

APS Peak Demand and Energy Forecast -- Update

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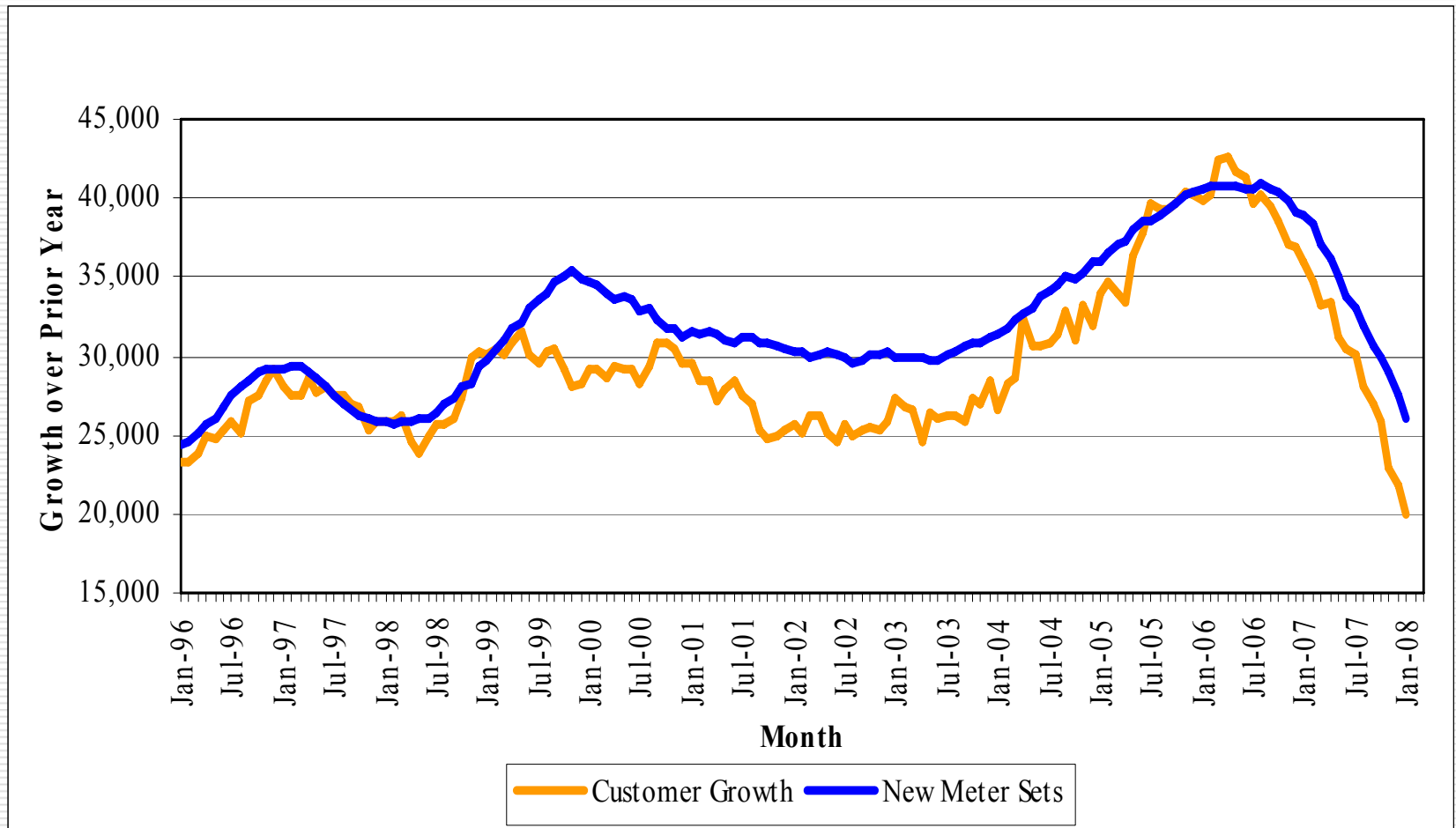
Why Update?

- Recent economic growth trends worse than previously thought
- Load forecast evolving as new information becomes available

What is New?

