APS Peak Demand and Energy Forecast -- Update

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April 11, 2008
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

Month

Growth over Prior Year

Jan-96 Jan-97 Jan-98 Jan-99 Jan-00 Jan-01 Jan-02 Jan-03 Jan-04 Jan-05 Jan-06 Jan-07 Jan-08

Customer Growth

New Meter Sets
Slowing Job Growth

Growth Over Prior Year

-20% -10% 0% 10% 20% 30% 40%

Jan-80 Jan-82 Jan-84 Jan-86 Jan-88 Jan-90 Jan-92 Jan-94 Jan-96 Jan-98 Jan-00 Jan-02 Jan-04 Jan-06 Jan-08

Arizona Construction Employment Growth
What is Still True?

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

Growth over Prior Year

- Actuals
- Sep 07 Forecast
- Mar 08 Forecast

Annual System Peak Load (MW)

Weather Normalized

- Sep-07
- Mar-08
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