
Generation Strategies & Expansion A Long Term View

W. L. Stewart

**Analyst Conference
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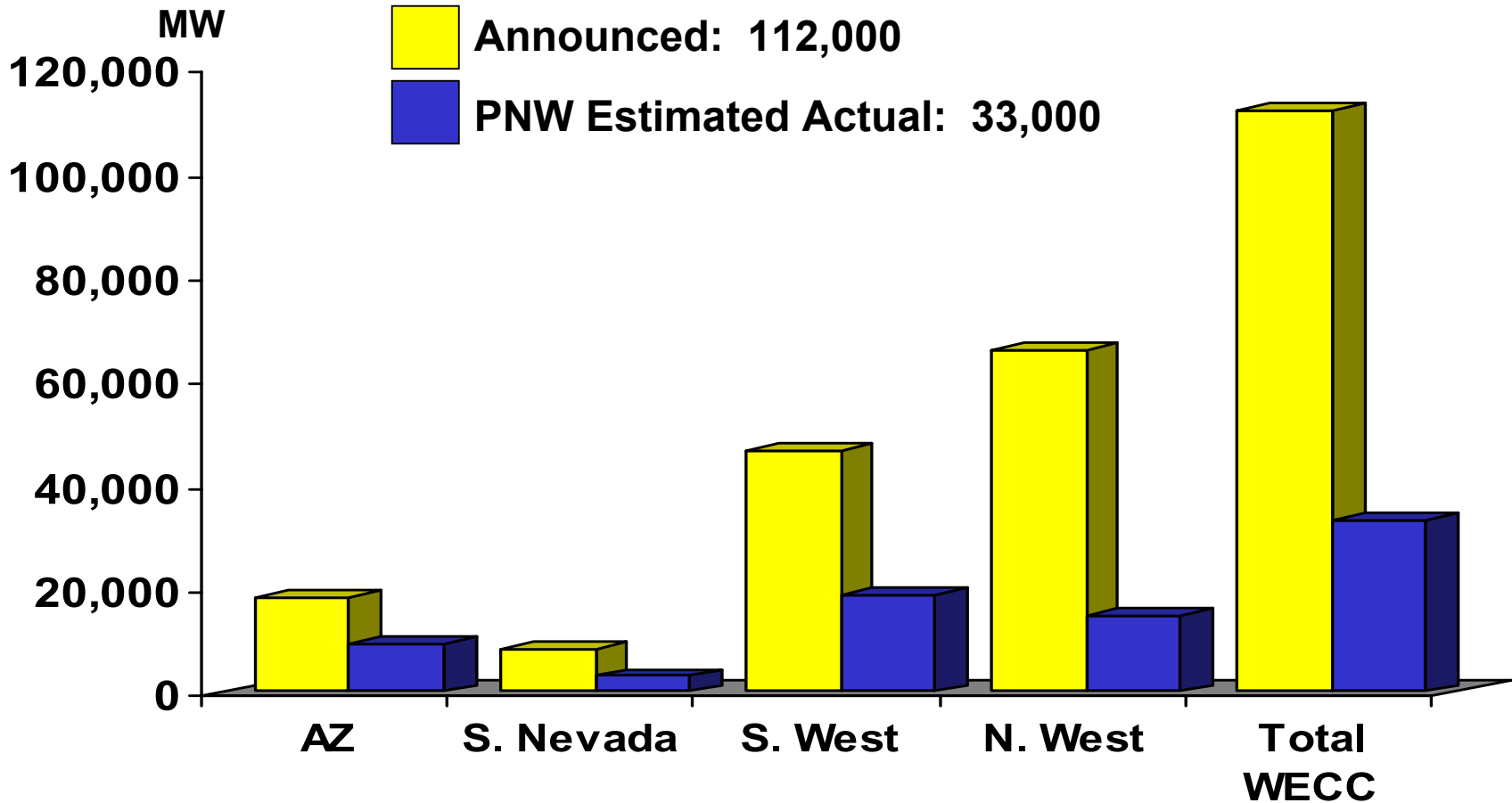


**PINNACLE WEST
CAPITAL CORPORATION**

Agenda

- **Power plant development in the West**
- **Generation strategies - a long term view**
 - **Redhawk**
 - **Silverhawk**
- **Pinnacle West competitiveness**

