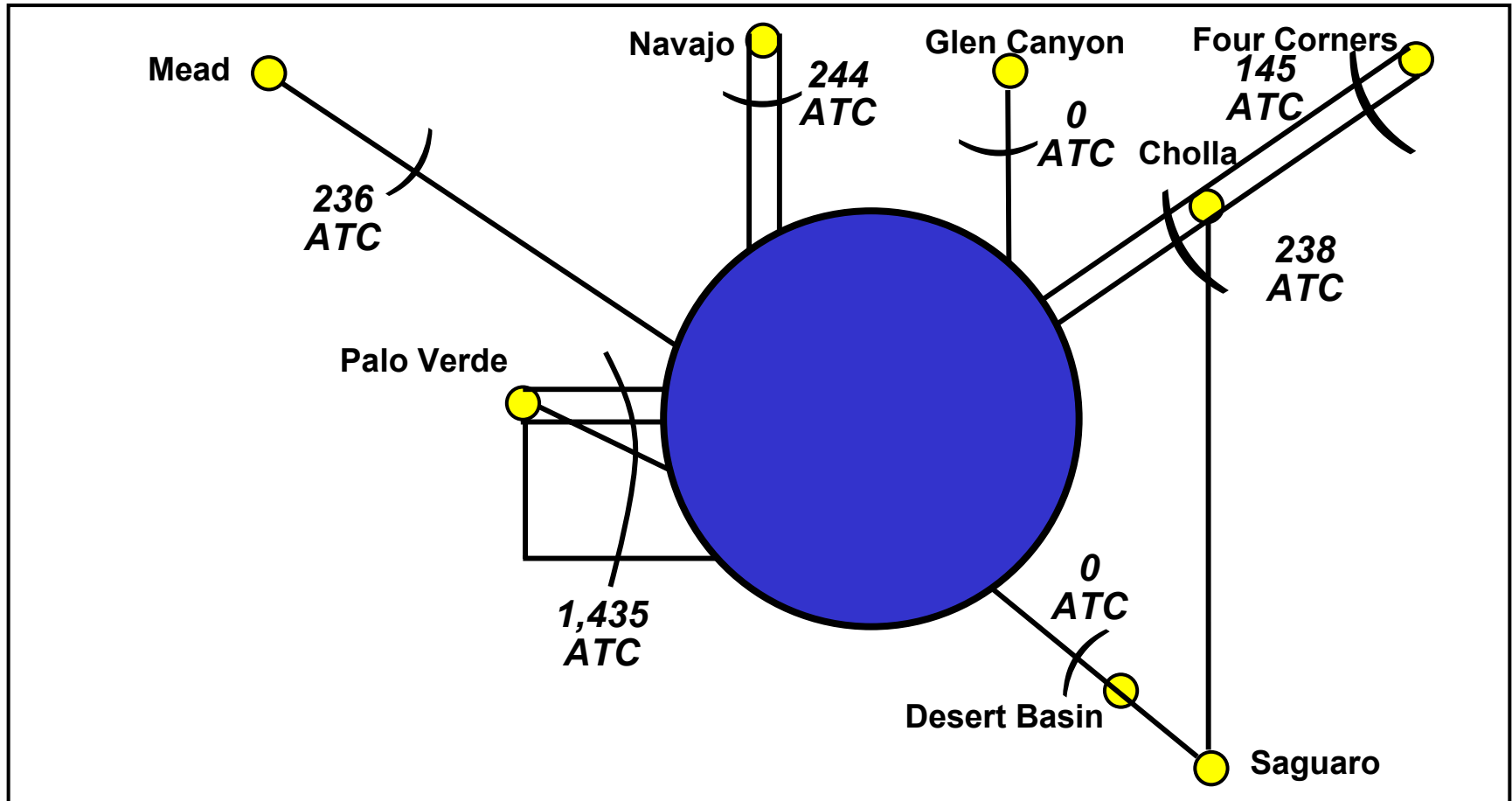


Assumptions: Palo Verde electricity, Permian Basis natural gas, 7000 BTU/MWh heat rate

# Major WECC Trading Hubs



# APS Load



ATC = Available Transfer Capability (MW)

