

---

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

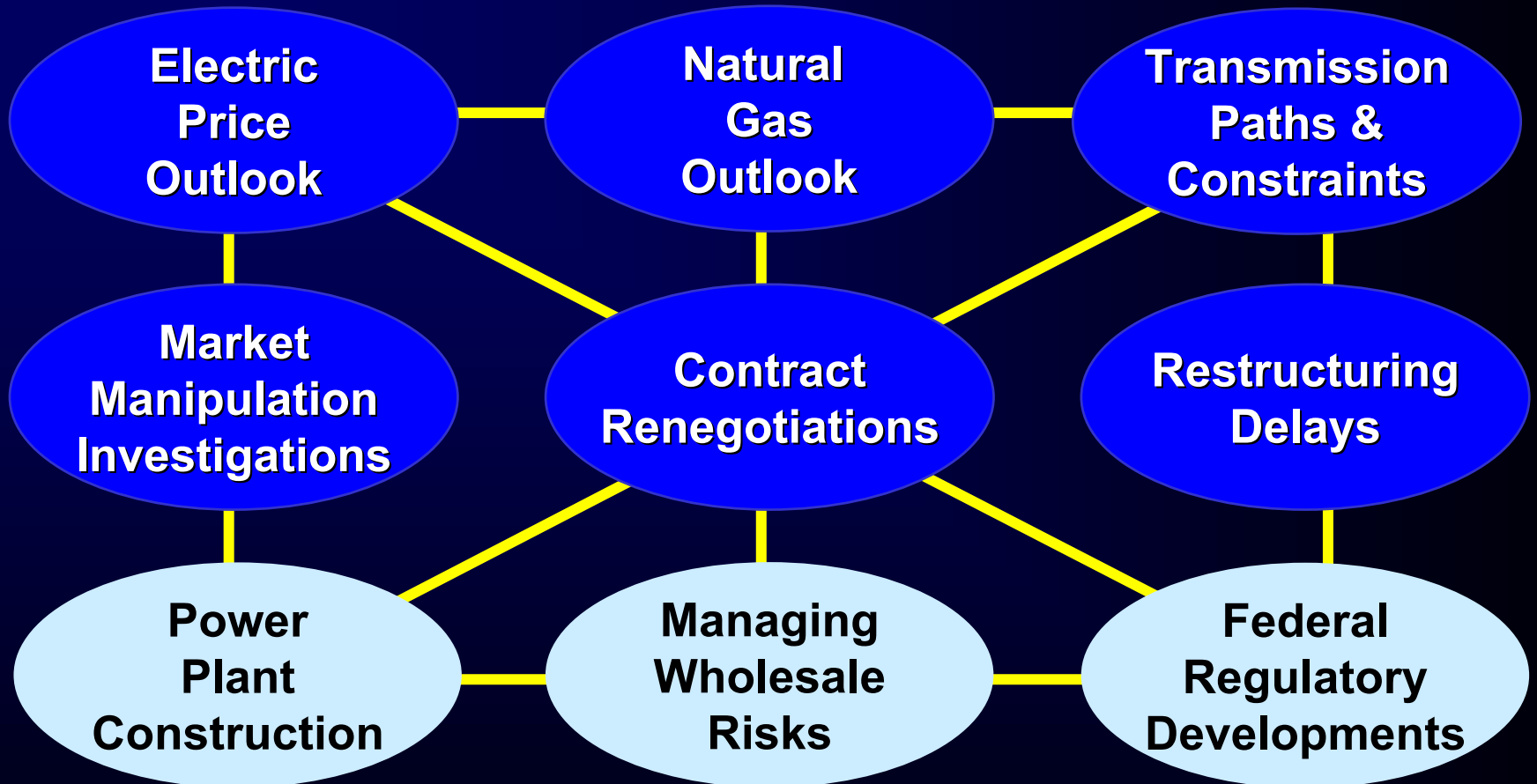
**Jack Davis**

**Analyst Conference  