New Generation Outlook



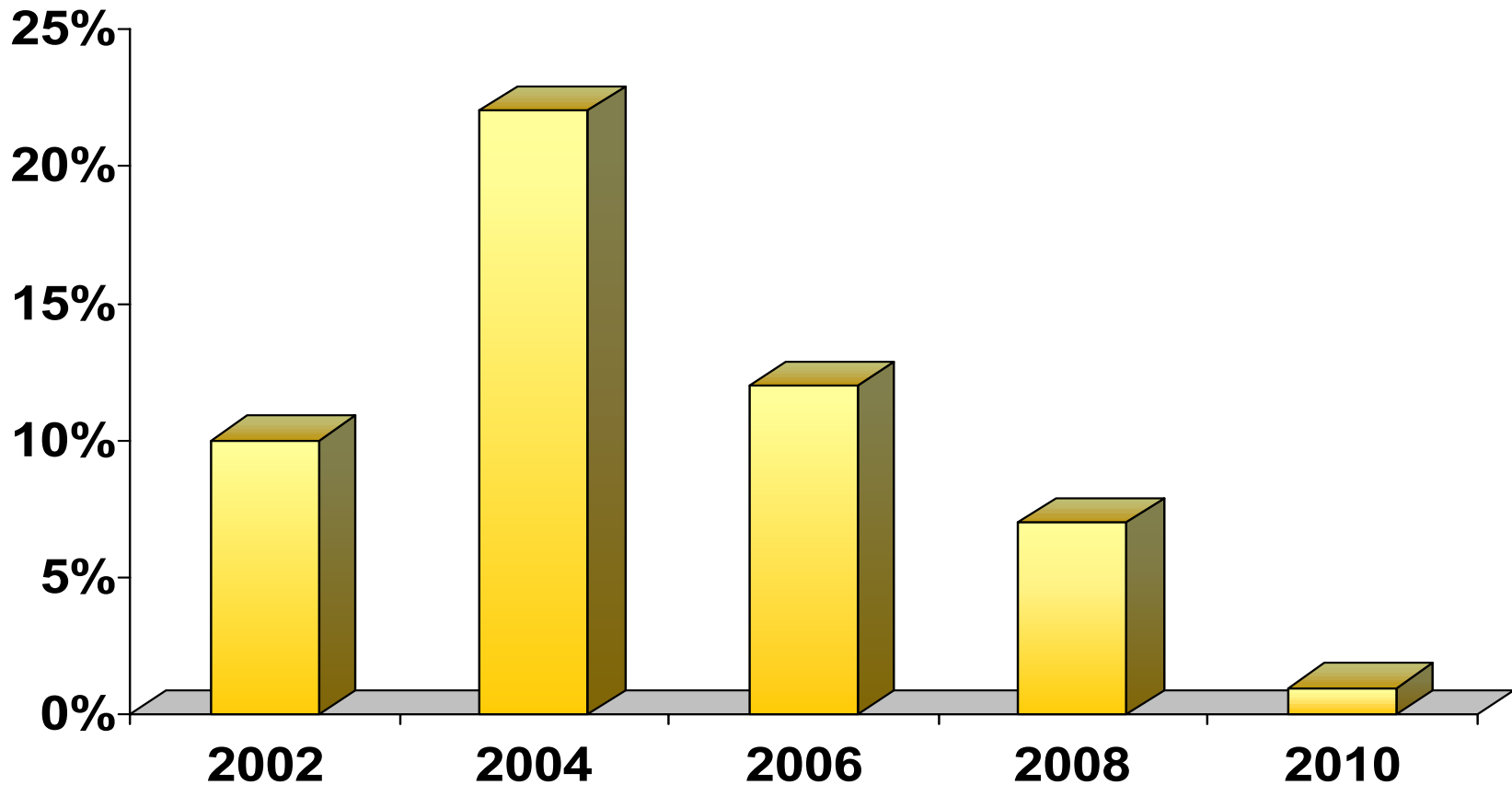
Superior Growth in SW Continues

	<u>Peak Load 2002</u>	<u>Growth Per Year</u>
Arizona	14,180 MW	610 MW
Southern Nevada	5,200 MW	180 MW
Southwest	53,500 MW	1,720 MW
Northwest	77,100 MW	1,760 MW
WECC	130,600 MW	3,480 MW