# **Market Manipulation Issues**

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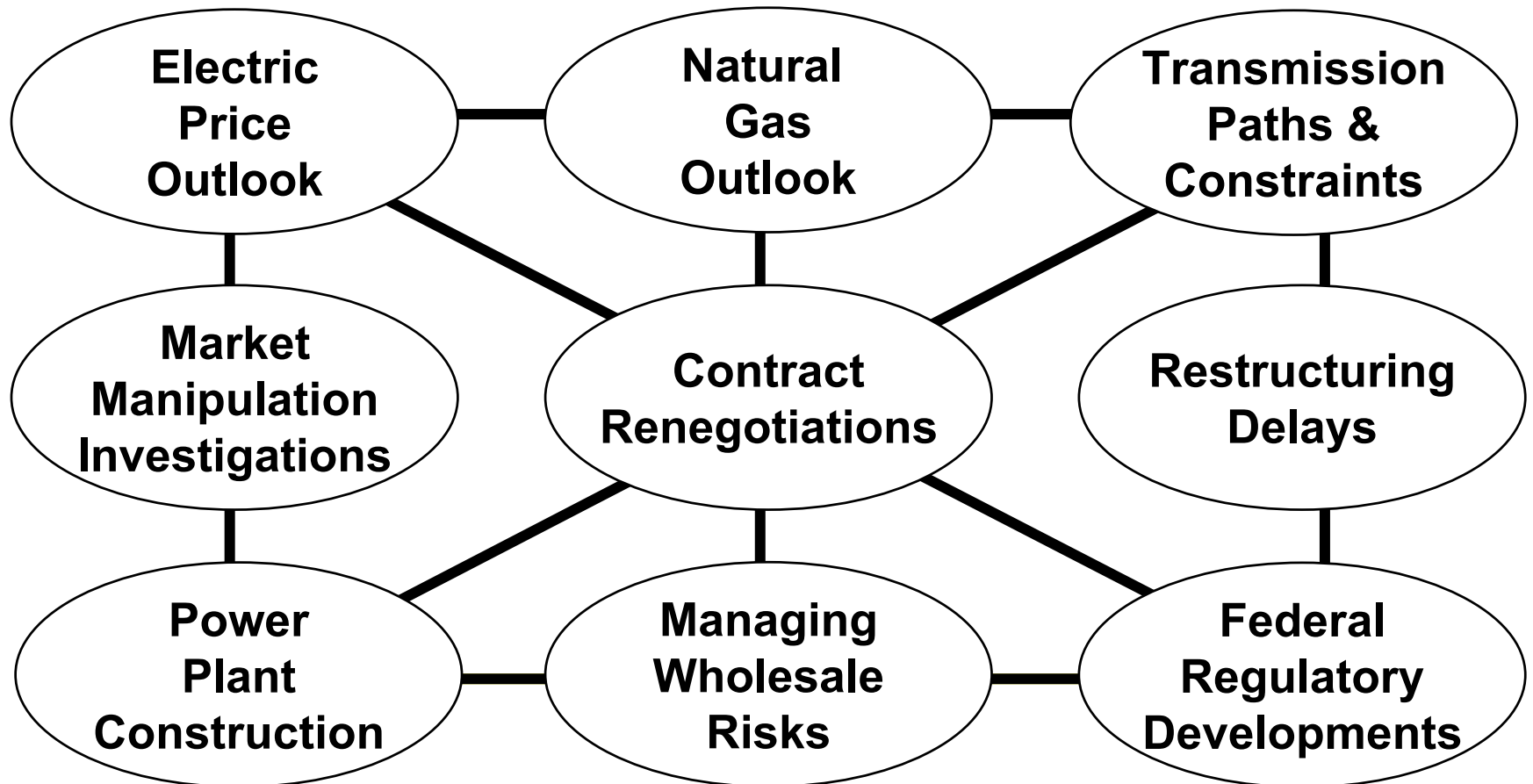
## **■ Pinnacle West/APS**

- Did not participate in manipulative practices**
- \$5 million in net refunds due to PNW/APS in California as calculated by ISO and PX**

## **■ Pending issues**

- FERC gas methodology change vis-à-vis electricity prices**
- FERC judge's order regarding El Paso's manipulation of California gas market**
- Ultimate funding of refund payments**