October 18, 2002**

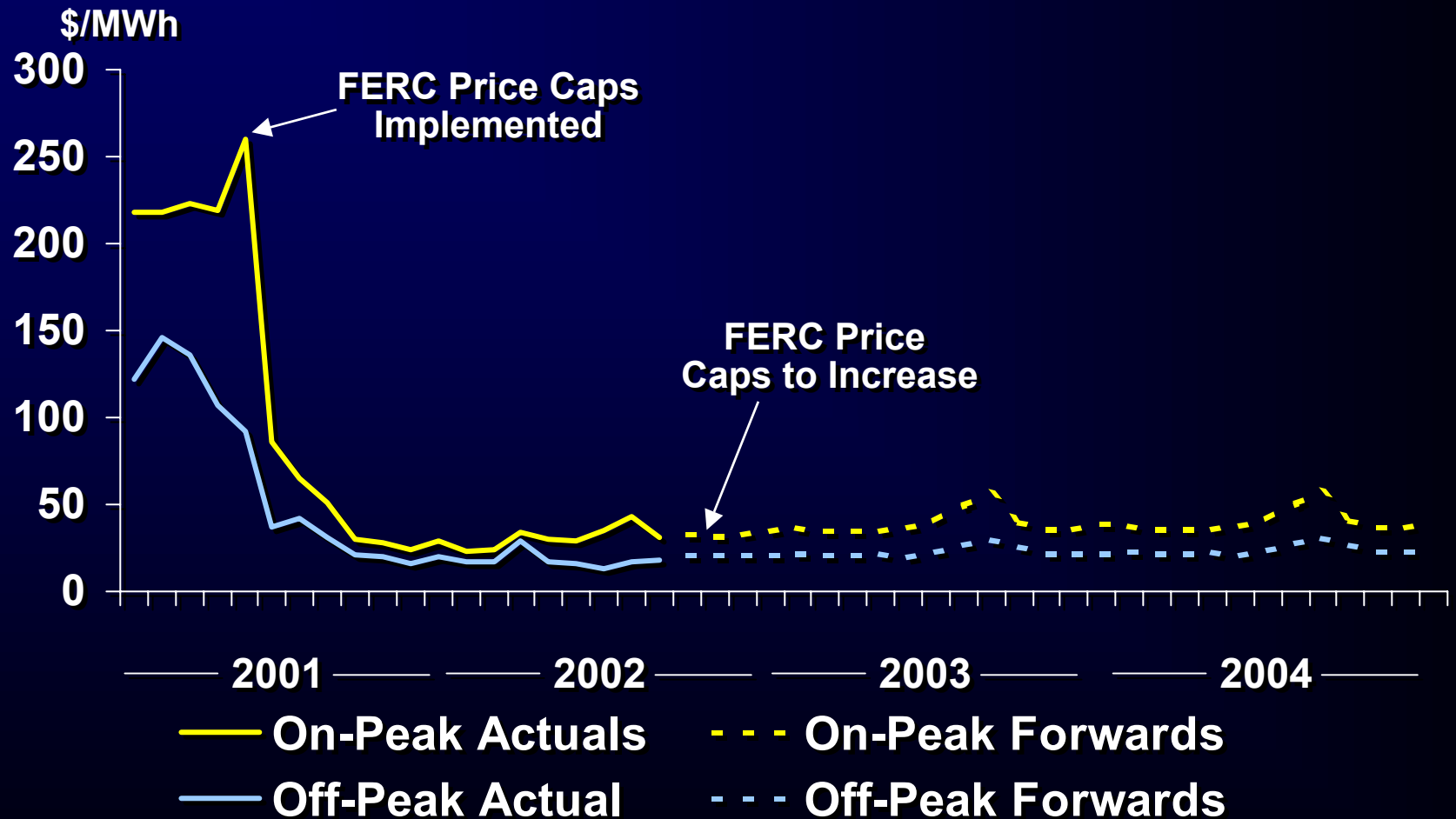


**PINNACLE WEST**  
CAPITAL CORPORATION

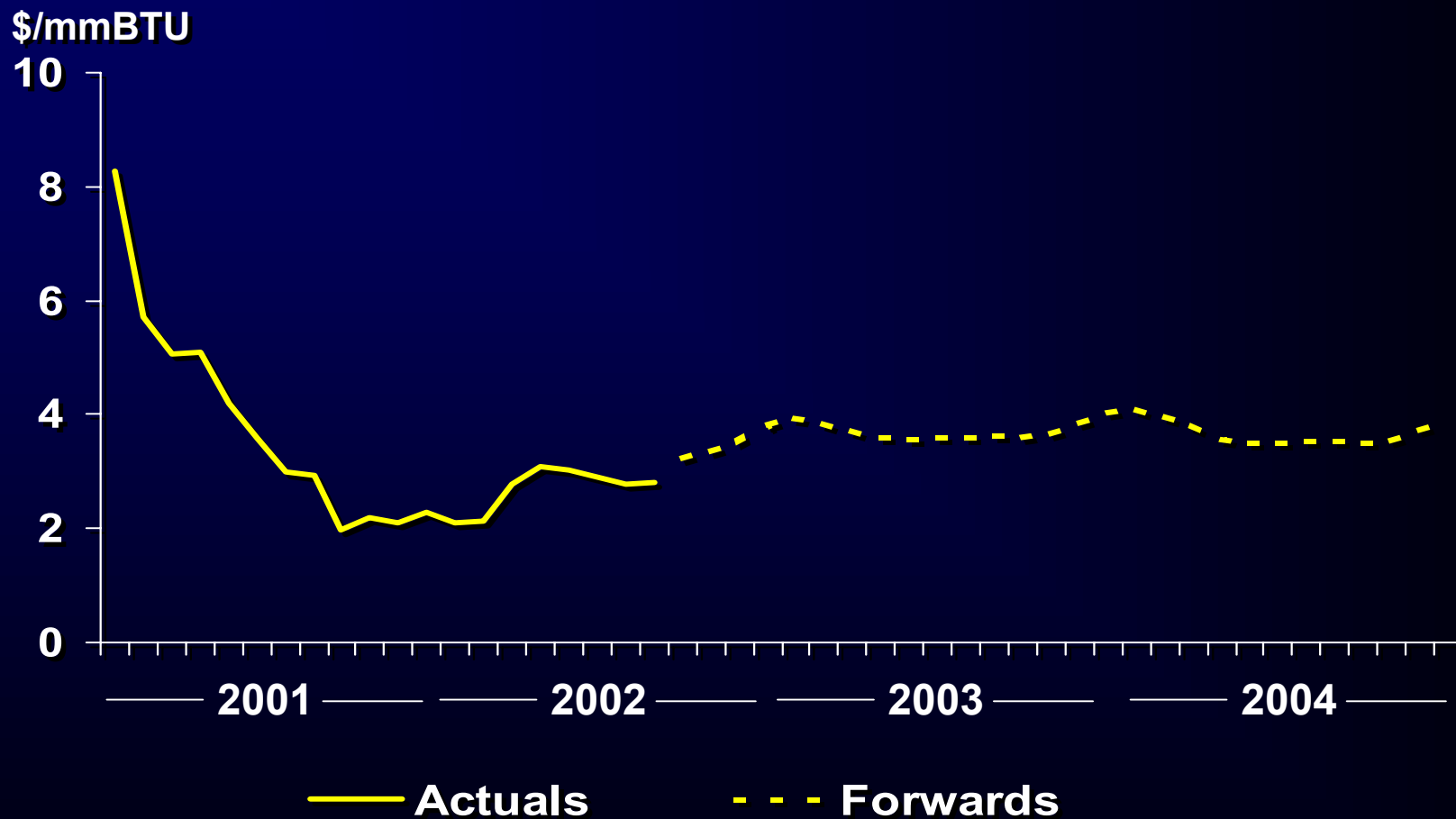
