

*Ray - Bill
Conway
gave me this*
[Signature]
7/84

APS

Arizona Public Service Company

1991-1995 STRATEGIC PLAN

July 1991

9212150033 920309
PDR FOIA
JONES92-BG PDR

*15/26
30.*

APS 1991-1995 STRATEGIC PLAN

TABLE OF CONTENTS

TABLE OF CONTENTS	ii
OUR CULTURE CHANGE STRATEGY	1
STRATEGIC PLANNING TERMINOLOGY	3
APS MISSION	4
STRATEGIC AREAS	5
CORE VALUES	7
CRITICAL SUCCESS INDICATORS (CSIs)	9
TARGET, BEST-PRACTICE COMPANIES	13
TARGETS	13
HISTORY	13
CRITICAL SUCCESS INDICATOR TABLE	14
BUSINESS CASES	17
OFFICER PLAN SUMMARIES	17
CUSTOMER SERVICE, MARKETING & ECONOMIC DEVELOPMENT AND CORPORATE RELATIONS	18
CORPORATE FINANCE PLANNING & CONTROL	19
HUMAN RESOURCES	20
GENERATION AND TRANSMISSION	21
NUCLEAR	22

APS 1991-1995 STRATEGIC PLAN

OUR CULTURE CHANGE STRATEGY

Implementing strategic plans to realize our vision of Top 5 by '95 will require change throughout the organization. The essence of our company, our corporate culture, will reflect this change as we proceed toward our vision. We will monitor our progress and will focus on results as we carefully craft our new corporate culture.

To be successful, we will foster an organization-wide understanding of our vision and a commitment to a clear and energizing mission. Employees will understand and commit to challenging and specific organization, group and individual targets. By using viewpoints of our customers as a major decision tool in determining what to do, we will encourage and support people to do things better, even those things that are working well. We will invest time developing our co-workers' ideas, making the business better and supporting responsible risk taking.

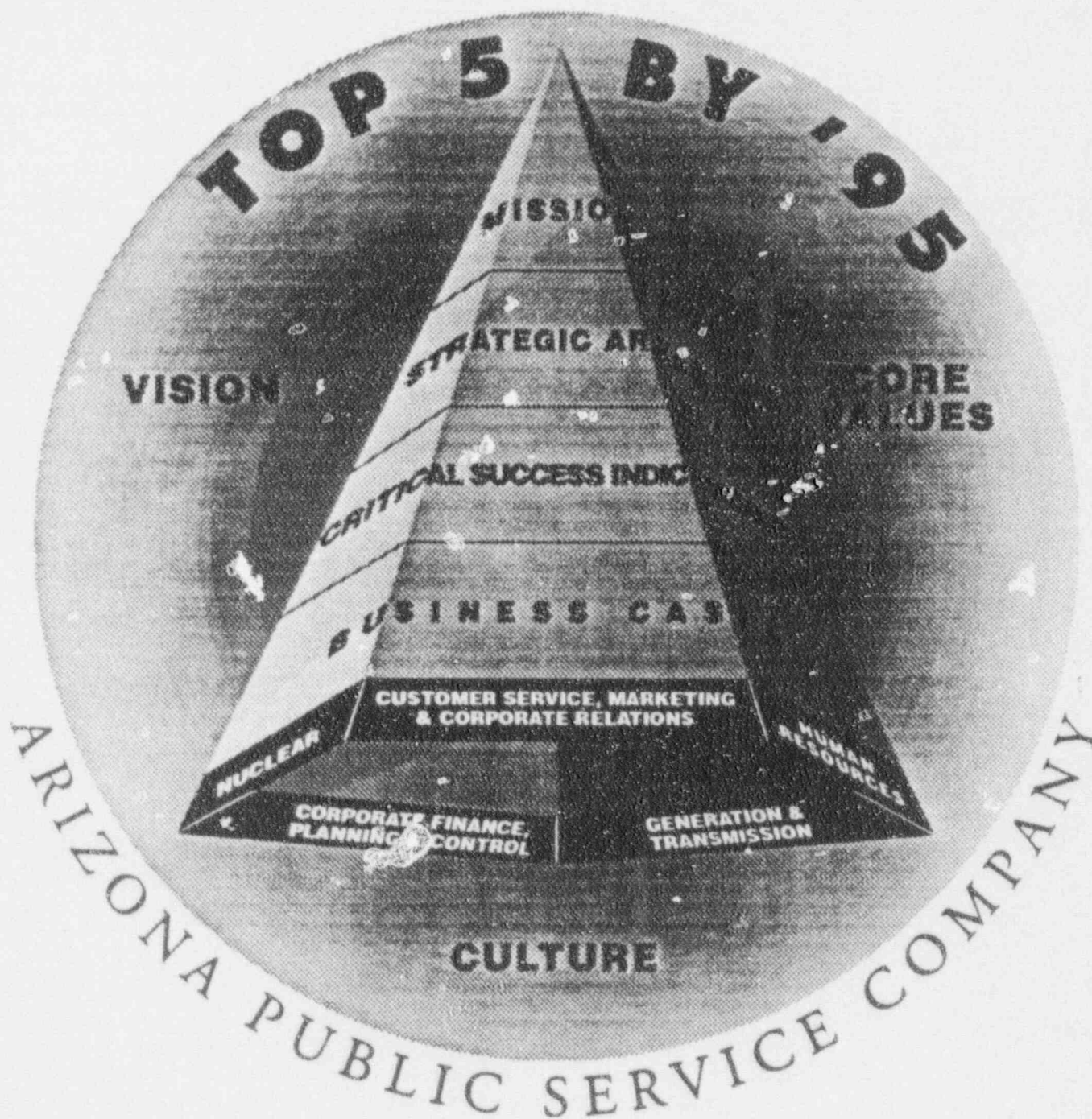
Our most senior people will be the first to make changes in a visible, dramatic and on-going manner. Our managers will place a high priority on people. We will reward managers for managing, not for doing. Our managers will serve the front-line employees as their customers, and will act in open, honest and caring ways. We will rely on, believe in, and treat each other as partners committed to the same targets. Frank communication of facts, ideas and feelings between individuals and groups will lead to open discussion of our differences.

To assess our progress toward achieving our vision, we will continually monitor results against the corporate critical success indicators. We will acclaim those employees who excel in their performance and will confront those that do not. We will share formal and informal feedback between individuals and groups to increase performance.

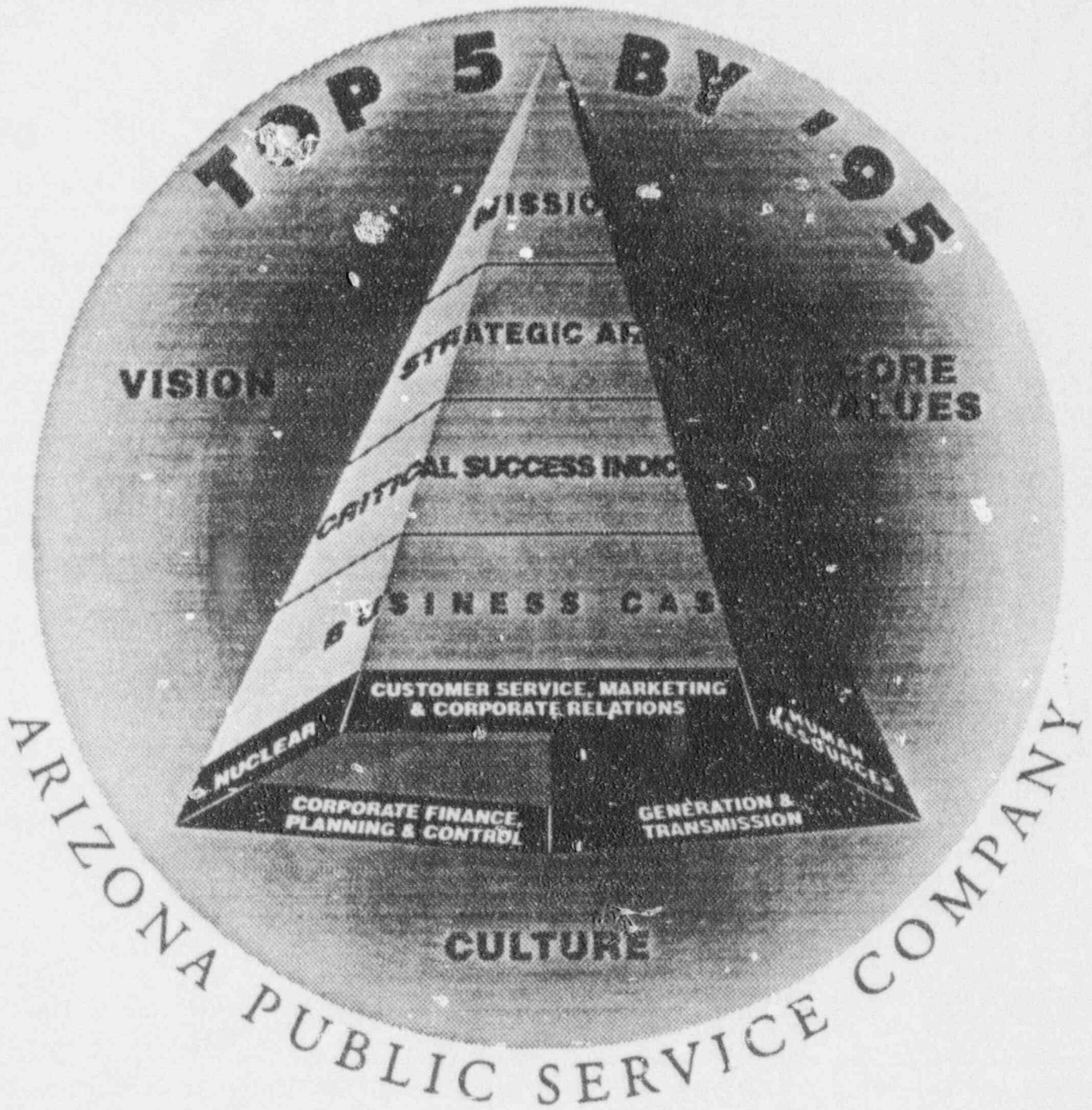
Our focus will be on results as we increase accountability for our own development, progress, results, and work relationships. We will take action and accept responsibility for whatever we do to accomplish our mission and will not ignore broken agreements or non-performance. We will celebrate achievement contributing to constant accomplishment of challenging targets and will compensate employees based on performance.