Arizona & Nevada Plants On Hold or Delayed

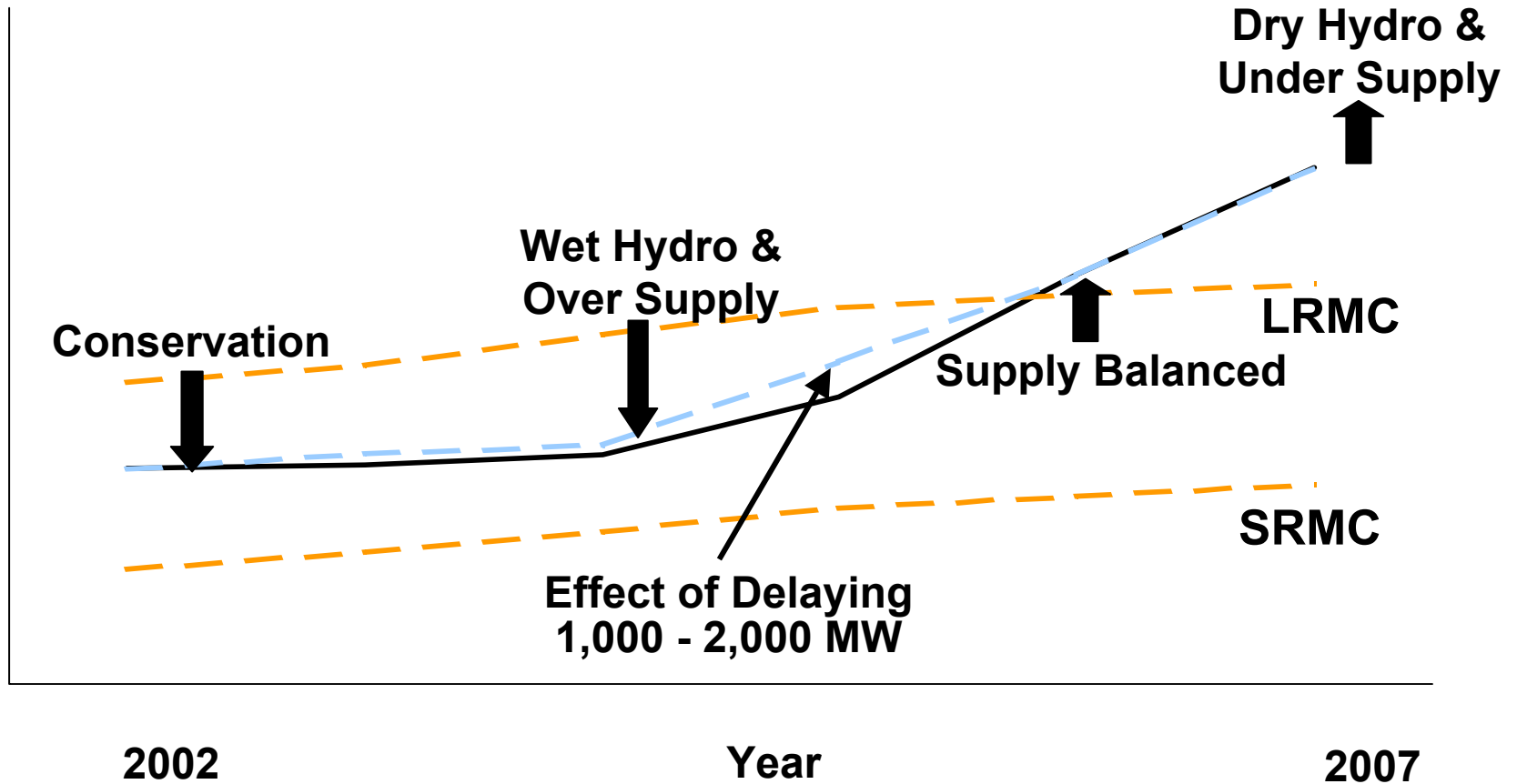
	<u>Planned Construction</u>	<u>On Hold</u>
Arizona	5,900 MW	2,800 MW
Nevada	2,900 MW	1,200 MW