# Western Market Overview



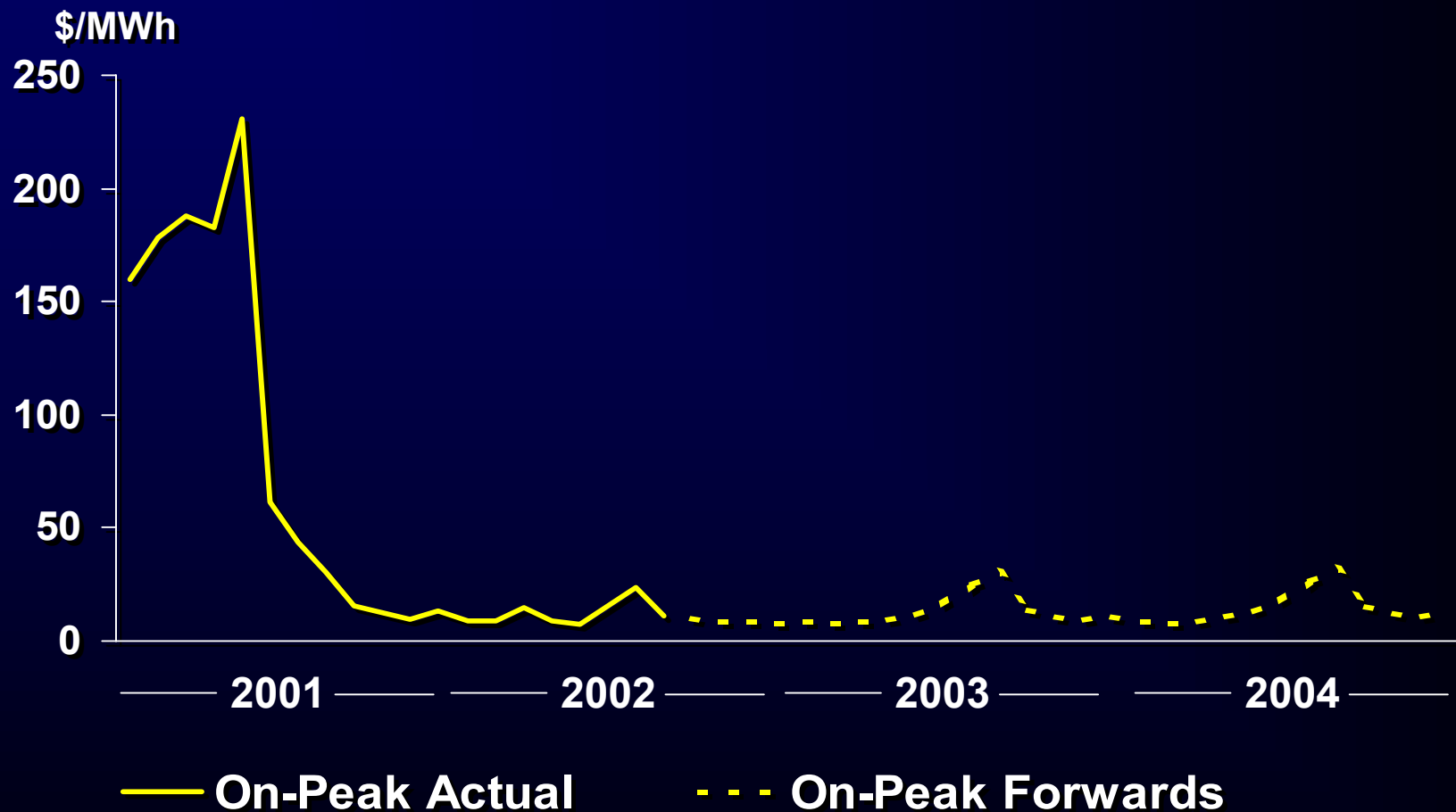
# Wholesale Electricity Prices Palo Verde On-Peak & Off-Peak