- Customer growth rate falling faster than anticipated in Sep 2007 (when previous forecast was prepared)
- Excess housing inventory continues to grow
- Construction jobs declining; net migration slowing
- Outlook for job gains, new business investment weakening

APS Residential Customer Growth



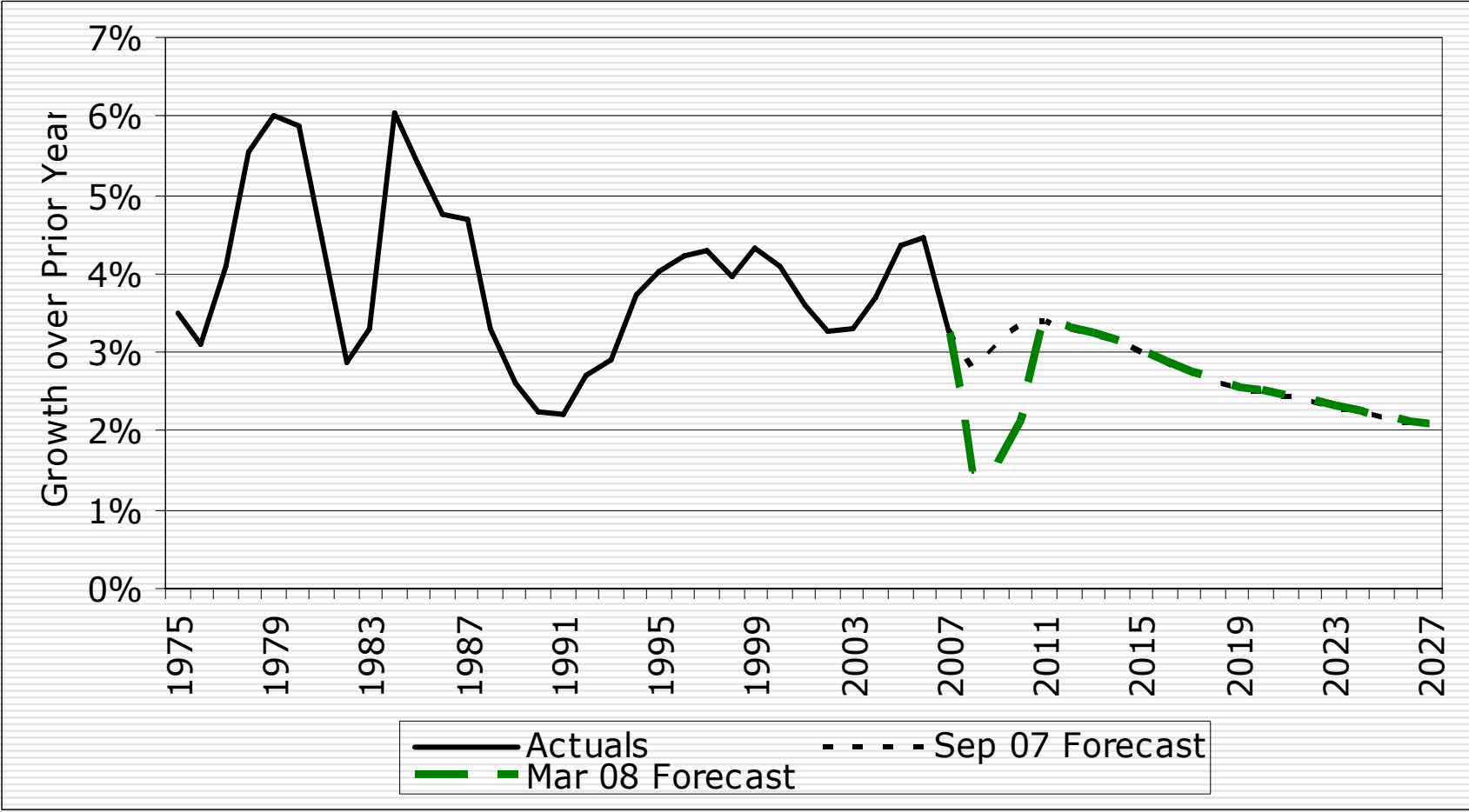
Slowing Job Growth



What is Still True?