Declining Southwest Reserve Margin No Build After 2004

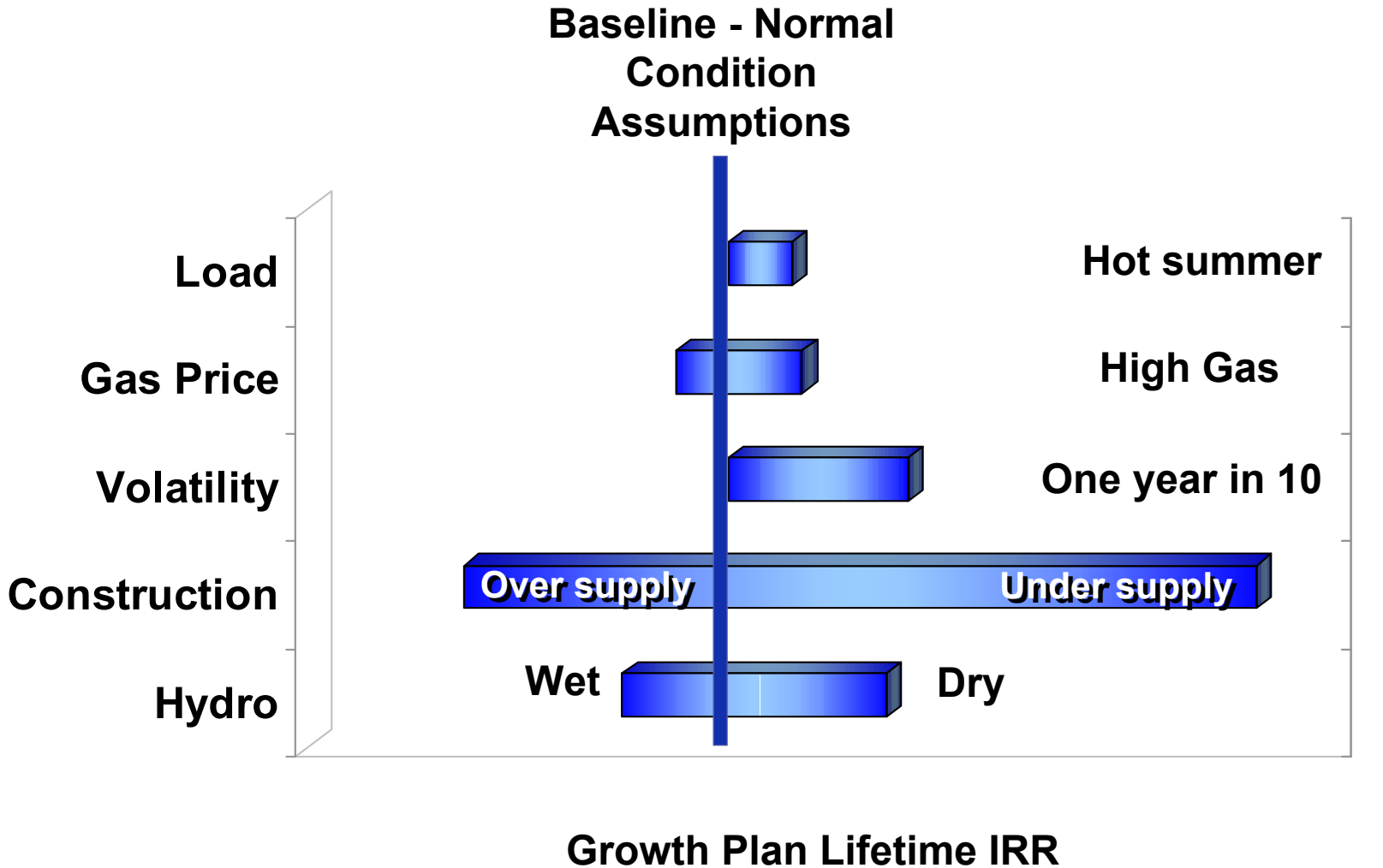


Lowes & Highs of Wholesale Market Price

\$/MWh



Market Conditions Favor More Upside Potential



Pinnacle West Generation Strategic Initiatives

- **Preserve construction flexibility consistent with market conditions**
- **Maintain balanced fuel mix**
- **Sustain operation and construction excellence**
- **Manage risk presented by changing regulatory environment and dynamic market**