# Wholesale Gas Prices Permian Basin



# Western Power Markets Spark Spreads

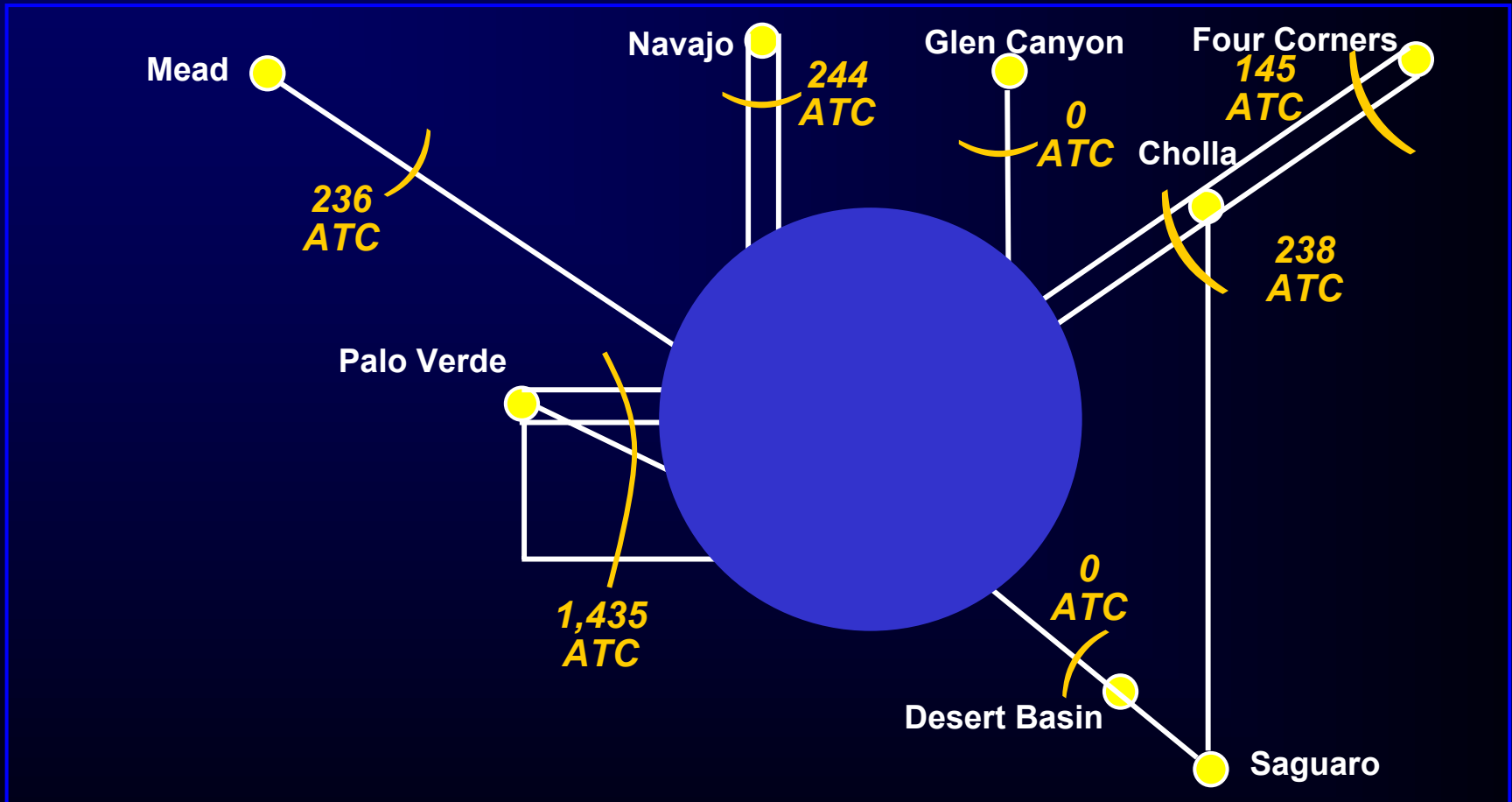


Assumptions: Palo Verde electricity, Permian Basis natural gas, 7000 BTU/MWh heat rate

# Major WECC Trading Hubs



# APS Load



ATC = Available Transfer Capability (MW)