Obviously these changes are dramatic. Such change can occur only with employee commitment and a successful change strategy that emphasizes culture, performance and result.

APS 1991-1995
STRATEGIC PLAN



APS 1991-1995
STRATEGIC PLAN



APS 1991-1995 STRATEGIC PLAN

STRATEGIC PLANNING TERMINOLOGY

The steps of our strategic planning process, in the order of their development, are: vision, core values, mission, strategic areas, critical success indicators and business cases. These steps are briefly explained here, and are more fully explained in the remaining sections of this report.

VISION

Vision is a clear conceptual picture of a desired future state.

CORE VALUES

Values shape the way we live our lives and the way we are viewed by other people. Our values are acquired at home, at church, at school, at work and on the street from all our life experiences. We live and act in accordance with our values.

CULTURE

Culture is the way we do our jobs.

MISSION

Mission is a short description of who we are, what we do, and what we intend to do to realize our vision.

STRATEGIC AREAS

Strategic areas further define the critical components of our mission statement.

CRITICAL SUCCESS INDICATORS

Critical success indicators are measures of performance toward our mission. Indicators are a means of measuring our progress. They help us evaluate our status and assist us in changing business policies and processes so that our mission is accomplished through a series of small, incremental steps.

BUSINESS CASES

Business cases are the "how" we will accomplish our mission. They are the up-front explanation of what we are going to do. Business cases describe a proposed course of action in terms of: scope, objectives, resources, task plans, deliverables, prerequisites, major drivers, major impacts, expected contribution to critical success indicators, probability of success and cost.

APS 1991-1995 STRATEGIC PLAN

APS MISSION

APS is the leading electric energy company serving the people of Arizona.

By 1995 APS will:

- *Be one of the top five investor-owned electric utilities in America in terms of cost management, customer service, power plant performance, nuclear and industrial safety, and environmental performance.*
- *Have significantly improved our price competitiveness.*
- *Have improved our competitive marketplace position.*
- *Be recognized as the premier corporate citizen in Arizona.*

We will succeed through employee commitment to continuous improvement with emphasis on teamwork and work place innovation.

APS 1991-1995 STRATEGIC PLAN

STRATEGIC AREAS

There are many areas in which we need to excel. Strategic areas have the highest potential for propelling our business to realize our vision. We will focus on these most important areas first.

Our six strategic areas are: Cost Management, Customer Service, Safety, Environment, Power Plant Performance, and Premier Corporate Citizen.

COST MANAGEMENT

We manage the cost and the volume of the work that we perform. Cost management is a focus on reducing the resultant unit cost of production. Cost management can be improved beyond just focusing on O&M and Construction expenditures. Production efficiency improvement (increasing volumes) is also an important means of reducing unit costs. By measuring our performance in terms of the total cost and amount of product produced, we can directly effect the price of kilowatt-hours sold to our customers. Continuous review of performance helps to achieve disciplined cost management which will improve our price competitiveness.

CUSTOMER SERVICE

We value each individual customer, and through more attention to personalized service, we will meet or exceed reasonable expectations. We will create opportunities to make direct contact with our customers. We recognize that each customer contact is an opportunity to enhance the relationship, thereby gaining long-term customer allegiance.

We recognize our customers have choices that impact the profitability of our company. We must compete daily for their business to maintain and increase market share by providing efficient energy services. We will aggressively anticipate customers' needs and manage their expectations to realize our vision. We will establish a strong partnership with our customers by providing a beyond-the-meter philosophy when supplying our products and services.

NUCLEAR AND INDUSTRIAL SAFETY

Arizona Public Service Company is committed to be Number 1 in safety in '95. When the safety of our employees and the public we serve is at issue, we strive to be the best. We, therefore, conduct all aspects of our business in a consciously safe manner. For APS to fulfill its commitment to safety, all APS employees must be safety conscious at all times, ensuring not only their own safety, but also the safety of others. Employees have a responsibility to make certain that APS ensures the well being of co-workers and the general public. We believe these actions benefit our customers, shareholders, employees and the communities we serve.

APS 1991-1995 STRATEGIC PLAN

STRATEGIC AREAS (Continued)

ENVIRONMENT

Arizona Public Service Company is committed to a clean, safe and healthy environment. We will, therefore, conduct all aspects of our business in an environmentally sensitive and economical manner. For APS to fulfill its commitment, all APS employees must work together. APS has a responsibility to make certain that we comply with environmental regulations and, therefore, all employees are required to bring environmental issues to the forefront. We believe these actions not only benefit our customers, shareholders, employees and the communities we serve, but also improve the quality of the environment in which we all live.

POWER PLANT PERFORMANCE

Arizona Public Service Company is committed to Equivalent Availability Factor targets set to place us in the Top 5 by '95. In achieving these targets, we efficiently manage our operating resources to provide generation when required by consumers. In addition, by operating with high Equivalent Availability Factors, we reduce total fuel cost and our need to purchase power from outside sources, providing better value to our customers and shareholders.

PREMIER CORPORATE CITIZEN

APS is committed to being a socially responsible leader by performing an integral role in the well-being of Arizona's future. We will accomplish this through strategic community involvement, high impact employee volunteer efforts and innovative environmental and educational programs.

With employees throughout the state, APS is in a unique position to listen and be aware of Arizona's needs. We will shape our community programs according to the needs and perceptions of the community. By continuing to provide excellent customer service and perform as a sensitive corporate citizen, APS will grow as a socially responsible leader in Arizona.

APS 1991-1995 STRATEGIC PLAN

CORE VALUES

Our values shape the way we do work and the way we are measured by others both inside and outside the company.

There are three core values which are the driving forces for our business:

COST MANAGEMENT

We are committed to operating our company more efficiently through disciplined cost management at every level.

This will result in stable prices, improved competitiveness and profitability.

SERVICE

We are in business to provide high quality service to our customers.

We will give unswerving attention to our customers, both internal and external and strive to meet or exceed all reasonable customer expectations.

NUCLEAR AND INDUSTRIAL SAFETY

We will provide a safe and healthy environment for our employees, our customers, and the community. We will require safe working attitudes, practices, designs and systems.

APS 1991-1995 STRATEGIC PLAN

CORE VALUES (Continued)

In addition, the following core values are essential to our long-term success:

COMMUNITY

We are a responsible corporate citizen.
We recognize that we need community support to be successful, and are committed to working together with our communities in meeting challenges of mutual concern.
We will always consider the public interest in making decisions.

ENVIRONMENT

Sound environment management is essential to our business.
We will comply with environmental regulations and will minimize, to the extent possible, our impact on the environment.
We will balance and integrate society's needs for electrical energy with environmental quality.

TEAMWORK

There are no boundaries, only imaginary lines on an organizational chart that in reality represent opportunities to create a larger team. We will inform, involve and support each other as we work together to build a stronger, more competitive APS.