# Western Market Overview



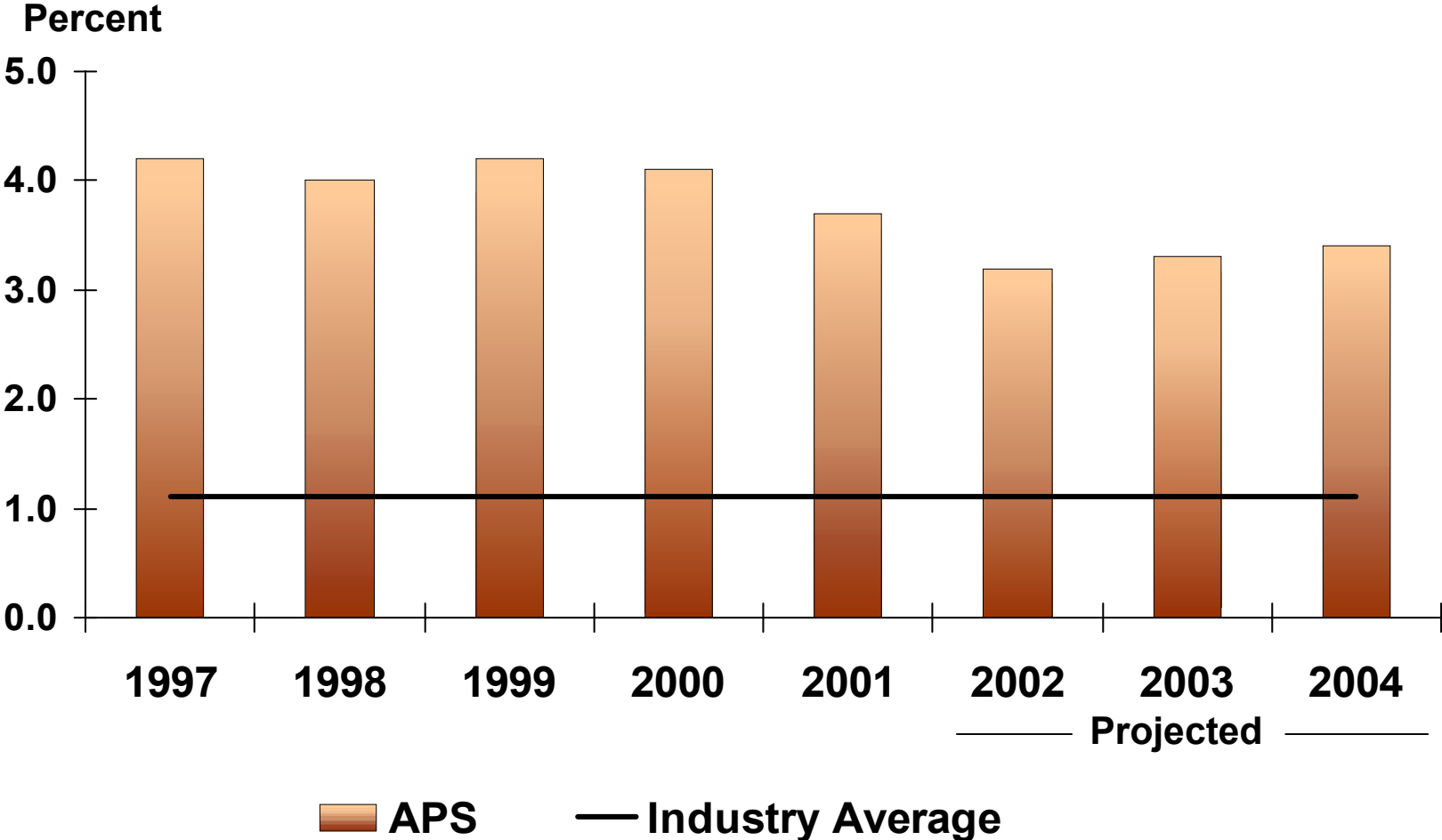
# Regulated Retail Business Objectives

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Capitalize on  
Superior  
Customer Growth