# Market Manipulation Issues

---

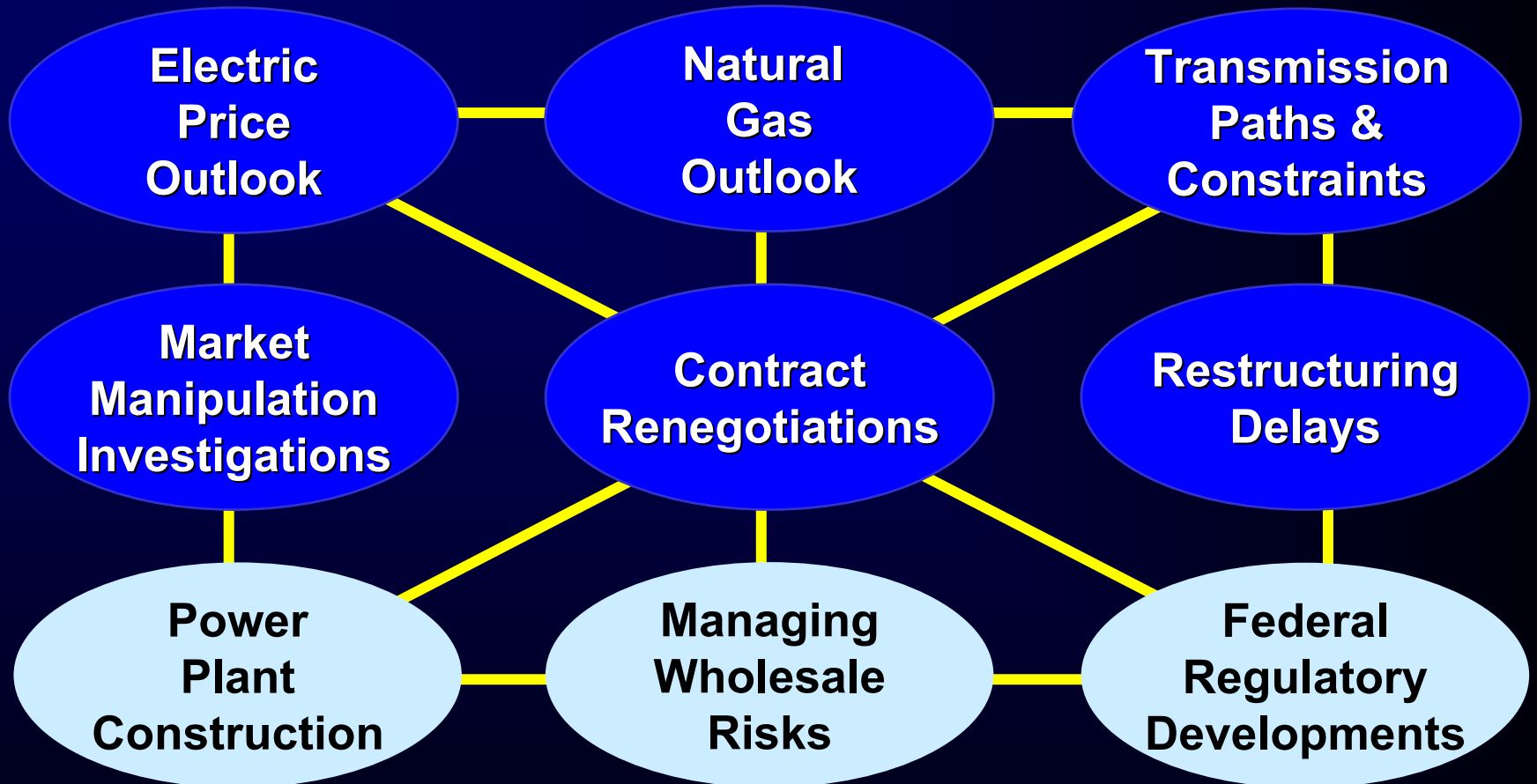
## ■ Pinnacle West/APS

- 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

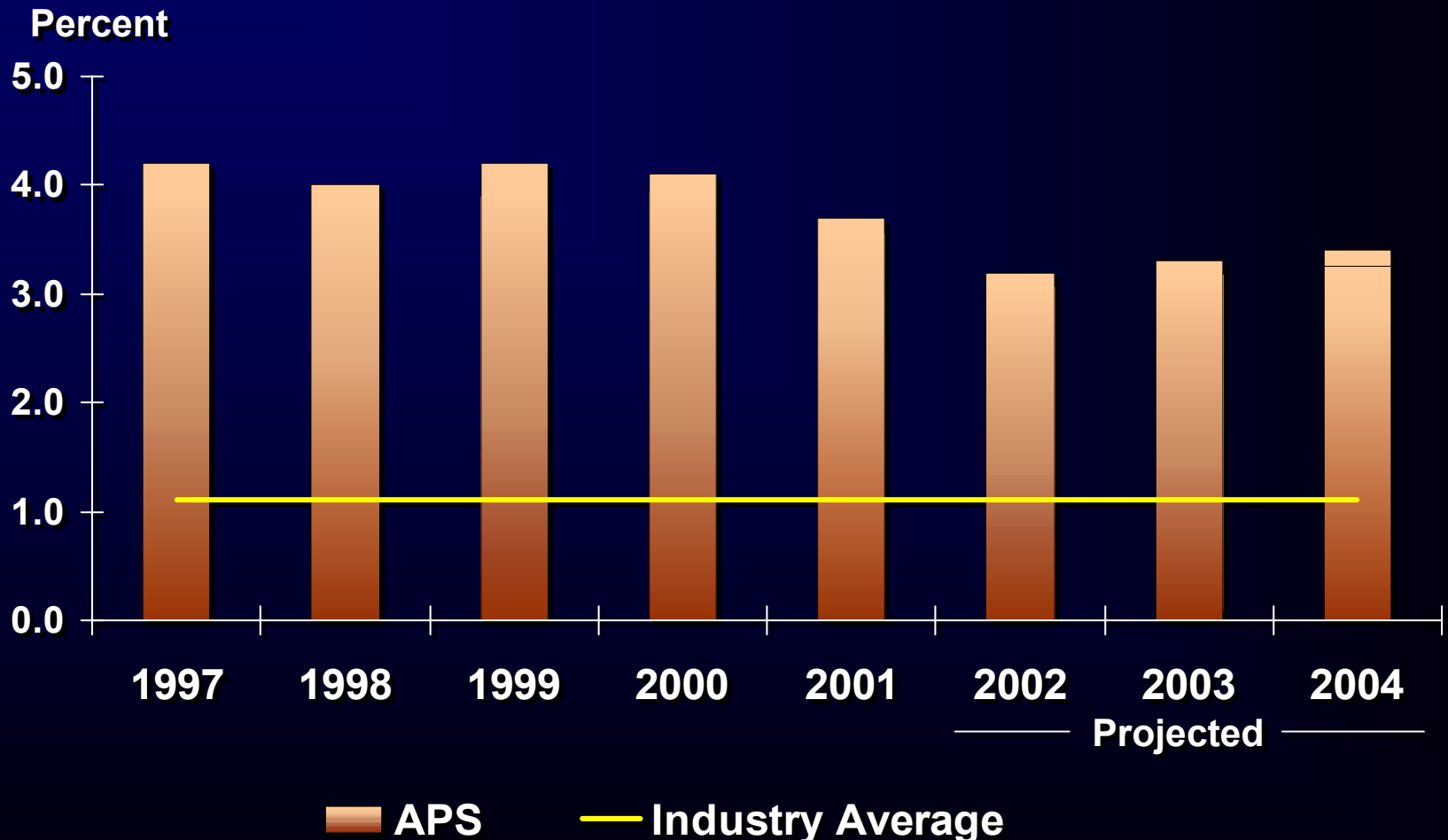
# Western Market Overview



# Regulated Retail Business Objectives

Capitalize on  
Superior  
Customer Growth