PERFORMANCE

Performance is the prime measure of each employee's value.
Continuous improvement is of paramount importance.
We will be accountable for meeting or exceeding agreed-upon targets.
Rewards will be commensurate with performance.

PEOPLE

Our success is dependent on an increasingly professional, productive and committed workforce.
To enable our people to be successful, we will provide:

- Necessary direction, support and recognition;
- Appropriate training, resources and authority;
- An environment in which cultural differences are valued and appreciated.

INTEGRITY

We will conduct our business with the highest ethical standards.
Through actions and open, honest communication, management will strengthen trust and credibility.

APS 1991-1995 STRATEGIC PLAN

CRITICAL SUCCESS INDICATORS (CSIs)

Critical success indicators are measures of performance toward achieving our Mission and our Vision of Top 5 by '95. Indicators are a means of measuring our progress. They help us evaluate our status and assist us in changing business policies and activities so that our mission is achieved through a series of small, incremental changes. Successful accomplishment of our mission will be judged on an overall basis.

APS' CSIs are: Unit Cost Ratios, Construction Expenditures, Customer Satisfaction, Safety, Community Image, Corporate Culture, Cultural Diversity, Environment, Equivalent Availability, Market Share, Premier Corporate Citizen, Price, Reliability, and SALP. Briefly stated, their definitions are:

UNIT COST RATIOS

Unit Cost Ratios are the annual cents-per-kilowatt-hour measures of providing service to our customers. Costs included are operation and maintenance expenses for generation, transmission, distribution, administrative and general, taxes, and cost of capital. This indicator measures production and delivery dollar costs per unit of electrical energy sold to our customers. The indicator is impacted by the amount of product that we produce and by the total cost of production. This is a cost-per-unit measure. The lower the figure, the more cost effectively the company is providing energy.

CONSTRUCTION EXPENDITURES

Construction expenditures represent the addition, replacement and removal costs of equipment and facilities which provide a long-term benefit to the company. These expenditures consist of Production, Transmission, Distribution and General equipment and facilities.

CUSTOMER SATISFACTION

We are in business to provide high quality service to our customers and we strive to meet or exceed all reasonable customer expectations. To monitor the effectiveness of our efforts to be Top 5 in customer satisfaction by '95, we track external customer satisfaction with APS among all of our customers. Providing the highest level of service to improve external customer satisfaction also requires high levels of service among internal departments. To monitor this, we also track internal customer satisfaction.

APS 1991-1995 STRATEGIC PLAN

CRITICAL SUCCESS INDICATORS (CSIs) (Continued)

EXTERNAL

The level of satisfaction is rated for residential, commercial and industrial customers through a survey conducted twice each year. Customers are asked to rate their overall level of satisfaction with their latest contact with an APS employee. These surveys give timely feedback on why customers may feel dissatisfied so improvements can be made. The feedback also provides a measure of how well APS is performing in satisfying customer needs.

INTERNAL

Service supplier departments are rated by their customer departments twice per year on categories including (but not limited to) overall satisfaction, quality and timeliness. Also, expectations and reasons for satisfaction or dissatisfaction are surveyed so improvements can be made. The higher the figures, the greater the customer departments feel satisfied with the services received.

SAFETY

AIIR

All Injury Incident Rate is the total of all recordable cases multiplied by 200,000 and divided by the actual employee exposure hours worked.

LWIR

Lost Workday Incident Rate is the total of all lost workday cases multiplied by 200,000 and divided by the actual employee exposure hours worked.

SIR

Severity Incident Rate is the total of workdays lost multiplied by 200,000 and divided by the actual employee exposure hours worked.

FATALITIES

The number of deaths per year.

PUBLIC IMAGE

Because APS is a responsible corporate citizen and we recognize that we need community support to be successful, it is important to establish and maintain good relationships with our customers and their community. To evaluate the effectiveness of our efforts, we track public and community leader feelings toward the company.

APS 1991-1995 STRATEGIC PLAN

CRITICAL SUCCESS INDICATORS (CSIs) (Continued)

GENERAL PUBLIC

This survey is conducted state wide twice per year and measures the overall image of APS using a sample of residents. Representatives are asked to rate their favorable feelings toward APS and the survey results are used to evaluate overall public perception of APS.

LEADERSHIP

State leaders in business, government, media, education and civic roles are surveyed twice per year to measure overall opinion leader perception of the company. Respondents are also asked to rate APS and other leading Arizona companies to measure APS' progress in becoming the state's premier corporate citizen.

CORPORATE CULTURE

Great changes in all aspects of our business are needed to achieve the APS Mission. As a prerequisite, the behavior of every department must change. This indicator measures all employees' perceptions of departmental demonstration of specific behaviors consistent with corporate values and is used to evaluate pervasiveness of corporate values between and among departments. The higher the number, the greater the department is perceived to be compliant with desired behaviors.

CULTURAL DIVERSITY

This indicator is the percentage of APS' minority and female workforce in each Equal Employment Opportunity job category as compared to the workforce diversity reflected in the Arizona Census. The closer the figure is to the available labor force, the closer our workforce matches the diversity of the region in which we reside.

ENVIRONMENT

EMISSIONS LEVELS

Annual pounds of pollutants per annual megawatt-hours generated. This measures pollutants broadcast into the air per unit of generation and is used to compare effectiveness of generating plant pollution controls. The smaller the number, the more effective are our pollution controls. Energy conservation programs will also contribute to reduced total emission levels.

APS 1991-1995 STRATEGIC PLAN

CRITICAL SUCCESS INDICATORS (CSIs) (Continued)

IMAGE

The public's perception of APS' efforts in addressing current environmental issues and helping improve the environment is an important barometer in evaluating the general public and raising their awareness of environmental issues and actions being taken to improve the environment. A survey measuring image is completed twice per year. Leaders contacted in the Leadership Image Survey are also asked to rate APS' efforts in addressing issues and helping improve the environment.

EQUIVALENT AVAILABILITY (EAF)

Percent of time plant units are available to generate energy, even if they are not being used at the time. The longer a plant unit is available and capable of generating full power, the higher the equivalent availability factor. A high EAF reflects excellent plant operations and maintenance programs.

MARKET SHARE

To improve our competitive position and stabilize our price, it is important that we build better relationships with our customers and promote the use of energy efficient electric technologies to our customers. The market share CSIs help us evaluate the effectiveness of our marketing and energy management efforts.

RESIDENTIAL

Percent of new customer facilities built using energy efficient, all-electric technology. This measurement is used to evaluate the effectiveness of marketing efforts to promote energy efficient electric technology.

COMMERCIAL & INDUSTRIAL

The percentage of electric end use for commercial and industrial customers. The end uses measured include cooling, space heating, water heating, cooking and industrial process loads.

PREMIER CORPORATE CITIZEN

Because APS is an integral part of the communities it serves, it is important that the company not only accept the responsibility of being a good corporate citizen, but that it excel in being a leading corporate citizen. We measure our success through a survey identifying APS' ranking against other Arizona companies across a number of attributes.

PRICE

Price is average revenue per kilowatt-hour divided by average cost per kilowatt-hour. It is the proportion of our costs in prices.

APS 1991-1995 STRATEGIC PLAN

CRITICAL SUCCESS INDICATORS (CSIs) (Continued)

RELIABILITY

OUTAGE FREQUENCY (SAIFI)

System Average Interruption Frequency Index is the number of service interruptions per customer per year. The lower the index value, the more continuous is the service to the customers.

IMAGE

One of the key components of customer satisfaction is receiving reliable electric service. To help evaluate our progress in improving customer satisfaction, we monitor satisfaction with APS as a provider of electric service free from outages and interruptions. Responses are captured by the same statewide survey that measures Community Image.

SALP RATING

Systematic Assessment of Licensee Performance ratings are ratings given by the Nuclear Regulatory Commission for performance in seven functional areas. The areas are: plant operations, radiological controls, maintenance/surveillance, emergency preparedness, security, engineering/technical support, and safety assessment/quality verification. Each area is given a rating of 1 to 3 based on an NRC periodic assessment. A rating of 1 is the highest. A composite rating is developed from the average of the seven individual ratings.

CRITICAL SUCCESS INDICATOR TABLE

The table on the following pages displays specific data by year for each of the CSIs previously discussed. The target, best-practice companies, CSI targets and CSI history data are shown.

TARGET, BEST-PRACTICE COMPANIES

Companies which excel in particular areas are identified for comparable performance. Our focus on these companies is to provide a continuous and conscious visibility on results and high performance.

TARGETS

Our targets for 1991 through 1995 are the minimum values for each of the indicators. Successfully accomplishing our mission is meeting or exceeding these targets. Dedicated and inspired effort on everyone's part is required to exceed these targets.