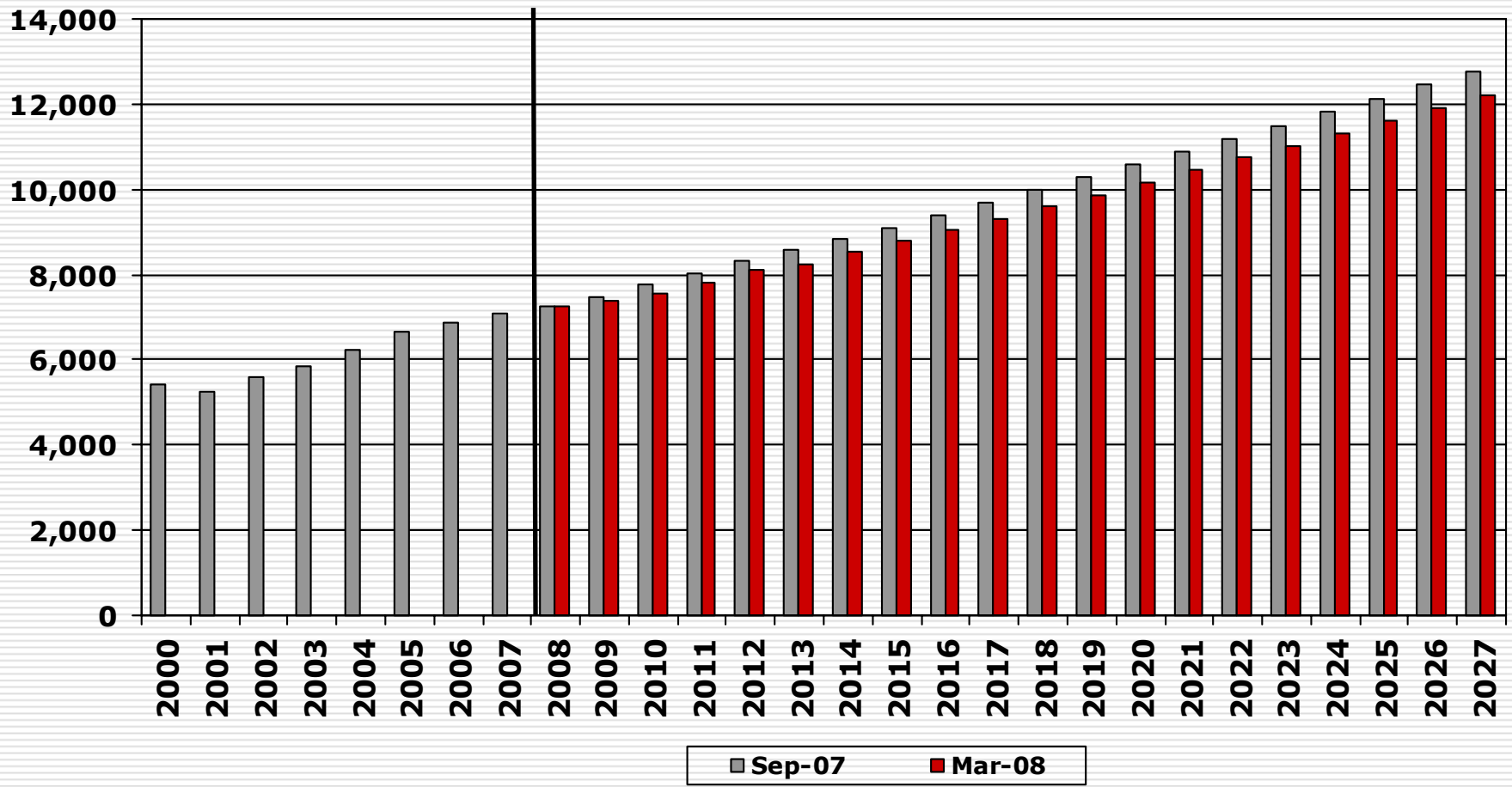
- Peak Demand and Energy Grow Substantially Over the Next 20 Years
- Population Growth Fed by Continued Net immigration is the Largest Single Source of Growth
- Naturally-occurring Efficiency Gains Offset Some of the Growth

Residential Customers



Annual System Peak Load (MW)

Weather Normalized



Conclusion

- Near Term AZ Economic Growth Will Be Challenging
 - Population Migration and Customer Growth Are Slowing Markedly
 - Growth in Energy and Peak Demand Will Slow Markedly As a Result
- Long-Term Fundamentals Remain Positive
 - AZ: 5 Recessions in Last 40 Years
 - Growth Has Always Returned With Vigor
 - AZ Desirability Remains High
- Expect More Robust Growth in Customers, Energy Demand to Return by 2010-11