
APS Energy Services

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Overview

- **Business Objective**
- **Strategies**
- **Opportunities**
- **Challenges**
- **Business Line Highlights**
- **Future Sustainable Earnings Drivers**

APS Energy Services Business Objective

**Achieve sustainable profitability
from long term relationships with
commercial and industrial customers
in energy service markets
in the West and Texas**

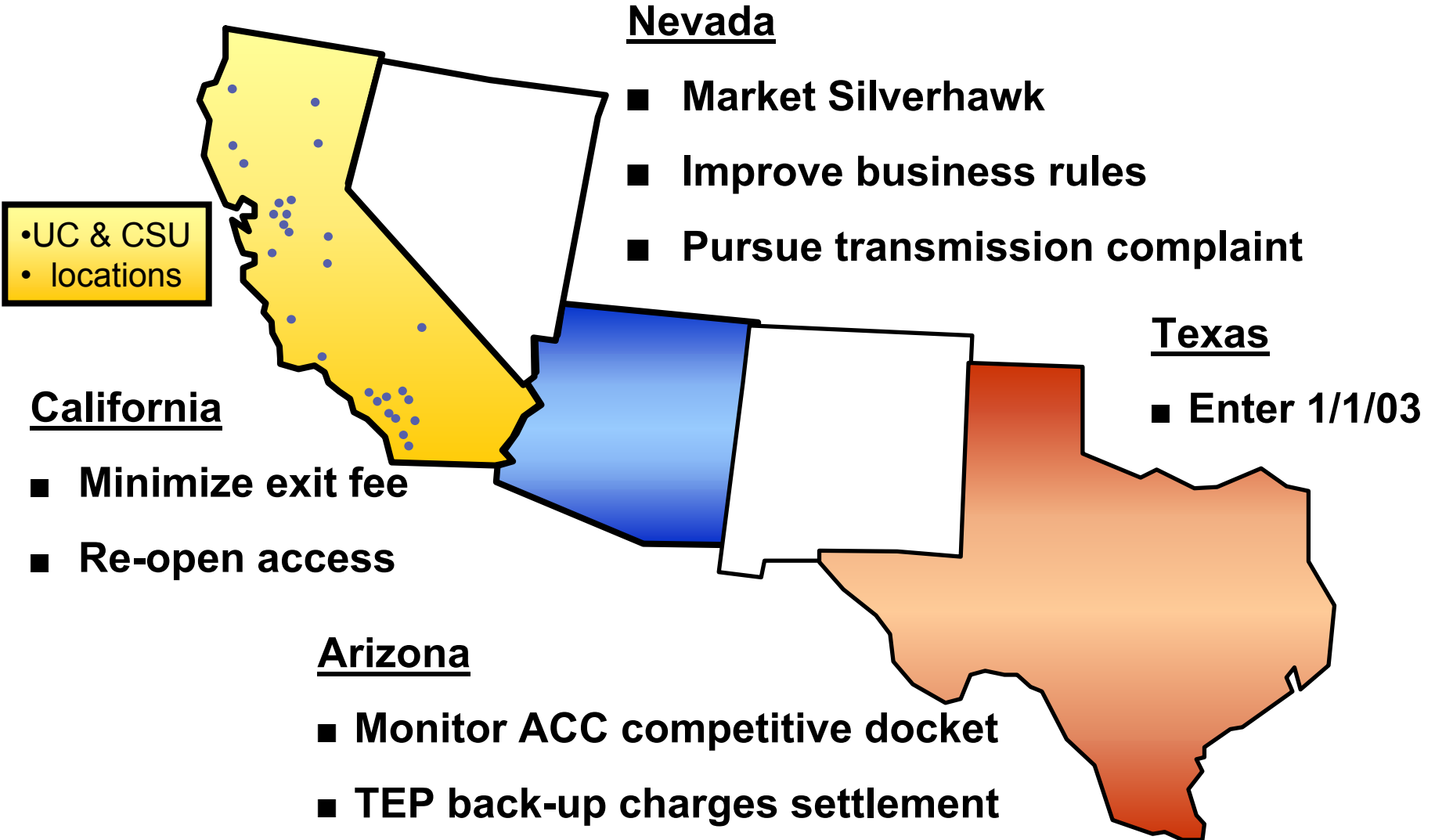
Strategies To Sustain Profitability

- **Focus on disciplined growth in targeted markets**
- **Grow California commodity market**
 - **to include utility net short position**
 - **expand sales with existing customers**
- **Target select Nevada customers**
- **Enter Texas market beginning January 2003**