HISTORY

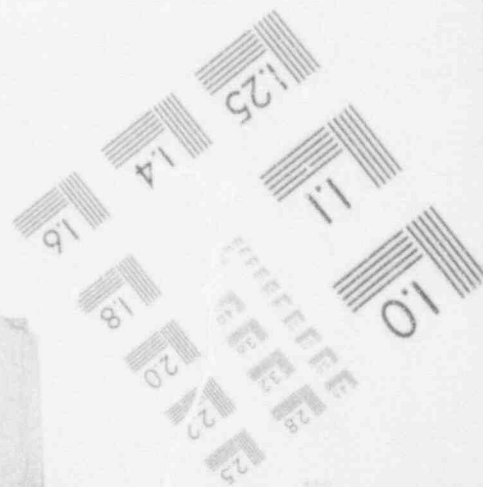
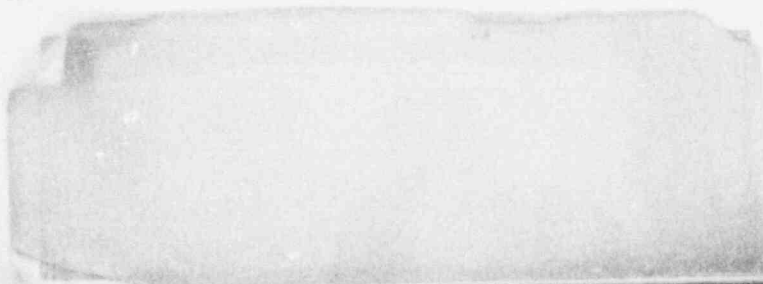
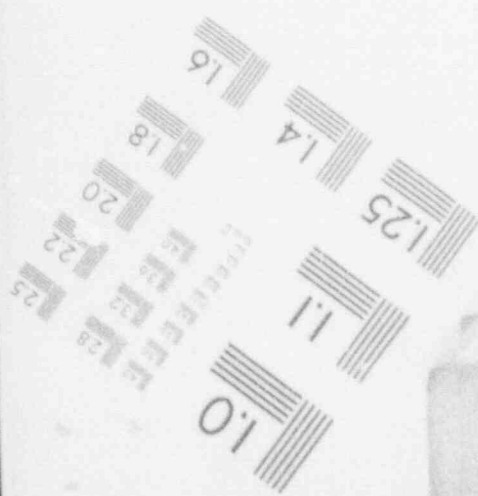
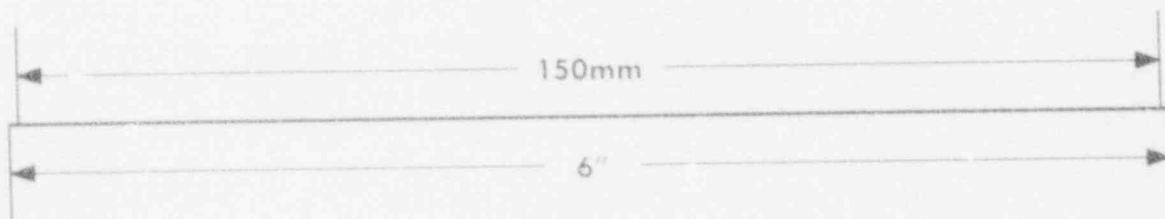
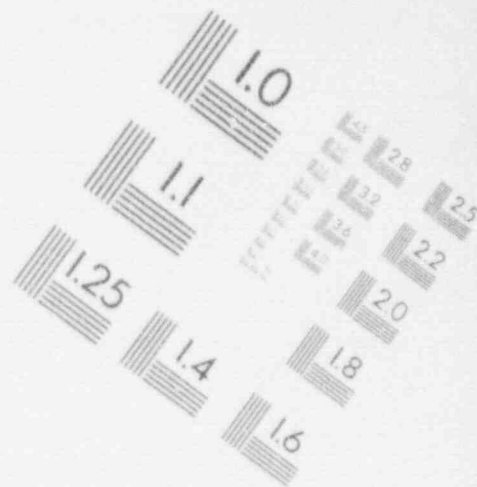
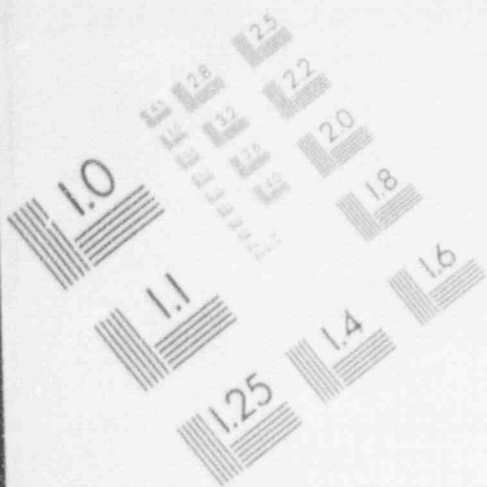
Our historical CSIs for 1990 and 1985 are shown to the right of our targets. This future-from-history perspective gives us a feel for the overall rate of change inherent in the indicators. Not all CSIs exist for the years 1990 and 1985. Some of these measurements were recently instituted to provide better visibility into new focus areas. Unavailable data are indicated by minus signs.

APS 1991-1995 STRATEGIC PLAN

CRITICAL SUCCESS INDICATOR TABLE									
INDICATOR	UNITS	TARGET, BEST-PRACTICE COMPANIES		TARGETS					HISTORY
				95	94	93	92	91	90 85
Customer Satisfaction		San Diego Gas & Electric Florida Power Corporation Florida Power & Light Southern California Edison Pacific Gas & Electric							
• External									
- Residential	%			98	97	96	95	94	93 -
- Commercial	%			98	97	96	95	94	- -
• Internal	%			98	95	90	85	65	- -
Public Image		Salt River Project U. S. West AT&T Southwest Gas							
• General Public									
- Metro	%			77	73	68	60	55	48 43
- State	%			85	83	79	70	65	63 -
- Combined	%			80	76	72	63	58	53 45
• Leaders									
- Metro	%			84	76	72	68	62	58 -
- State	%			85	77	73	69	63	59 -
- Combined	%			85	77	73	69	63	59 -
Premier Corporate Citizen	Ranking	America West U. S. West Valley National Bank	Salt River Project First Interstate Bank	1	2	3	3	4	- -
Corporate Culture	Index	San Diego Gas & Elec. Air New Zealand	Electricity Trust Of South Australia	5.0	4.75	4.5	4.25	3.75	- -
Market Share		NOT AVAILABLE							
• Residential									
- Metro	%			92.0	91.5	91.0	90.5	90.0	89.6 -
- State	%			50.0	48.0	46.0	44.0	43.0	42.8 -
• Commercial/Industrial									
- Cooling	%			97.0	97.0	97.0	97.0	97.0	- -
- Heating	%			62.0	62.0	62.0	61.0	60.0	- -
- Water Heating	%			58.0	58.0	57.0	56.0	55.0	- -
- Cooking	%			50.0	49.0	48.0	46.0	45.0	- -
- Process	%			90.0	89.5	89.0	88.5	88.0	- -
Price	%	Florida Pow. & Light San Diego Gas & Elec. Georgia Power Co.	Duquesne Light Co. Southern Calif. Edison	100	96.6	93.2	89.8	86.4	83.0 86.6