# Superior APS Retail Customer Growth



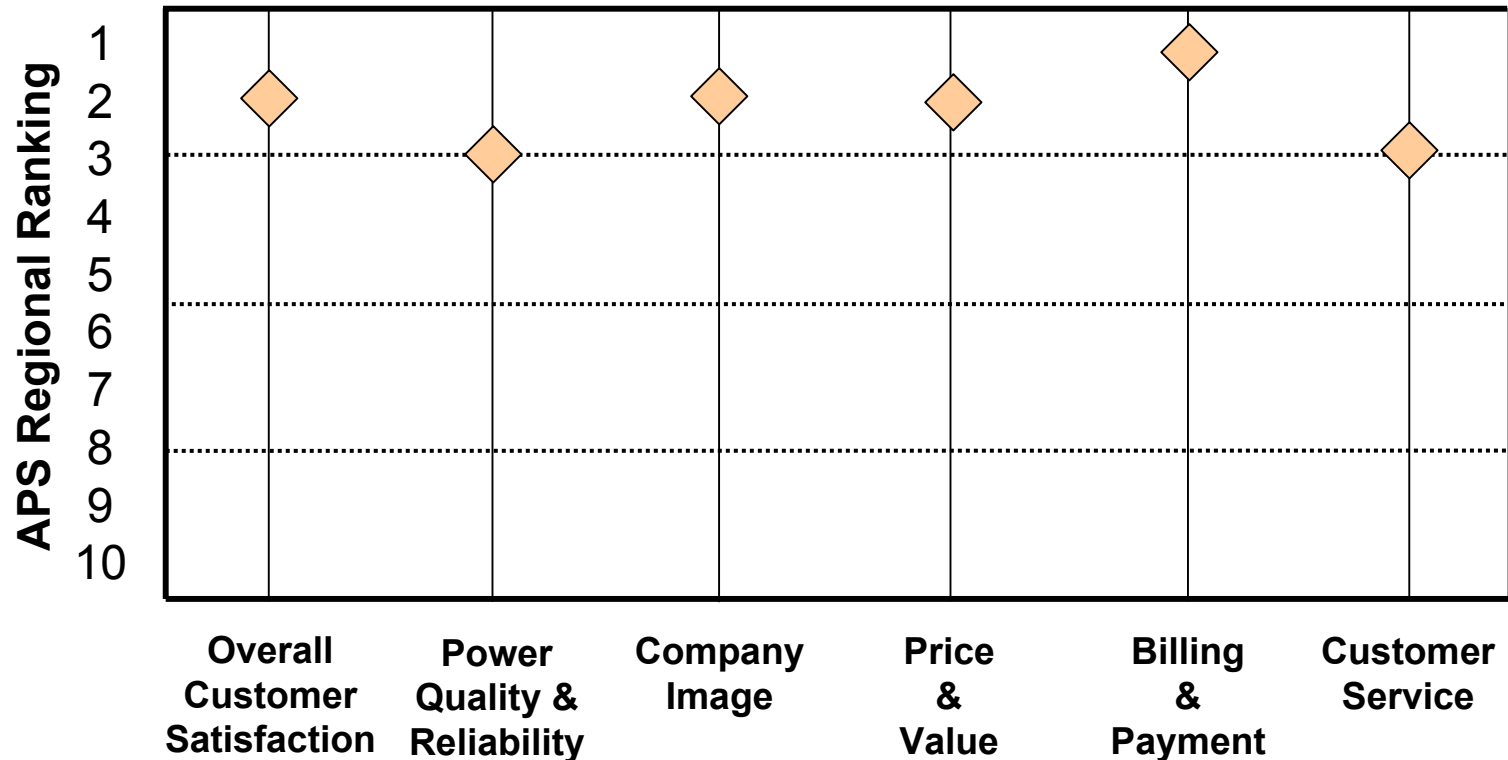
# Regulated Retail Business Objectives

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**Capitalize on  
Superior  
Customer Growth**

