

APS Energy Services

Vicki Sandler

**Analyst Conference
October 18, 2002**

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**

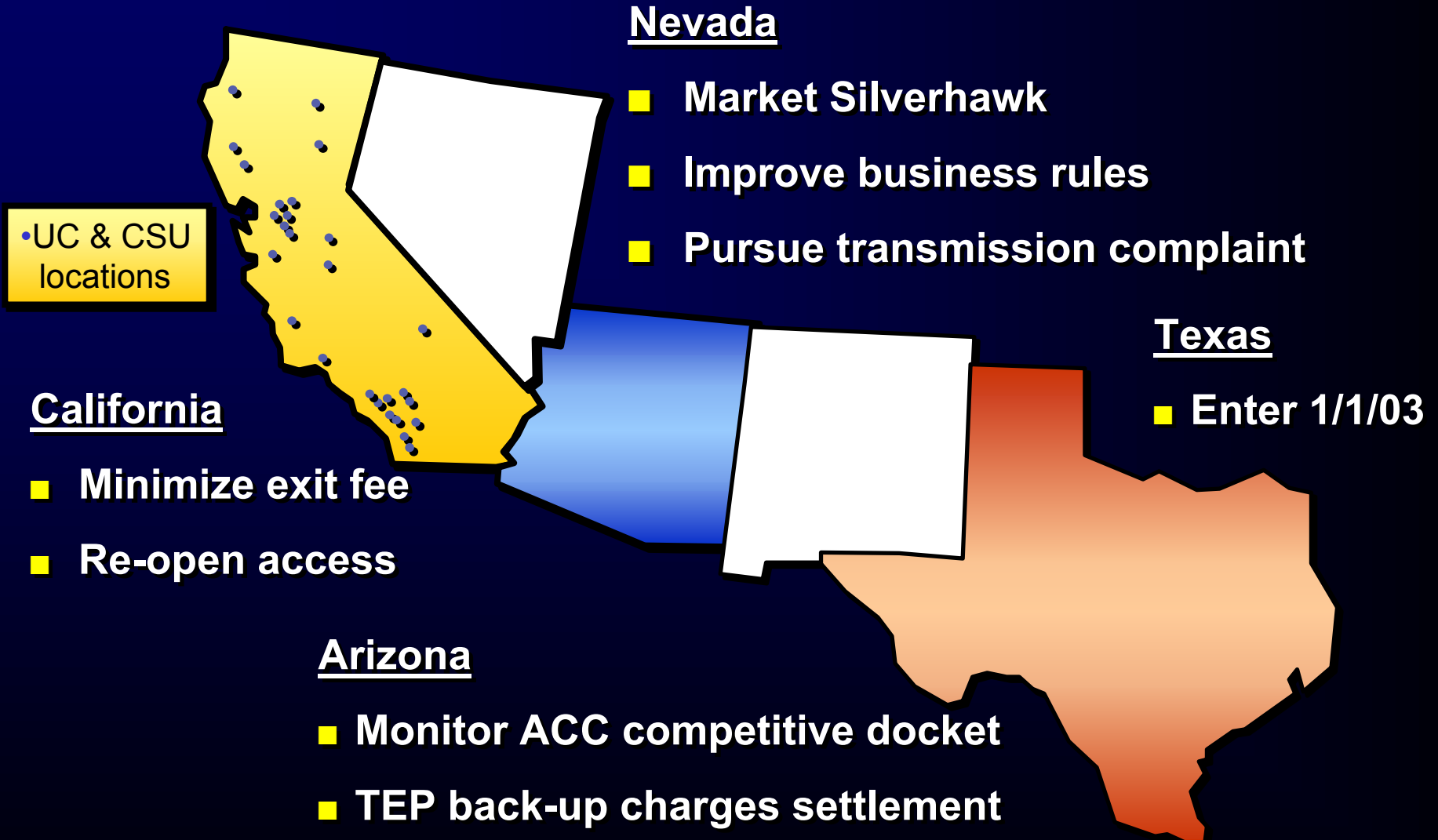
Strategies To Sustain Profitability

- 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

