

In 1999, the APS Customer Service department conducted a summer monsoon briefing instructing the media and the public about what to do if a monsoon storm knocks out a power line. Several monsoon storms hit the Phoenix area in 1999, some knocking down power lines. However, no one was seriously injured by electrical contact from a downed power line.

The Customer Construction department maintains three electrical safety demonstration trailers that can

send 7,000 volts of electricity through a hot dog or a grapefruit to illustrate the impact of electrical current. The trailer is operated only by trained, experienced personnel to ensure the highest level of safety. In 1999, APS conducted approximately 100 demonstrations for more than 7,000 people.

SECTION 6

SUPPLIER RELATIONSHIPS

APS does not have a specific Company policy that incorporates environmental criteria into the selection of fuel suppliers. The APS Generation Business Unit Strategic Plan, however, states that environmental, health and safety compliance is the minimum standard of performance and that the Company will strive to go beyond compliance whenever feasible.

APS uses three primary fuel types: coal, nuclear and natural gas. Most of the fuel is purchased through long-term contracts.

FUEL SUPPLIERS

All APS fuel suppliers are expected to maintain permits from applicable federal, state and local agencies that mandate each supplier's adherence to environmental standards. The regulating agencies are responsible for conducting formal inspections to ensure compliance with all requirements.

APS works with fuel suppliers to develop environmentally preferable processes, materials and products by providing funding for environmental studies and monitoring that work toward improving ground water, land vegetation, animal habitats and air quality.

It is APS policy to provide energy from natural resources in the most efficient and economical means available. When it is feasible, APS produces energy from local or regional fuel sources to limit the economic and environmental impacts of transportation. Approximately 97 percent of APS coal is purchased from local sources, the remaining 3 percent is procured regionally.

Power plant specifications for fuel quality and composition are incorporated into fuel contracts. The Fuels Procurement department monitors supplier activity and associated costs for reclamation, and health and safety practices, to ensure the work is cost effective and that environmental criteria are met. APS fuel contracts at the Four Corners Power Plant include the cost of

reclamation; therefore the Company has a vested interest in the impact on the local environment.

The Four Corners Power Plant returns coal ash to the mine for reclamation. Returning the ash to the mine reduces waste and minimizes land impacts. In 1999, APS returned 1,190,160 tons of ash and scrubber sludge to the mine. The ash and scrubber sludge that are used as backfill in the mine are considered chemically stable and pose no measurable environmental or health risk to the community.

OTHER SUPPLIERS

The APS Environmental, Health and Safety Policy broadly states that all aspects of the business will be managed in a safe and environmentally responsible manner. Where appropriate, this includes the incorporation of environmental criteria into the selection of suppliers.

Purchasing Decision Considerations

- Supplier's use of environmentally preferable materials
- Materials-use efficiency of supplier operations
- Energy-use efficiency of supplier operations
- Hazardous waste management practices
- Solid waste management practices
- Final waste and emissions volumes for supplier operations
- EHS compliance record

APS actively seeks opportunities to reduce its air emission impact, especially in the Phoenix area. During the summer months, preventing the formation of ground level ozone is a challenge for all area businesses. To reduce its emissions of volatile organic compounds (VOCs), a precursor to ozone, APS adopted a policy of procuring low-VOC paints and solvents as a replacement to their high-emission counterparts.

APS shares its knowledge of environmentally preferable processes with its suppliers by sponsoring seminars on green product availability and soliciting environmentally friendly product options.

APS procurement personnel periodically review supplier selection metrics and adjust them to accommodate changes in technology, regulations and corporate culture.

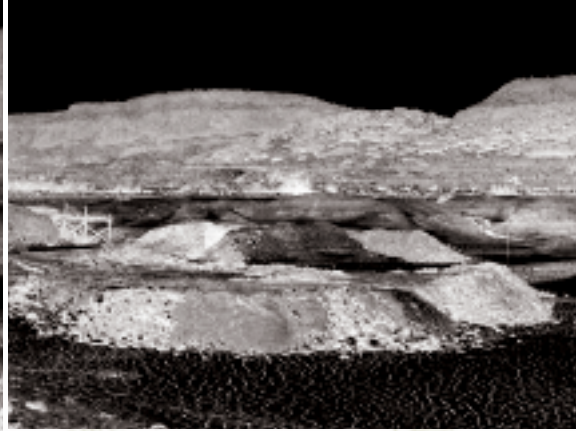
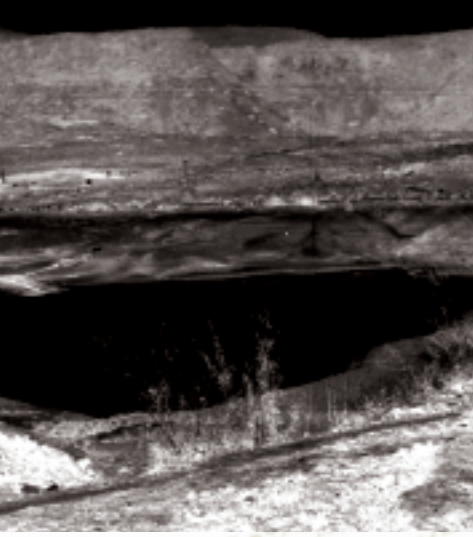
MONITORING EHS PERFORMANCE OF SUPPLIERS

APS uses a variety of means to monitor the environmental performance of suppliers. The Environmental, Health and Safety Audit group conducts periodic audits of vendors and maintains membership in the Joint Utility Vendor Audit Consortium (JUVAC). JUVAC is comprised of nine western utilities that share resources to conduct audits of commonly used waste and recycling vendors.

In 1999, APS completed 11 vendor audits, exceeding its goal of 10. Of the 11 vendor audits, 8 were completed in partnership with JUVAC. The vendor audits covered waste treatment, storage, disposal and recycling facilities.

ENCOURAGING MINORITY- AND WOMEN-OWNED BUSINESS GROWTH

As a major employer and service provider in Arizona, APS believes it is good policy to encourage business growth and community diversity. Accordingly, APS ardently supports the development of Minority- and Women-owned Business Enterprises (MWBEs). In 1999, APS purchased a total of \$70 million worth of goods and services from MWBE vendors. This amount totaled 8.8 percent of all qualified Company purchases, but fell short of the 10.5 percent goal.



1908 *To ensure an adequate, continuous supply of water to the Childs plant, Stehr Lake was built in an old dry lake bed and covered 27.5 acres. The lake bed made the hydroelectric system possible by providing a reservoir to run the Childs plant when repairs and maintenance activities shut off the flume's water flow. The reservoir was created by constructing two earth-fill dams at each end of the lake bed.*