**Maintain  
High  
Customer  
Satisfaction**

# Top-Tier Retail Customer Satisfaction



Based on J.D. Power comparisons

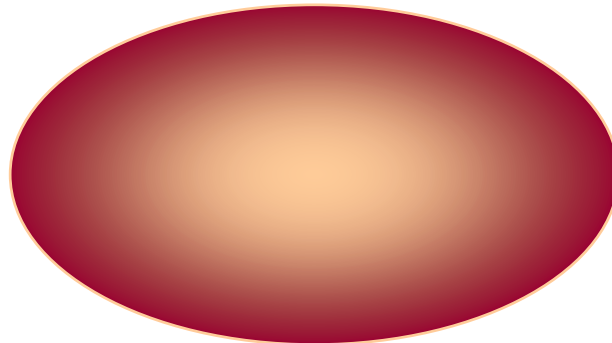
# Regulated Retail Business Objectives

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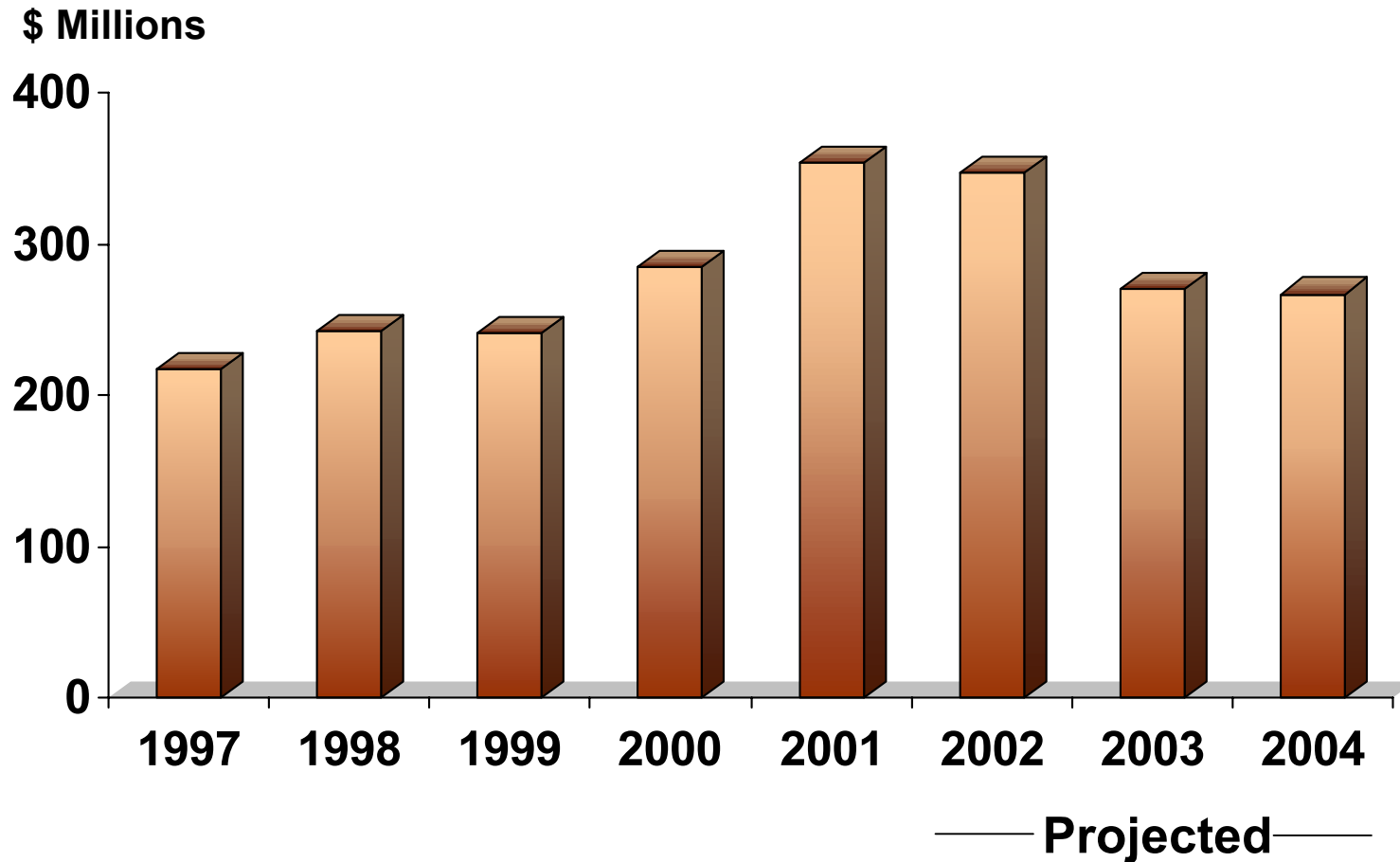
**Capitalize on  
Superior  
Customer Growth**

**Maintain  
High  
Customer  
Satisfaction**

**Provide  
Reliable  
Service**



# Delivery Capital Expenditures Support Reliability and Growth



# Regulated Retail Business Objectives

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**Capitalize on  
Superior  
Customer Growth**

**Maintain  
High  
Customer  
Satisfaction**

**Provide  
Reliable  
Service**

**Achieve  
Constructive  
Regulatory  
Structure**

# **Western Markets & Regulated Business - Overview Summary**

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- **Superior retail customer growth continues**
- **Western market conditions provide challenges and opportunities**
- **Achieving constructive regulatory structure remains a top priority**