# Superior APS Retail Customer Growth

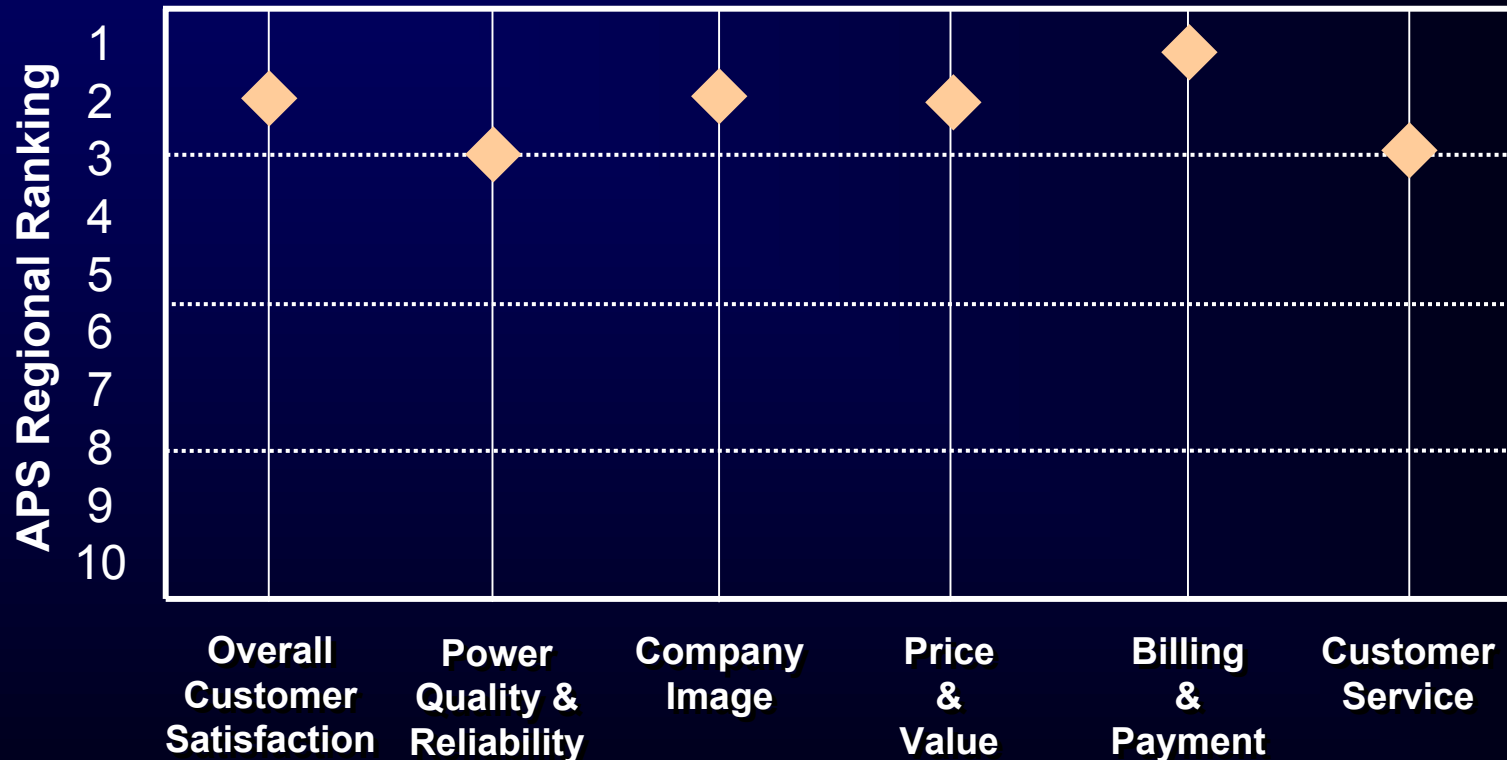


# Regulated Retail Business Objectives

Capitalize on  
Superior  
Customer Growth

Maintain  
High  
Customer  
Satisfaction

# Top-Tier Retail Customer Satisfaction



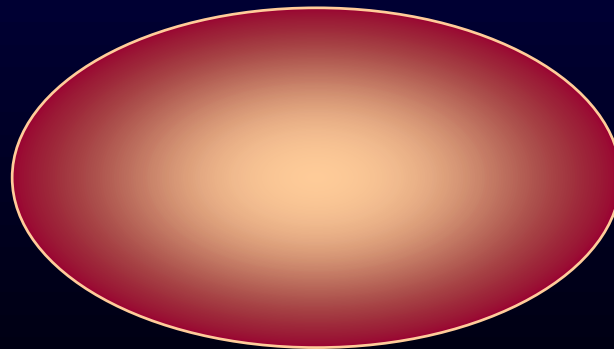
Based on J.D. Power comparisons