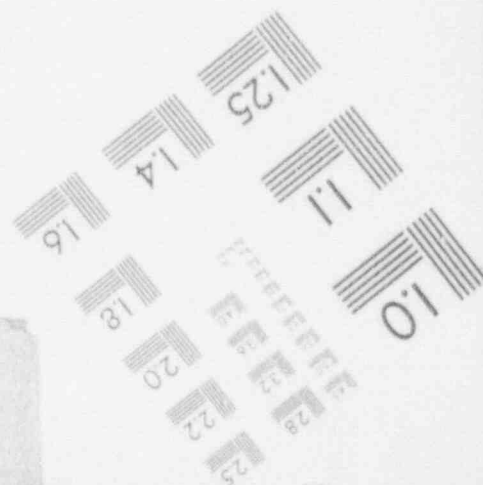
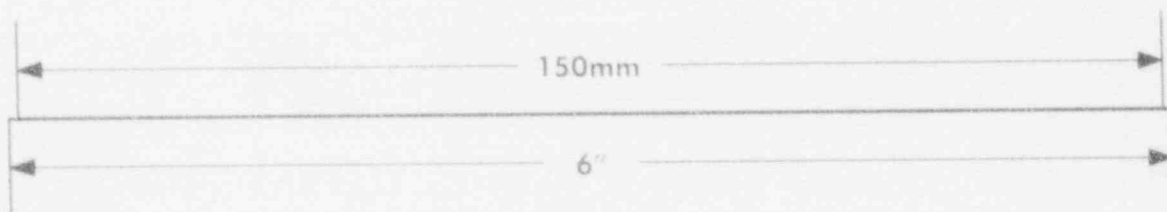
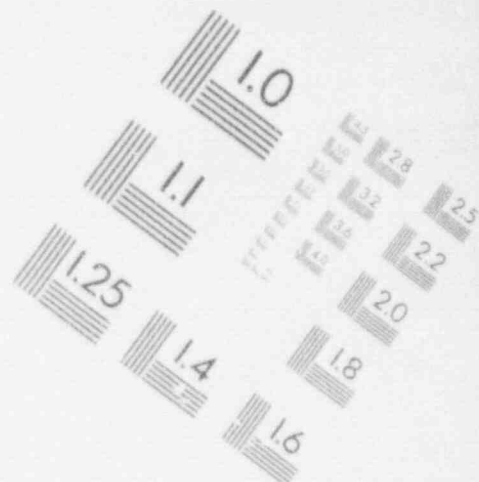
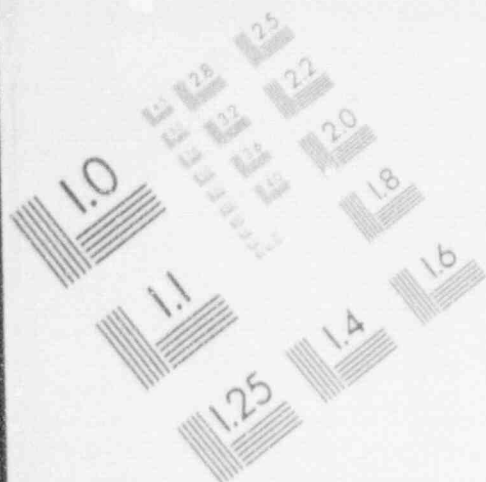
1

IMAGE EVALUATION
TEST TARGET (MT-3)



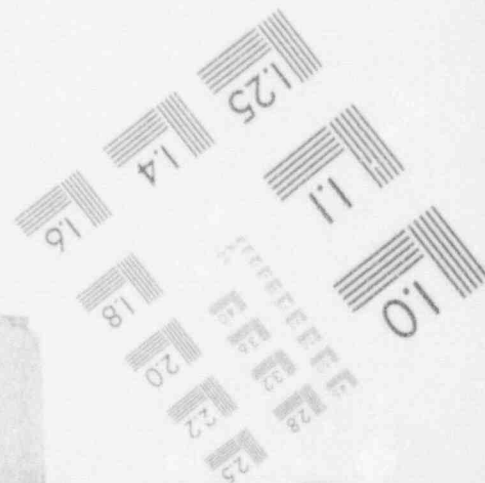
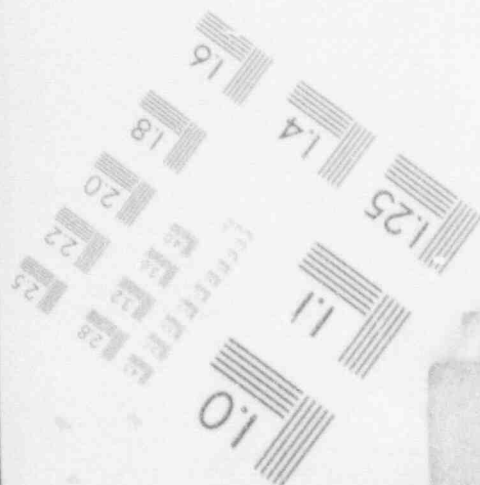
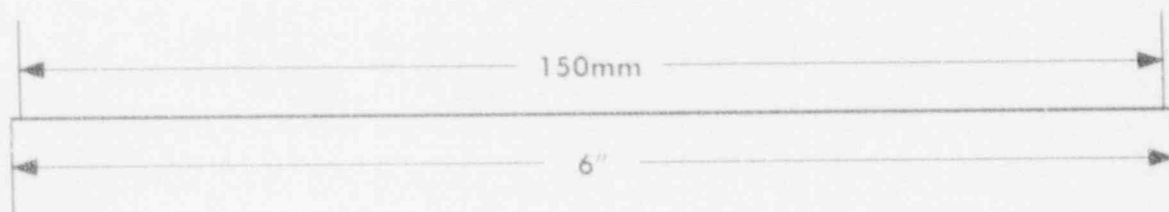
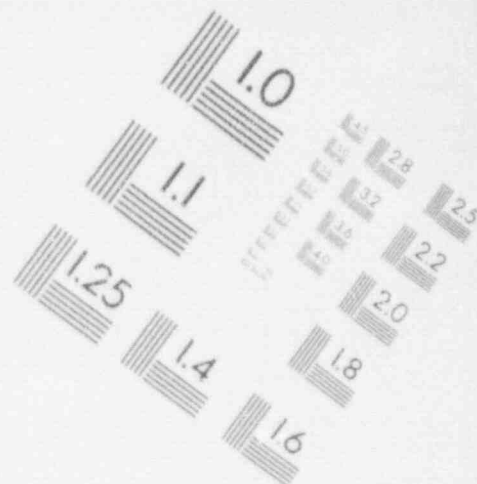
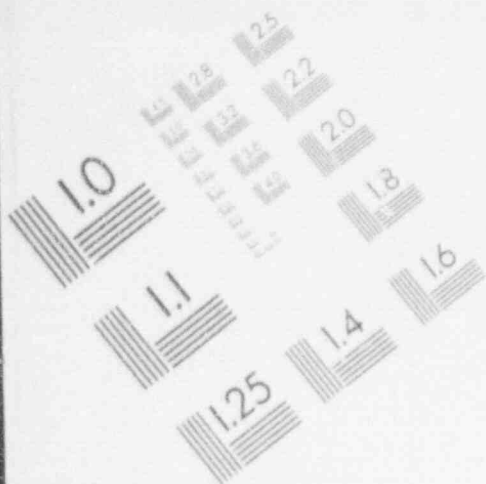
1

IMAGE EVALUATION TEST TARGET (MT-3)



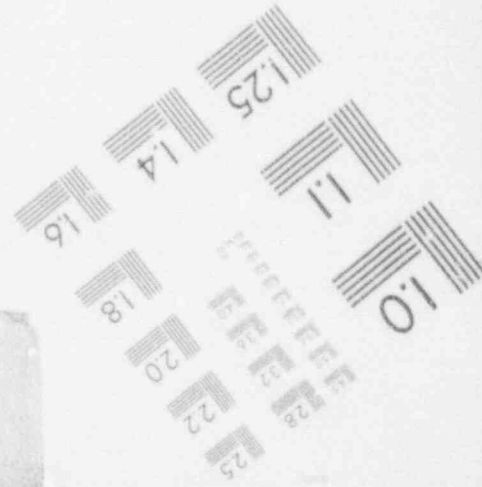
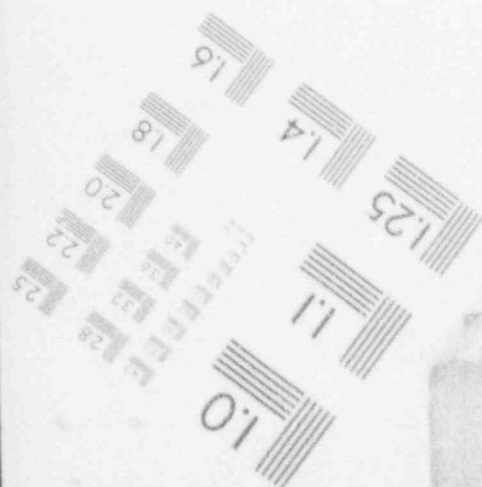
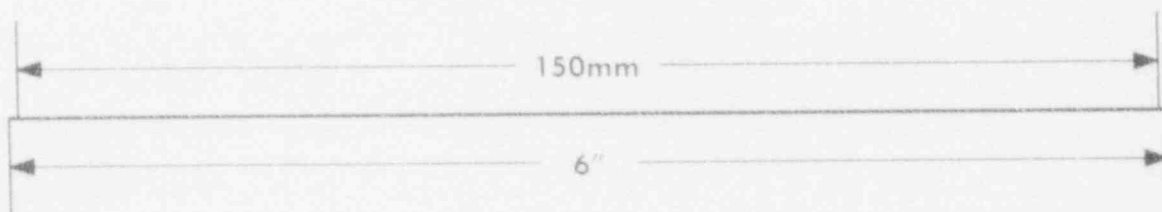
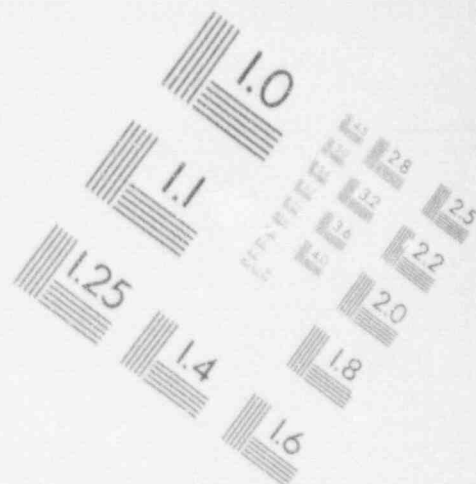
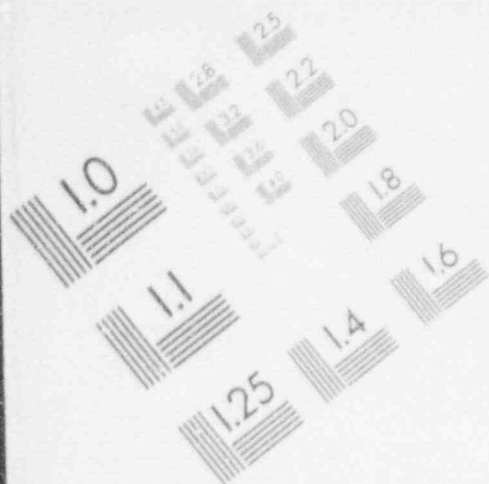
1

