



EXECUTIVE SUMMARY

Often in the electric utility business, the word “reliability” refers only to a company’s ability to provide uninterrupted power. At APS, reliability means a lot more. It means people count on us every day to do more than just keep the power flowing. They expect us to be a positive presence environmentally, economically and in the communities we serve. Yes, we take the production and delivery of power very seriously, but at APS we realize our job doesn’t end there.

Our goal is to make the delivery of power from utility to consumer a seamless one that only impacts our customers in positive ways. We are working to do the same for our environment. This report is one way of measuring our progress in achieving this goal and gives you, the reader, a look at that progress.

If you are a past recipient and reader of the APS Environmental, Health and Safety Report, you may notice our report structure is slightly different. We have produced this year’s document in accordance with the Global Reporting Initiative (GRI) guidelines.

Convened by the Coalition for Environmentally Responsible Economics (CERES) in partnership with the United Nations Environment Programme (UNEP), the GRI was established in late 1997 with the mission of developing globally applicable guidelines for reporting on the economic, environmental, and social performance of corporations, governments, and non-governmental organizations (NGO). The GRI incorporates the active participation of corporations, NGOs and accountancy organizations. By following the GRI guidelines, we are embracing the idea that our employees, shareholders, environment and community are all interconnected, and we are all stewards of our surroundings.

This report details APS’ economic, environmental, safety and social performance in 2000. As with most GRI reports, you will notice that the environmental performance information is much more detailed than the

social and economic. We will continue to expand our social and environmental sections as the methods for tracking reporting are further developed.

In many ways our performance was strong, but safety was an area of disappointment. We saw a 25 percent increase in the number of recordable injuries and had our second employee fatality in as many years – results we find completely unacceptable.

We maintain an uncompromising commitment to safety and are using every available resource to increase employee awareness of working safely. In November of 2000, our “Back to Safety Basics” program finally took hold, resulting in a significant reduction of incident totals for the last two months of the year. Our goal is zero accidents, a goal from which we will not stray.

Some areas of note:

- We voluntarily excavated a historic manufactured gas plant (MGP) in Prescott, Ariz. and replaced nearly 100,000 tons of clean soil. The site, adjacent to Miller Creek, has been re-vegetated and will be maintained as a city park.
- Our transformer shop implemented a number of practices that have limited our compliance liability, while saving us nearly \$2.5 million per year.
- Four Corners Power Plant found new marketable uses for its main byproduct – coal ash.
- We increased our net operating revenues from \$2.3 billion in 1999 to \$3.5 billion, while lowering customer electric prices for the sixth time in seven years. Our stock price also increased 56 percent, while earnings from continuing operations grew 12 percent.



As we begin electric industry competition, our primary business strategies address the rapid growth characteristics of Arizona and the western regional market. We remain committed to:

- Limiting our impact on the environment and improving our surroundings;
- Continual focus on customer service and satisfaction;
- Expanding our interests in competitively efficient generation assets in the West (including solar);
- Aggressively maximizing assets; and
- Effectively managing risk.

In this report, our dedication to the environment, our customers and the communities we serve is explained in much detail. However, as meaningful as these words are, we feel our actions mean much more. In 2000, our 6,000 employees donated more than \$2 million to local health and human service organizations and, with their families, volunteered more than 65,000 hours to worthy causes. In addition, our company donated in excess of \$6 million to non-profit organizations and events.

There are many laws and regulations related to our industry that help to protect the environment, our employees and our customers. However, to APS the most important mandate is self-directed – do the right thing.

Thank you for your interest in the 2000 Environmental, Health and Safety Report. We encourage and look forward to your comments about this report and our progress toward achieving our goals.

Edward Z. Fox
Vice President, Communications, Environment and Safety