# Regulated Retail Business Objectives

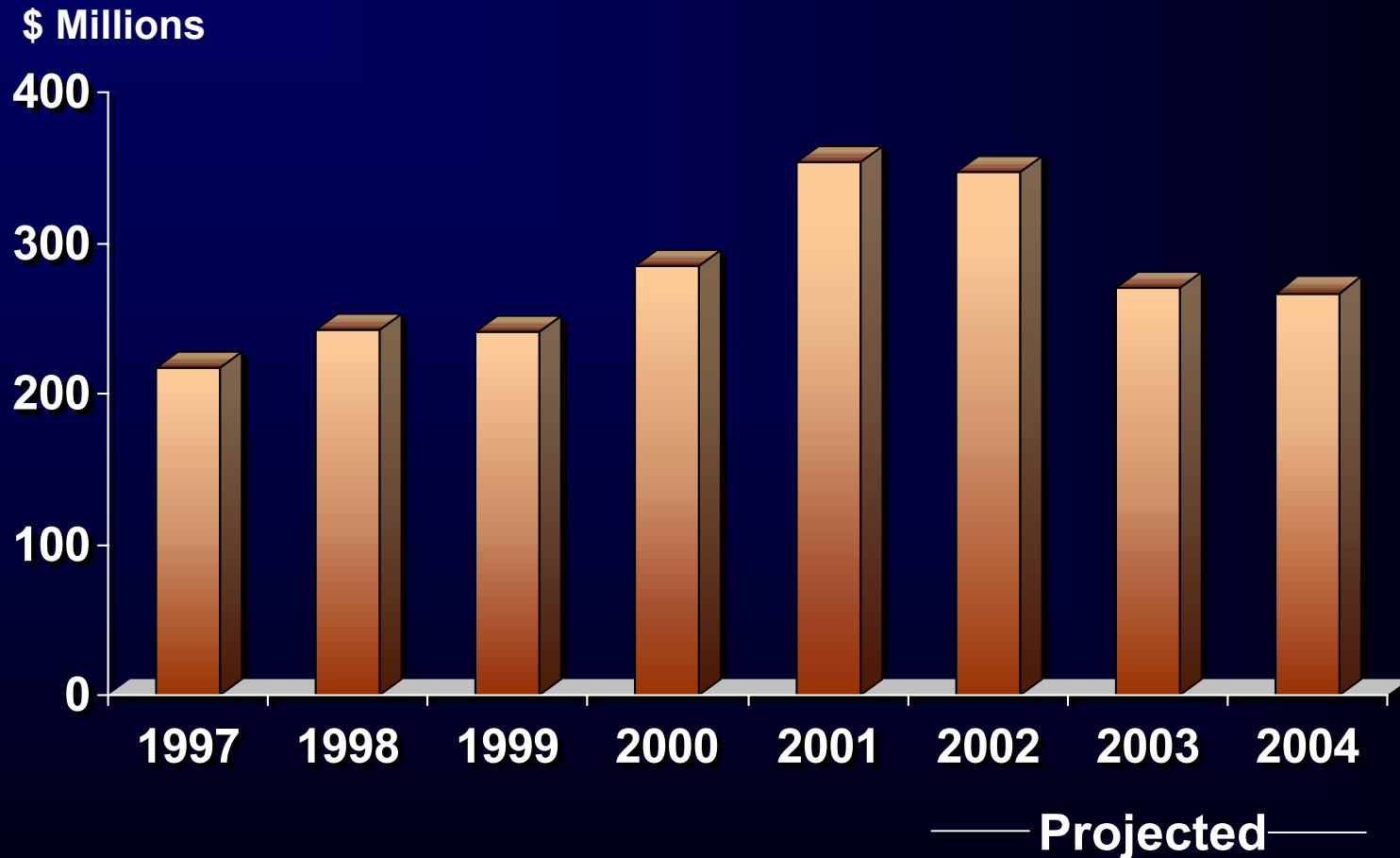
**Capitalize on  
Superior  
Customer Growth**

**Maintain  
High  
Customer  
Satisfaction**

**Provide  
Reliable  
Service**



# Delivery Capital Expenditures Support Reliability and Growth



# Regulated Retail Business Objectives

**Capitalize on  
Superior  
Customer Growth**

**Maintain  
High  
Customer  
Satisfaction**

**Provide  
Reliable  
Service**

**Achieve  
Constructive  
Regulatory  
Structure**

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

---

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