Pinnacle West Profile - Regulated

■ APS Generation

- Coal 1,712 MW**
- Gas / Oil 1,189 MW**
- Nuclear 1,087 MW**

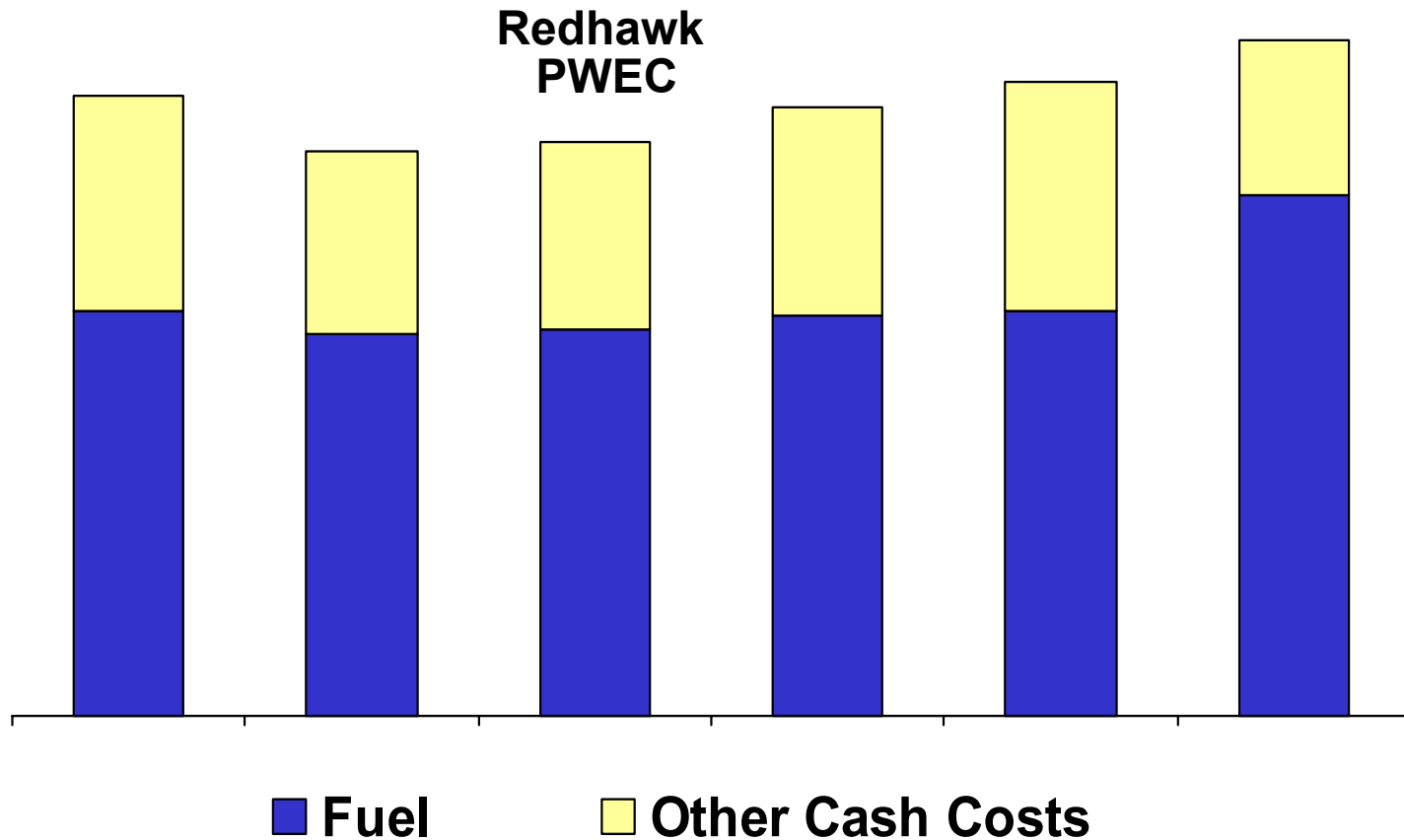
Pinnacle West Profile - Unregulated

	<u>In-Service</u>	<u>Capacity MW</u>
West Phoenix 4	06/01	112
Redhawk 1 & 2	07/02	1,060
Saguaro CT3	07/02	80
West Phoenix 5	06/03	530
Silverhawk	05/04	570
Redhawk 3 & 4	2006-07	600+