IMAGE EVALUATION
TEST TARGET (MT-3)



1

IMAGE EVALUATION TEST TARGET (MT-3)



APS 1991-1995 STRATEGIC PLAN

CRITICAL SUCCESS INDICATOR TABLE										
INDICATOR	UNITS	TARGET, BEST-PRACTICE COMPANIES		TARGETS					HISTORY	
				95	94	93	92	91	90	85
Safety										
• AIR	#/200,000 mhr	Penn. Pwr. & Light Co. Virginia Elec. Pwr. Alabama Power Co.	Duke Power Company Georgia Power Co.	2.80	3.15	3.42	3.68	3.91	4.11	-
• LWR	#/200,000 mhr	Georgia Power Co. Virginia Elec. Pwr. Detroit Edison Co.	Alabama Power Co. Duke Power Co.	.07	.14	.20	.26	.31	.29	-
• SH	#/200,000 mhr	Georgia Power Co. Virginia Elec. Pwr. Texas Utilities	Commonwealth Edison Detroit Edison Co.	1.95	2.64	3.38	3.98	4.42	4.84	-
• Fatalities	#	NOT APPLICABLE		0	0	0	0	0	1	0
Environment										
• Emission Levels										
- SO2	lbs/MWH	Wisconsin Electric Power Illinois Power Pacific Gas & Electric Puget Sound Power & Light Duke Power		3.1	3.3	3.4	3.5	3.9	4.8	6.7
- NOx	lbs/MW			3.0	3.0	3.0	3.0	3.1	4.1	7.0
- Particulates	lbs/MWH			.23	.24	.24	.24	.26	.40	.46
• Image										
- General Public	%			60	55	50	42	35	-	-
- Leadership	%			60	55	50	42	37	-	-
Equivalent Availability										
• Coal	EAF % (Target is 5-year avg.)	Indiana Kentucky Elec. Georgia Power Co. Dayton Power & Light	Delmarva Power&Light PacifiCorp	88	88	87	87	86	89	76
• Nuclear	EAF %	Southern Calif. Edison Duke Power Co. Georgia Power Co.	North east Utilities Northern States Pwr.	81.8	80.7	79.6	78.8	71.5	62	-
Reliability										
• Outage Frequency (SAIFI)	#/cust/yr	Duke Power Florida Power & Light Southern Calif. Edison	Pacific Gas & Electric San Die Gas & Elec.	2.01	2.01	2.01	2.01	2.01	-	-
• Image		Wisconsin Electric Pacific Power & Light Southern California Edison Northern States Power Pennsylvania Power & Light								
- Residential	%			85	84	82	81	80	79	-
- Commercial	%			90	89	87	86	86	86	-

APS 1991-1995 STRATEGIC PLAN

CRITICAL SUCCESS INDICATOR TABLE

INDICATOR	UNITS	TARGET, BEST-PRACTICE COMPANIES	TARGETS					HISTORY	
			95	94	93	92	91	90	85
Unit Cost Ratios			9.51	9.48	9.64	9.64	10.05	10.27	9.71
• Fuel Expense	c/KWH	Florida Power & Light San Diego Gas & Electric Georgia Power Company Duke Power Southern California Edison	1.82	1.73	1.66	1.57	1.50	1.45	1.72
• O & M	c/KWH		2.19	2.13	2.19	2.18	2.23	2.41	1.51
• Depreciation & Amortization	c/KWH		1.21	1.21	1.24	1.25	1.43	1.25	.71
• Other Taxes	c/KWH		1.22	1.23	1.25	1.26	1.20	1.17	.75
• Income Taxes	c/KWH		.89	.90	.93	.96	.93	1.07	1.17
• Cost of Capital	c/KWH		2.18	2.28	2.37	2.42	2.76	2.92	3.85
Construction Expenditures	\$ Millions		266	255	233	215	182	244	413
Cultural Diversity									
• Women	%	Arizona Census data by EEO job category in order to reflect the diversity of the community. (Targets will be updated after 1990 census results are available.)	21.2	18.4	15.7	12.9	10.1	10.0	-
- Management	%		31.4	29.0	26.7	24.4	22.0	23.0	-
- Professionals	%		36.2	32.0	27.8	23.6	19.4	20.0	-
- Technicians	%		74.0	78.0	82.0	84.0	84.0	86.0	-
- Clerical	%		3.3	2.9	2.5	2.0	1.6	1.0	-
- Craft Workers	%		13.7	13.4	13.1	12.8	12.5	16.0	-
- Maintenance/Operatives	%		13.0	13.0	11.5	13.0	13.0	18.0	-
- Laborers	%								
• Minorities									
- Management	%		10.5	10.1	9.7	9.3	9.0	9.0	-
- Professionals	%		12.5	12.5	12.5	12.5	12.5	11.0	-
- Technicians	%		14.6	14.3	14.0	13.6	13.3	12.0	-
- Clerical	%		24.3	24.3	24.3	24.3	24.3	25.0	-
- Craft Workers	%		24.5	24.5	24.5	24.5	24.5	20.0	-
- Maintenance/Operatives	%		40.0	40.0	40.0	40.0	40.0	40.0	-
- Laborers	%		49.4	49.4	49.4	49.4	49.4	54.0	-
SALP Rating	Index	Union Electric Mississippi Power & Light GPU Nuclear	1.29	1.57	1.57	1.57	1.85	1.86	1.83
		Northeast Utilities Florida Power & Light							

APS 1991-1995 STRATEGIC PLAN

BUSINESS CASES

Much needs to be accomplished to attain our Vision of Top 5 by '95. The vehicle for identifying, discussing and agreeing on the best strategies to pursue is the preparation and presentation of Business Cases.

Business Cases describe a proposed course of action in terms of scope, objectives and deliverables. Prerequisites, major drivers, major impacts and the probability of success are estimated. People impacts, financial impacts and the expected contribution to the Corporate CSI's are also disclosed in each Business Case.

Business Cases explain the "how" we will accomplish our mission. While Critical Success Indicators allow us to look back and measure our progress, Business Cases are the up-front explanations of what we are going to do. Some cases are extremely detailed including milestone dates and task plans. Other cases are less detailed but serve to state the Company's position in an area or to establish corporate policy. Preparation of Business Cases is an on-going management process that is the maintenance and implementation tool for the Strategic Plan.

Approval of a Business Case provides a clear understanding of direction and action. We cannot afford to have misunderstanding or miscommunication of our strategies so written Business Cases are an essential part of our Strategic Plan.

OFFICER PLAN SUMMARIES

The following sections are summaries of the Officers' Plans.

APS 1991-1995 STRATEGIC PLAN

CUSTOMER SERVICE, MARKETING & ECONOMIC DEVELOPMENT AND CORPORATE RELATIONS

MISSION STATEMENT

We exist to serve our customers and communities throughout Arizona by providing energy products and services.

In order for APS to achieve Top 5 by '95, we must improve customer satisfaction and our safety performance. At the same time, we must lower our costs.

Through leadership and community involvement, APS will become Arizona's premier corporate citizen.

We will improve APS' competitive position through strategic marketing and economic development.

We will be Champions of Change to make APS more competitive and customer sensitive.

We will succeed through our continuous innovation, commitment and teamwork. We will enthusiastically celebrate our achievements.

