

COMPLIANCE

APS views compliance as the minimum performance standard and strives to reach beyond compliance in all areas of the business. All APS managers and employees are required to uphold regulatory compliance as part of their daily activities and business planning. When non-compliance issues do arise the Company takes appropriate steps to address those issues and ensure they do not happen again.

As an energy supplier and producer, APS is subject to environmental, health and safety regulations on the federal, state, county and local levels. In addition, the Four Corners Power Plant, located on the Navajo Nation near Farmington, New Mexico, works with the Navajo Nation Environmental Protection Agency to address environmental issues.

APS has an internal Company target of zero notices of violation (NOVs) resulting in fines or penalties. Success in meeting this target is reflected in employee performance evaluations and compensation.

In 1999, the U. S. Department of Transportation (DOT) conducted an extensive audit of APS' motor carrier safety program and issued an unsatisfactory

rating. The rating was the result of an onsite review and evaluation of the Company's performance from August through November 1999.

APS acted quickly to improve its rating and enhanced its commercial motor vehicle practices and procedures. Within one month of the audit report, based upon the implemented enhanced procedures and practices, APS submitted a letter requesting reclassification of its safety program. The DOT subsequently upgraded the safety rating to conditional in January 2000 and was upgraded to satisfactory in June. APS will be subject to two additional DOT audits within two years to ensure continued compliance with highway safety regulations.

The Institute of Nuclear Power Operations (INPO) awarded its highest rating, the INPO "1", to the Palo Verde Nuclear Generating Station for a third consecutive time in 1999. INPO conducts periodic evaluations of nuclear power plants to promote the highest levels of excellence in plant operations including environmental, health and safety performance. The evaluations are based on criteria established by INPO with industry review.

NOTICES OF VIOLATION RESULTING IN FINES OR PENALTIES

	'95	'96	'97	'98	'99
ENVIRONMENTAL					
Clean Air Act (CAA), State, County and City Regulations	0	0	0	2 ^a (\$600)	0
Clean Water Act (CWA) and State Water Regulations	0	0	1 ^b (\$42,000)	0	0
Resource Conservation and Recovery Act (RCRA) and State Waste Regulations	0	0	0	0	0
Superfund Amendments and Reauthorization Act (SARA)	0	0	0	0	0
Toxic Substances Control Act (TSCA)	0	0	0	0	0
Local Statutes/Regulations	0	2 ^c	0	0	0
Safety					
Occupational Safety and Health Act (OSHA) and State OSHA Regulations	0	0	0	0	0
Nuclear					
Atomic Energy Act	0	0	0	0	0

a. Arizona Revised Statute 41-2123, Area A; gasoline at West Phoenix Power Plant found to be below oxygen requirements (\$300). Arizona Revised Statute 41-2123, Area A; gasoline at Deer Valley facility found to be below oxygen requirements (\$300).

b. Release of treated effluent from a pipeline going to Palo Verde Nuclear Generating Station.

c. Issued by the City of Phoenix for violation of a City parking ordinance, no fines were assessed. Vehicles were parked on an unpaved surface at the Deer Valley Substation. The second was issued by Maricopa County to the West Phoenix Power Plant for violation of a County environmental rule. A wooden handled brush containing degreasing solvent was found in a sink during an inspection.