Power Agreements

- **West Phoenix 4, Saguaro 3, Redhawk 1 & 2 contracted to APS through end of year 2002**
- **Expect to extend APS agreement to middle of 2003**
- **Silverhawk- 25% output to SNWA**
- **Bid to Nevada loads**
- **Will bid to APS and California loads**

Redhawk 1 & 2 Cost Competitive with Area Merchants



West Phoenix CC5 (530 MW)

- In service - June 2003
- Ideally located in Phoenix metro area
- Improves system reliability



Silverhawk (570 MW)

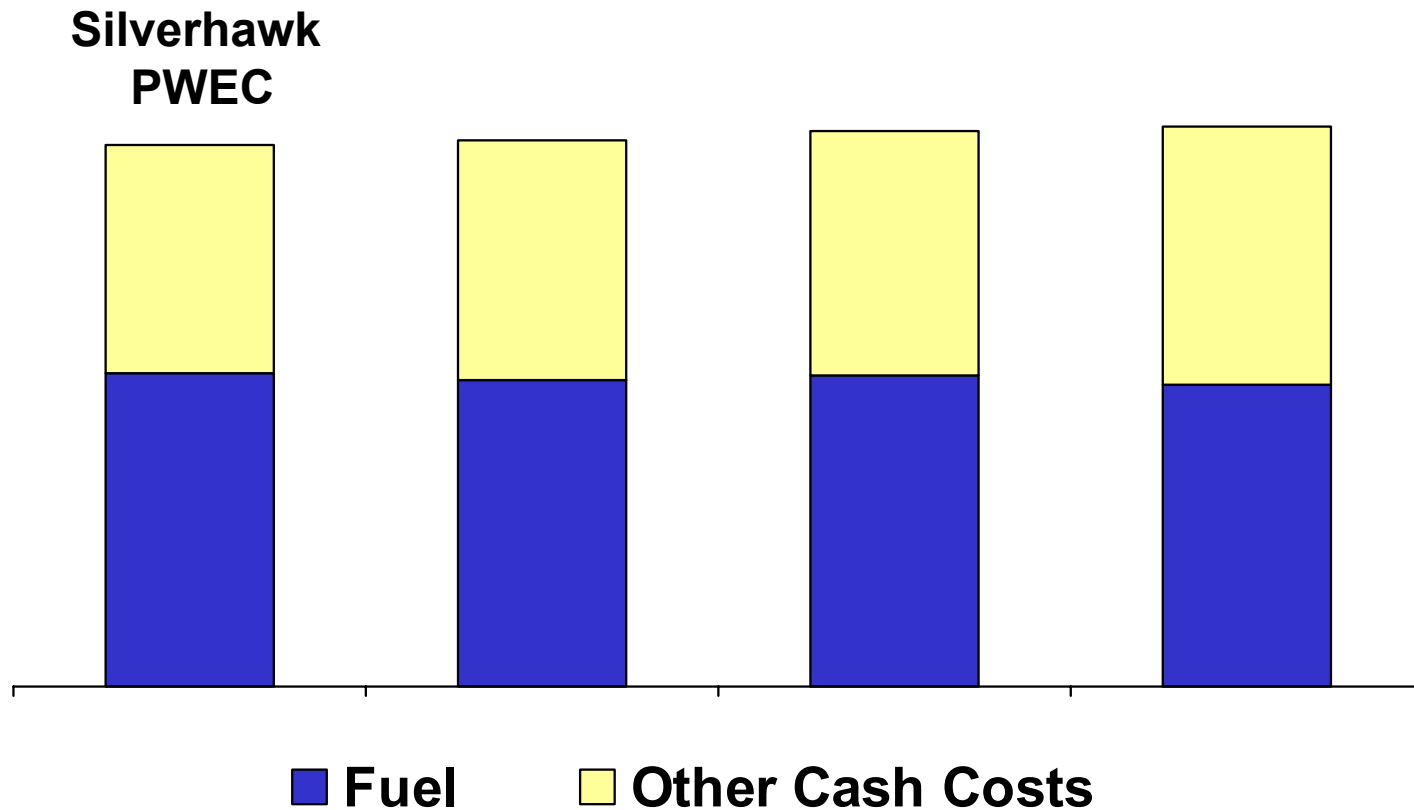
- In service -
May 2004
- Strategic timing
 - Southern Nevada needs 3,700 MW's
 - Area new build 2,000 MW's by 2004
- High growth sub-region
- Superior transmission