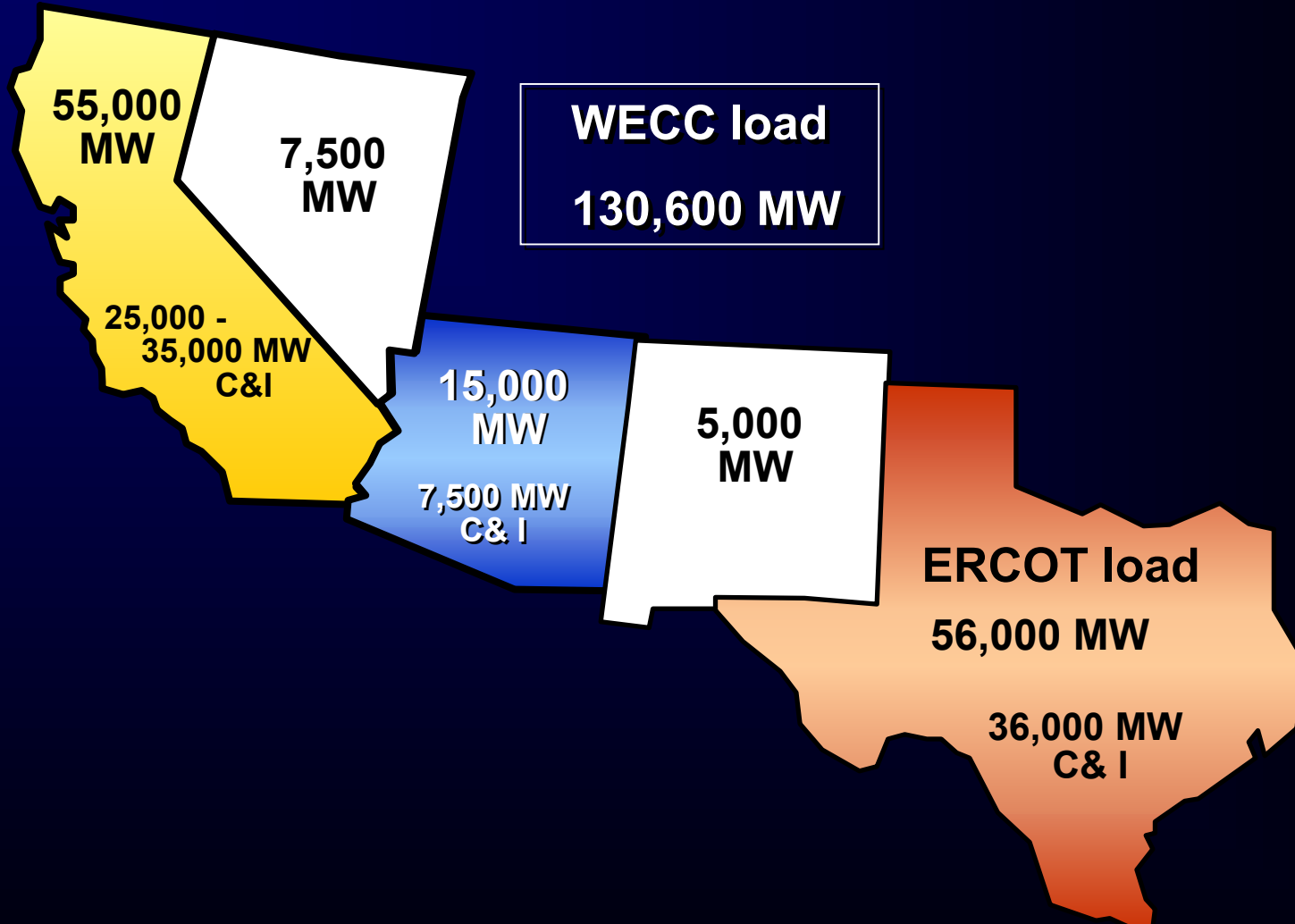
Strategies to Maintain Key Arizona Relationships

- 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

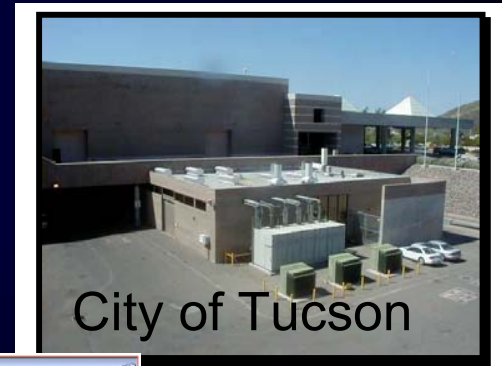
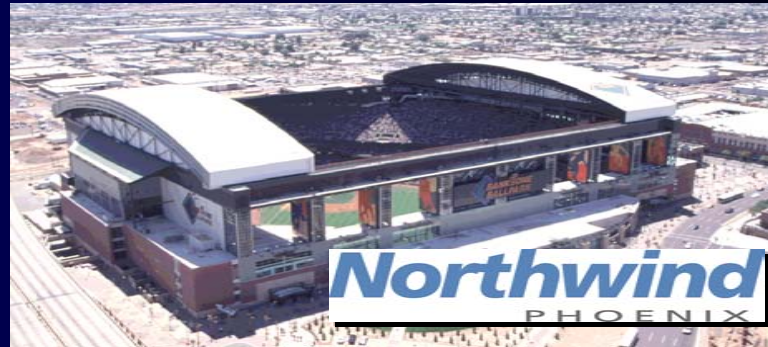


Challenges

- **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**