CRITICAL SUCCESS INDICATORS

CUSTOMER SATISFACTION

- External
- Internal
- Reliability
- SAIFI
- Image

COST MANAGEMENT

- Capital
- O&M
- Cost per Customer

SAFETY

- AIIR
- LWIR
- SIR

MARKETING

- Energy Management
- Marketshare
- Business Development
- Market-based Pricing

COMMUNITY RELATIONS

- Premier Corporate Citizen
- Public Image

ENVIRONMENT

- Image
- Conservation

EMPLOYEE DEVELOPMENT

- Cultural Survey

CULTURAL DIVERSITY

- Minorities
- Women
- Minorities and Women in Management

FINANCIAL

- Revenue
- Cost per KWH

APS 1991-1995 STRATEGIC PLAN

CORPORATE FINANCE PLANNING & CONTROL

MISSION STATEMENT

We are committed to being a valued provider of diverse support services. We assist our customers to succeed through continual improvement in teamwork, technology, cost management, and joint management of expectations and resources.

For APS to be Top 5 in '95, we must provide services and systems which:

- support our customers' strategic business objectives
- lead to the joint management of resources
- improve information value, availability and ease-of-use
- strengthen APS' financial resources
- apply technology to reduce APS' net cost of service

We will focus on safely serving our customers, both internal and external, while applying disciplined cost management to our business.

We will succeed through continuous improvement in teamwork and a commitment to innovation. We will enthusiastically celebrate our achievements.

CRITICAL SUCCESS INDICATORS

ENVIRONMENTAL

CUSTOMER SATISFACTION

- Internal
- External

EMPLOYEE DEVELOPMENT

- Cultural Survey

COST MANAGEMENT

- Capital
- O&M

CULTURAL DIVERSITY

- Minorities
- Women
- Minorities and Women in Management

SAFETY

- AIIR
- LWIR
- SIR

FINANCIAL PERFORMANCE

- Bond Rating
- Return On Equity
- Cash Coverage

APS 1991-1995 STRATEGIC PLAN

HUMAN RESOURCES

MISSION STATEMENT

HR provides leadership to APS in building and maintaining the best workforce in the Southwest and the electric utility industry.

"Best workforce" means having the:

- highest quality,
- most productive, and
- best motivated employees, who
- demonstrate mutual respect for each other
- and reflect the cultural diversity of our community.

By 1995 HR will:

- *have easily accessible, innovative and cost effective HR systems and processes which support the needs of our customers;*
- *within the context of clearly defined line and human resources accountabilities, play an assertive role in preventing, identifying and correcting human resources issues with individuals and Company work teams; and*
- *have measurement tools which accurately assess and communicate our performance in support of our customer's requirements and expectations.*

CRITICAL SUCCESS INDICATORS

BEST WORKFORCE

CULTURAL DIVERSITY

- Minorities
- Women
- Minorities and Women in Management

CUSTOMER SERVICE

- Internal
- External

LINE ACCOUNTABILITY

COST MANAGEMENT

- Pension expense
- Other employee benefits/programs expenses
- Other human resources expense

EMPLOYEE DEVELOPMENT

- Cultural Survey

APS 1991-1995 STRATEGIC PLAN

GENERATION AND TRANSMISSION

MISSION STATEMENT

We provide leading edge Generation and Transmission services to our customers through prudent cost management in a reliable, environmentally responsible, and safe manner. We will continually improve our performance by working as a team and by creating a rewarding work environment.

We will succeed by:

- Careful control of *cost*
- Diligent management of *environmental programs*
- Application of *new technology* to improve efficiency and reliability
- *Teamwork* and *commitment* from all Generation and Transmission employees
- *Recognition* and *celebration* of our success and achievements

CRITICAL SUCCESS INDICATORS

COST MANAGEMENT

- Capital
- O&M
- Fuel & Purchased Power

CUSTOMER SATISFACTION

- Internal
- External

EMPLOYEE DEVELOPMENT

- Cultural Survey

SAFETY

- AIIR
- LWIR
- SIR

CULTURAL DIVERSITY

- Minorities
- Women
- Minorities and Women in Management

ENVIRONMENTAL

- Emissions Level
- Image

COAL PLANT PERFORMANCE

- Coal EAF

SYSTEM RELIABILITY

- Transmission
- Image

APS 1991-1995 STRATEGIC PLAN

NUCLEAR

MISSION STATEMENT

The mission of the Palo Verde Nuclear Generating Station is to generate electricity in a safe, reliable, economic, and environmentally sound manner for the benefit of our customers, owners, and employees.

CRITICAL SUCCESS INDICATORS

Within the PVNGS Business Plan, specific measurable, time-bound, challenging, and results-oriented objectives have been established. Progress toward achieving our objectives is measured by performance indicators, which relate directly to Critical Success Indicators. Indicators currently used are listed as follows:

SAFETY:

- All Injury Rate (AIIR)*
- Lost Work Incident Rate (LWIR)*
- Severity Incident Rate (SIR)*
- Industry Safety Accident Rate (ISAR)
- Collective Radiation Exposure
- Personnel Contamination Events
- Low Level Solid Radioactive Waste Volume
- Regulatory Commitment Performance
- Safety System Unavailability
- Unplanned Safety System Actuations
- Unplanned Automatic Reactor Scrams
- Hazardous Waste Generated

PROFESSIONALISM:

- Culture*
- PVNGS Standards and Expectations

PRODUCTION:

- Nuclear Equivalent Availability*
- Unit Capability Factor
- Unplanned Capability Loss Factor
- Thermal Performance
- Station Backlogs
- Systematic Assessment of Licensee Performance (SALP)*
- Notice of Violation Performance
- Licensee Event Report Performance
- Institute of Nuclear Power Operations (INPO)
- Chemistry Performance Index
- Outage Duration
- Work Order Rejection Rate

COST MANAGEMENT:

- Cost/Kwh*
- Capital*
- Operations & Maintenance (O&M)
- Fuel
- Warehouse Inventory
- Personnel Resources
- Overtime

* Directly related to APS Strategic CSI's.

PVSUM.TXT

SUMMARY OF ACTIONS FOR PALO VERDE DET REPORT

APS Business Plan + Updates

Periodic management meetings

First meeting scheduled for 10/3/90

Topics- Status of Business Plan Task Actions

Discussion of 3-5 Task Plans
(including MOVs and Maintenance)

QA Involvement in Assessing Quality and
Completeness of Task Plans

NOV Response

Operations Dept

APS Response to NOV

Acknowledge response and review/inspect corrective actions

NRC Sampling Review/Inspection of Major DET Issues:

MOVs

Check Valves

EER System/ EER backlog

Maintenance

QA

PRB

13/27
31

APS DIAGNOSTIC EVALUATION NOTICE OF VIOLATION

RESPONSE SUMMARY

<u>Violation</u>	<u>Description of Violation</u>	<u>APS Agrees</u>
I.A	Failure to close valve in C.R. by RD during ST	Yes
I.B.1	MOV data base document inappropriate	Yes
I.B.2	No documentation of MOV overthrust cycles	No (Not needed)
I.B.3	Notes on torque switch limiter plate removal	No (MOV/TS)
I.C.1	Improper repacking of ADV	Yes
I.C.2	Improper assembly of containment purge valves	Yes
I.C.3	D/G cylinder cock left open	No (No cause)
I.D	Nitrogen overpressure in S/G not maintained	Yes
II.A	AFW valve stem bent	No (Stem mat'l)
II.B	Inadequate response to Part 21 and Information Notice	Yes
II.C	Inadequate identification of additional cases of openings in seismic gap area (fire hazard)	Yes

 7 Agree / 4 Disagree

Discussed with AEOD (Rubin, etc.):

- AEOD does not agree with APS on 3 violations and unsure of remaining one (DG cylinder cock)
- AEOD will provide draft response paragraph on one violation (MOV overthrust cycles)
- I will draft response on the other three violations and if necessary have discussions with APS personnel to clarify issues
- Will send draft of NRC response to AEOD for comment prior to issuance

DET MEMO. TXT

MEMORANDUM FOR: James M. Taylor
Executive Director for Operations

FROM: John B. Martin
Regional Administrator

SUBJECT: STATUS OF STAFF ACTIONS RELATED TO THE DIAGNOSTIC
EVALUATION AT PALO VERDE

In my memorandum to you dated June 14, 1990, I stated that I would provide a status report regarding the actions related to the Diagnostic Evaluation performed at Palo Verde. The status of these actions is summarized below.