Silverhawk (cont.)

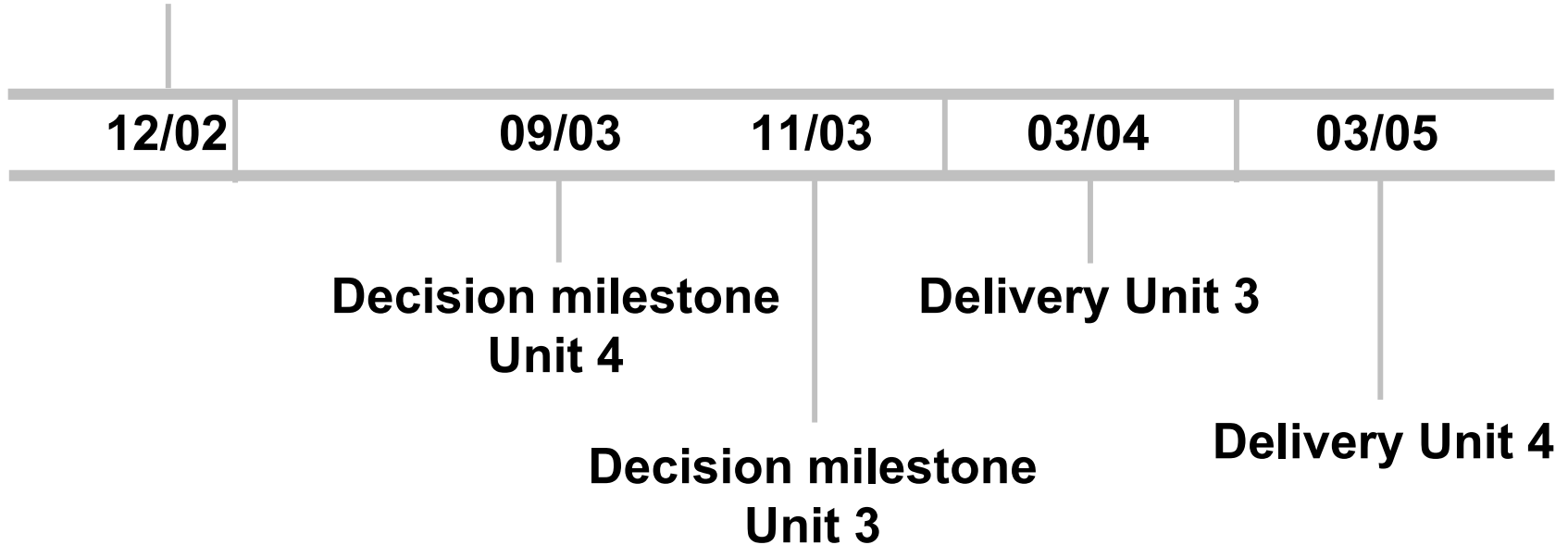
- **Growing market**
- **Diverse fuel supply**
- **Available gas line capacity**
- **Transmission access to multiple markets**

Silverhawk Cost Competitive with Area Merchants



Redhawk 3 & 4 - Gas Turbines

\$50M Paid to Date
(equals cancellation cost)