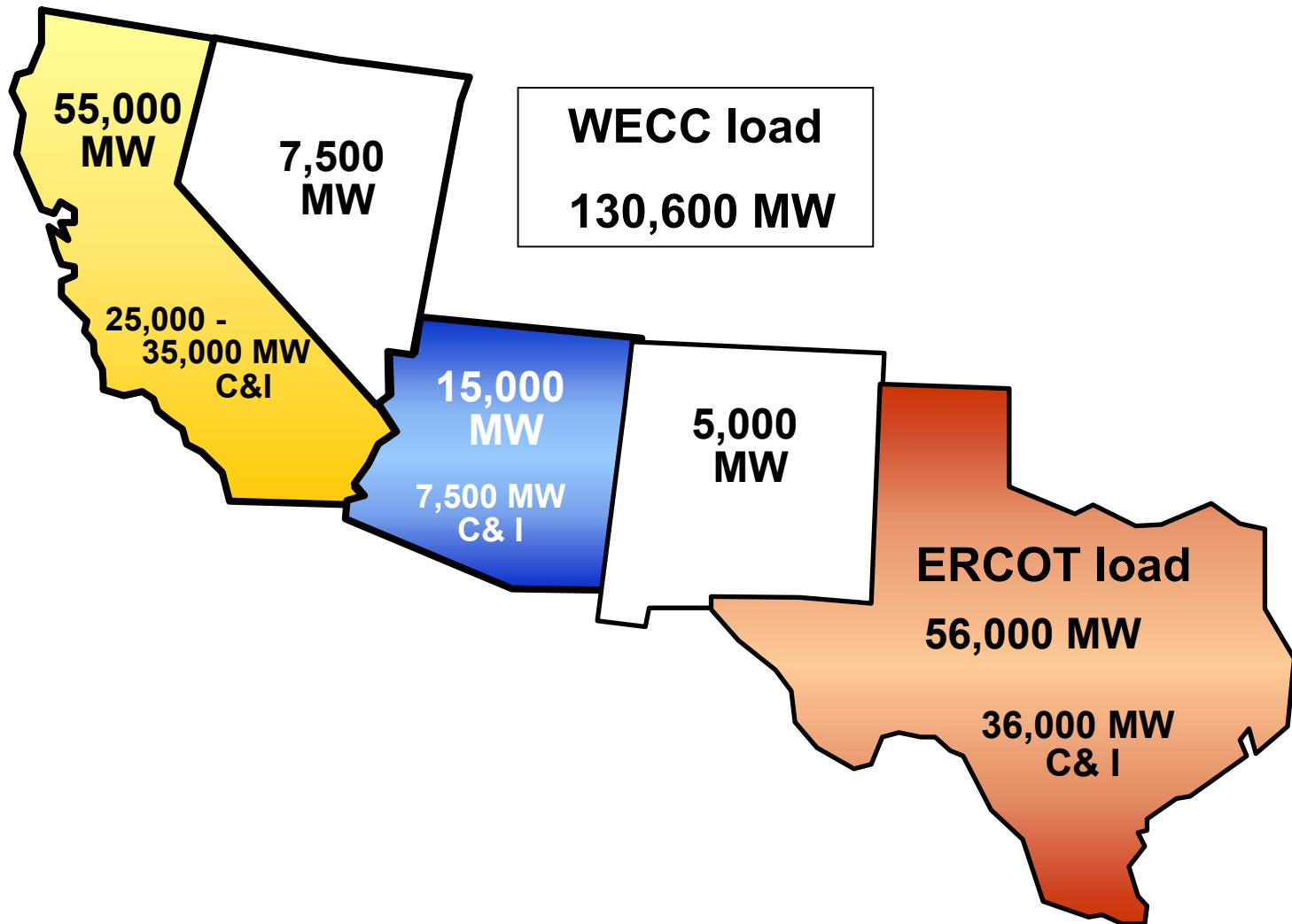
Strategies to Maintain Key Arizona Relationships

- **Ready to serve future competitive non-core customers depending on status of competition rules**
- **Maintain relationships with key Arizona customers through profitable energy services projects**
- **Consult/install distributed generation if customer-desired**

Strategies to Influence Competitive Market Rules



Increasing Market Opportunities

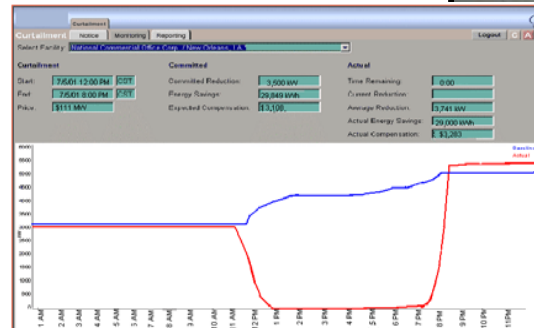
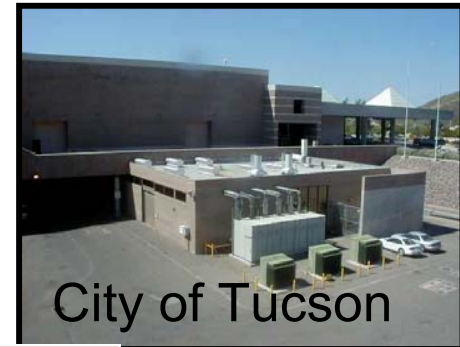
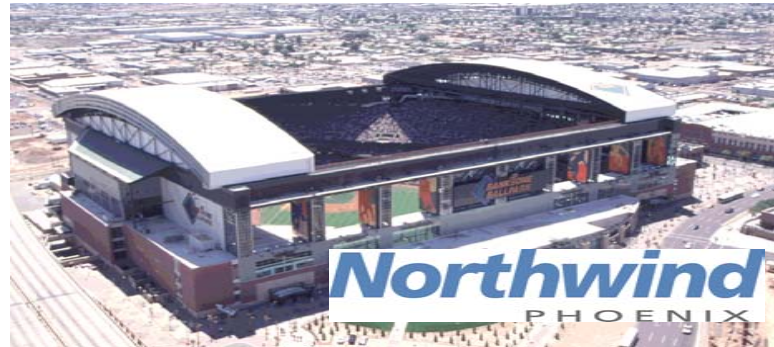


Challenges

- **Sustained profitable growth**
- **State by state regulatory direct access actions**
 - **default provider rates**
 - **standard business rules/data**
- **Reduced barriers to market entry**
- **Liquidity of wholesale markets**
- **Federal transmission changes complicating retail access**

Business Line Highlights

- Commodity procurement
- Northwind-district cooling
- Energy efficiency services
- Technology - *MyEnergyPro*



Future Sustainable Earnings Drivers

- **Seize opportunities to grow existing business**
- **Renew existing contracts in California**
 - **1- 2 year average duration of current contracts**
- **Achieve realistic market share goals**
- **Realize steady growth of ESCO and District Cooling business**
- **Favorably influence competitive rules**