Business Plan
Actions 1 and 3: Review and evaluate the adequacy of the licensee's response to the DET report. Conduct detailed discussions of the licensee's business plan. *Business Plan* Status- A management meeting with APS is scheduled for October 3, 1990, in the Region V office to discuss the licensee's Business Plan. Additional management meetings will be conducted as the Business Plan is further developed.

Action 2: Evaluate and issue any enforcement action. *APC* Status- A Notice of Violation was issued to APS on July 17, 1990. *APC* *ENFORCE* *ENFORCE*

Action 4: Review the implementation of the licensee's corrective actions to the DET findings and conclusions ~~and enforcement actions.~~ *APC* Status- On a sampling basis Region V will verify the licensee's corrective actions for the significant issues raised in the DET report. Region V will also perform a review of the licensee's corrective actions related to the violations issued on July 17, 1990. ~~The current schedule is to complete these reviews and inspections by February 1991.~~ *Update status - by DEC 1990.*

John B. Martin
Regional Administrator

cc: T. Murley, NRR
E. Jordan, AEOD
J. Partlow, NRR
D. Crutchfield, NRR
B. Boger, NRR
~~J. Larkins, NRR~~ *J. Oyar*
C. Trammell, NRR
S. Peterson, NRR
M. Slosson, OEDO
S. Rubin, AEOD

NRC ~~Issues~~ ^{Following Areas}

* VIOL. CORR. ACTIONS

- MOV

- CHECK VALVES

EER SYSTEM / BACKLOG

ENGR. Root Cause

MAINT.

GA / PRS / OPA. Exp. Overview

CORRECTIVE ACTIONS

DESIGN BASED RECONST. EFFORTS

OPERATIONS - SSIM STATUS PRINTS / VALUES

TRAINING

Issues

1. Fast Xfer worked? ✓
2. ADU's imp? ✓ No lighting in MSSS bldg.
Broke no value +179
3. ESF valves/dampers. ✓
4. RM monitor. ✓
5. Load rejection 100% testing Unit 1 only
What about Unit 2 + 3?
6. 0.4 gpm identified leakage from CVCS valve ✓
Why did RCS leakage change?
7. S/G → ~~leak~~ primary leak rate - [Dose rate assessment in
increase? ~~at~~ prior 0.3 gpm using I³¹ values - RH monitor
impact?] RU 4+5 ↑ S/G blowdown - doing Main Steam assessment → amp.
X328/
8. Why did U-3 output bkrs open? ✓ Charles Gray
9. Should load rejection ^{dist} have handled it?
10. Why R trip on Low S/G press.
Why did SIAS occur?
11. Did they check lbr flags before repowering S01FS
12. Water shortage (WRF lost power).
13. What equip will be guaranteed?
~~WORDS~~
~~SBCS, Fast Xfer, et al. Good disturbances~~

AIT → goals

Assess their own program as much as possible.
Past problems.

SBCS, Fast Xter, RAMS

RU-4+5

16 isotopic

E-4 $\mu\text{c}/\text{ml}$

10. Identify problem history and assess licensee's responsiveness in resolution -
 - ° Electrical grid disturbances
 - ° Fast transfer of S01, S02 power
 - ° SBCS
- everyone* 11. Assess licensee post-event analysis - root cause determination.
- everyone* 12. Assess the adequacy of licensee involvement of equipment vendors, combustion engineering, QA, and corporate engineering in event evaluation/resolution.
- everyone* 13. Assess the adequacy of preventive and corrective maintenance on problem or failed equipment.

D. INSPECTION METHODOLOGY

1. Conduct interviews with licensee personnel significantly involved in the event, or the assessment of the event, to obtain information related to:

- Doug* a. Description of event } *Monday*
- b. Sequence of events
- c. Individual actions, evaluations, and observations throughout the course of the event.
- Doug* d. Adequacy of procedures in responding to event.
- e. Coordination/communication of activities prior to, during, and after event.
- f. Assessment of those areas identified in Part B of this inspection plan.

2. Perform records reviews of:

- a. Operational data - records, logs, etc.
- b. Preventive and corrective maintenance.
- Warren* c. Review applicable emergency operating and maintenance procedures. *Doug*
- d. Conduct independent visual examination of plant equipment/systems involved in the event. Develop photographic record where appropriate.

E. CURRENTLY IDENTIFIED ISSUES FOR DETAILED FACT GATHERING BY TEAM

- Bill 1. Failure of ADVs to operate from Control Room or Remote Shutdown Panel
 Denis 2. Failure of Fast Bus transfer to operate.
 John 3. Failure of Auxiliary Building Ventilation Dampers to operate *Collins*
 Doug/John/John 4. Assessment of Steam Bypass Control System operation
 Mike 5. Two containment isolation valves failed to operate
 John/John Assess whether grid disturbance contributed to trip of Main Generator bus ties
 Doug/Warren 7. Assess the increase in RCS leakage
Significance of containment ramp level
 John/John 992/995 & 550 synch check
 Warren - RCP seal.
 John/John - SEIS panel
 Tom - MSSV
 John/John - Emergency Lighting failure.

SEE ELECT
FAULT E&CF
CHART

MAIN EVENT AND CAUSAL FACTORS CHART

PRELIMINARY

SEE SBCE
E&CF CHART

ELECT GRID
DISTURBANCE

RPCB DUE TO
LARGE LOAD REJECT
0102:18

POWER LOAD UNBALANCE
TAKE CONTROL OF TURBINE
0102:19

SBCE 1-8
PERMISSIVE + DEMAND
QUICK OPEN X₁
QUICK OPEN Y₁

SBCV's CYCLING
1,3,4,6 Full Cycle
2,5,7,8 (80-100%)
0102:19

RX TRIP - MSIS
LO SG #2
PRESSURE
0103:48

MAIN
TURBINE
TRIP
0103:48*

SIAS/
CIAS
0103:54

NO FAST BUS
TRANSFER
LOSS OF
NON-CLASS POWER

MAIN FEEDPUMPS
TRIP (POWER
SUPPLY LOST)
0104:32*

LOSS OF TO/PW/
NC/CW AND VARIOUS
LIGHTING DUE TO
LOSS OF POWER

CR OPERATOR
UNSUCCESSFUL
AT ATTEMPT
TO REMOTELY
OPERATE ADVS
FROM CR

AFA-P01
STARTED
MANUALLY
0105:39

AUXILIARY
SPRAY USED
FOR RCS
PRESS. CONT.

ONE MSSV
CYCLED 2
TIMES
01:11 TDAS

CONTROL OF
ADVs SHIFTED
TO REMOTE
SHUTDOWN PNL

ATTEMPT TO
OPEN ADV 179
FROM REMOTE
SHUTDOWN PNL
UNSUCCESSFUL

SIAS ON LO PRESS
LOSS OF 13.8 KV
POWER TO NAN-S01
& NAN-S02

ADV 178 OPENED
ADV 185 DIFFICULT
TO OPEN
ADV 179 OPERATOR
DAMAGED

*South MSSS room
lost emerg. lighting
(#2 5/6 ADVs)*

SHIFTED ADV
CONTROL BACK
TO CR
01:26

ATTEMPTED TO
OPERATE ALL ADVs
FROM THE CR 2nd
TIME

DECLARED
NUE
01:39

ATTEMPTED TO
OPERATE ADVs
LOCALLY IN
MSSS

ATTEMPTED TO
OPERATE ADV
185 REMOTELY
FROM CR

RETURNED TO
MANUAL CONTROL
OF ADV
185 IN MSSS

#1 S/G MSIV
BYPASS VALVE
UV 169 WOULD
NOT OPEN
FROM CR 02:07

COMMENCED MAN-
UAL BYPASS OF
#1 S/G MSIV
UV 169
02:22

CLOSED
ADV 178
02:27

OPENED BYPASS
#2 S/G - SG183
OPENED SBCE 7 & 8
02:30

RESTORED
POWER
NAN-S03B
02:32

RESTORED
NON-CLASS
LOAD CENTERS
02:35

RESET
MSIS
02:38

ALL ADVs
CLOSED
02:39

RESET
SIAS/
CIAS
02:41

RESTORED
NAN-S04B,
S02D, S02E
02:43

TERMINATED
NUE
02:52

OPERATORS OBSERVED
CNTM EAST RADWASTE
SUMP LEVEL INCREASING

RESTORED
NBN-S01A
03:39

RESTORED
LETDOWN
03:57

DG 'A'
STOPPED
04:13

STARTED
RCP 1A
04:49

STARTED
RCP 2A
04:55

STOPPED
DG 'B'
05:17

ENTERED MODE
3 TO 5
PROCEDURE

MARCH 4, 1989 - 0745

*RO -> Excess In Demand
in use until here.*

*13/28
32.*

ELECTRICAL FAULT EVENTS AND CAUSAL FACTORS CHART