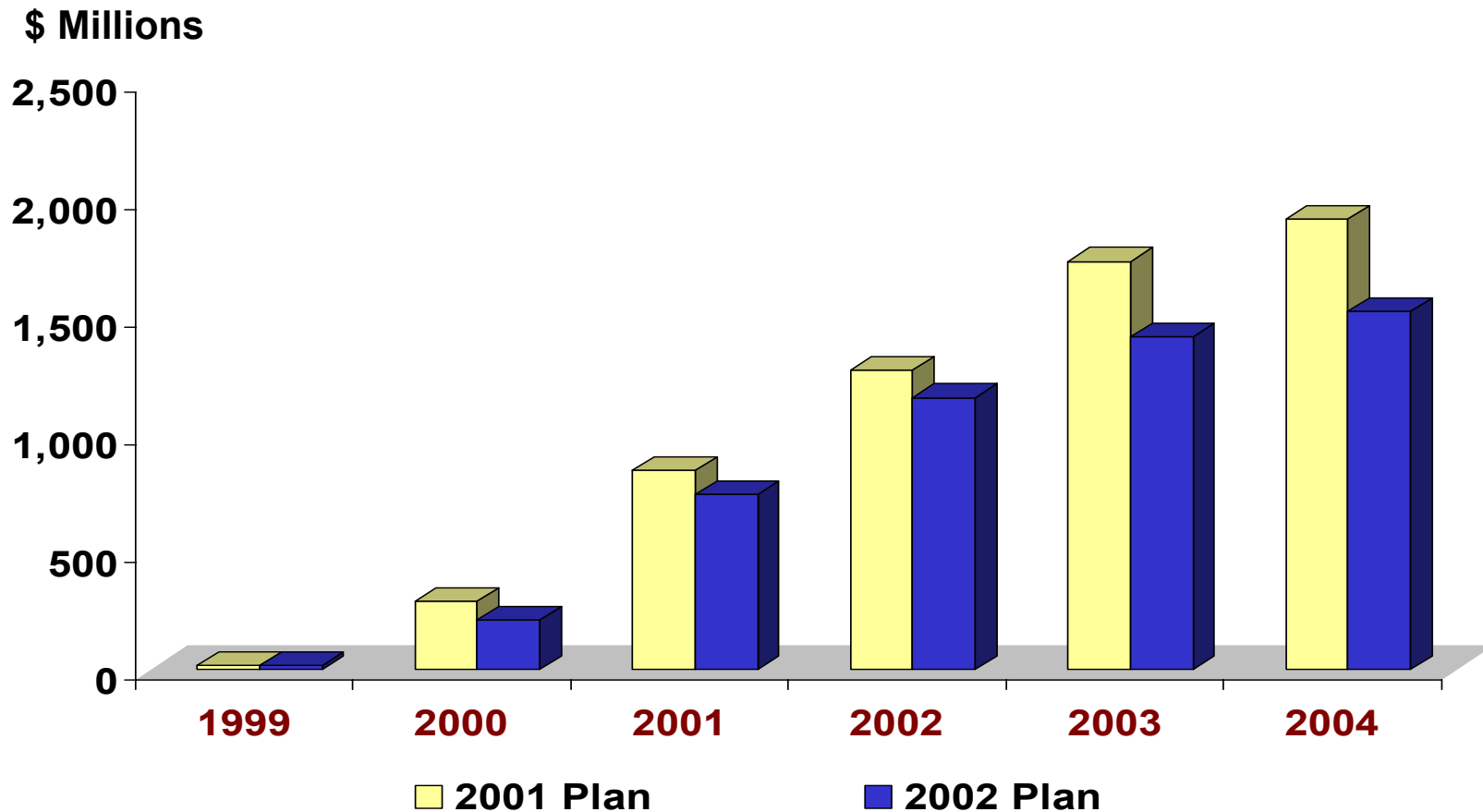


Cancellation costs remain unchanged until decision milestone

Redhawk 3 & 4 Options

- **Construction flexibility is maintained**
- **Timing of equipment delivery is staged**
- **Facilities options**
 - **Combined cycles**
 - **Simple cycles**
 - **Small turbines**
- **Strategic timing 2006 - 2007**

Reduced Capital Expenditures * for Generation Expansion



* cumulative

Summary

- **Maintain long term focus**
- **Strategic and flexible build**
- **Improve asset utilization**
- **Maintain top quartile plant and cost performance**