

Success story

ITSM-based Management Advances Customer - centric Processes at Arizona Public Service



Arizona Public Service (APS) is the largest affiliate of Pinnacle West Capital Corporation, which ranked first among US energy companies in dividend growth from 1995-2004. The APS Information Services (IS) organization supports Pinnacle West's businesses, managing the holding company's entire, multi-vendor infrastructure across generation, transmission and distribution. APS worked with HP partner Pepperweed Consulting to implement an HP OpenView environment based on ITIL best practices that consolidates 15 disparate IS groups, toolsets and processes; cuts downtime by 50 percent; improves mean time to repair by 75 percent; substantially increases IS staff productivity; and advances the service-centric strategies of APS.

Arizona Public Service (APS) generates, sells and delivers electricity and energy-related products and services to a customer base that includes more than one million households in Arizona. The state's primary electric utility for almost 120 years, APS is today an expanding energy business that serves the second fastest-growing region in the United States.

APS is the largest affiliate of Pinnacle West Capital Corporation, which ranked first among US energy companies in dividend growth from 1995-2004. With consolidated assets worth about \$10 billion, Phoenix-based Pinnacle West earns annual revenues of \$2.8 billion through APS, APS Energy Services, Pinnacle West Energy, a real estate company and a venture capital company.

The Information Services (IS) organization of APS supports the Pinnacle West businesses, managing the holding company's entire, multi-vendor infrastructure across generation, transmission and distribution. The environment spans applications, database systems, servers and client systems as well as networks, PBX and VOIP telephony systems and microwave towers. The Pinnacle West infrastructure incorporates diverse vendors' technologies, including IBM mainframes,

Sun servers, Microsoft Windows-based systems, 6,000 workstations, Cisco networking equipment and both Oracle and Microsoft SQL databases.

Working with HP partner Pepperweed Consulting, an OpenView Elite HP Platinum Partner, APS devised an HP OpenView environment based on Information Technology Infrastructure Library (ITIL) best practices. The OpenView IS management infrastructure consolidated 15 disparate groups, toolsets and processes; cut downtime by 50 percent; improved mean time to repair by 75 percent; substantially increased IS staff productivity; and advanced the service-centric strategies of APS.

Formerly, about 15 IS teams managed this array of systems using their own disparate processes and tools. Each team was dedicated to a specific technology, application or line of business. Now, APS IS personnel centrally manage these diverse technologies with an integrated management environment based on HP OpenView Operations and HP OpenView Service Desk. Using the IT Service Management (ITSM) framework for aligning IT processes with business goals as their foundation, the APS IS organization developed 20 customer-



centric processes that incorporate ITIL best practices for IT service delivery and service-level management.

"By standardizing our processes with ITIL best practices and HP OpenView, we've shifted from reactive, device-driven management to a proactive, service-based operation," says Denny Brown, APS Vice President of Information Services, the 2004 recipient of the Computerworld/Enterprise Management World award for Best Practices in Enterprise Management in the category of Managing to Improve TCO/ROI.

"Now that we've integrated and streamlined our processes and technologies," continued Brown, "we're using our proven model to help each of our businesses map and integrate its operations to further improve the competitiveness, agility and bottom line of the company."

Adapting best practices and tools to transform IT

Trusting Pepperweed's depth of expertise in OpenView and ITIL-based best practices, the APS team collaborates with the firm in engagements that span strategy, technical design and implementation, knowledge transfer and ongoing support.

"Our Pepperweed consultants bring us a high level of technical knowledge," says Vernon Marshall, APS IS service management manager, "along with a flexible approach to implementation of OpenView products that matched our own, as we adapted the tools to our business. They would negotiate with us on which portions we could do and which they would add the most value to with their experience.

"Pepperweed consultants complement our strengths in areas that are new to us," Marshall continued. "They really helped us quite a bit with our implementation strategy because of their exposure to the industry and these tools. We also value the professional relationship that they maintain with all of their employees and customers as well as their ongoing support."

By standardizing IS management and support processes, the APS IS team has reduced downtime by 50 percent and improved mean time to repair by 75 percent. And, while substantially improving IS employee productivity in the areas of service delivery and support, the APS team has redeployed existing personnel to create a service management organization, a center for process excellence and a quality assurance review group.

With its service-centric management model, the APS IS organization has transformed IT into a strategic asset. The APS IS organization can efficiently align IT assets with business needs—a must as the company adapts to dynamic markets and regulations as well as burgeoning IT demands.

New demands raise stakes on IT performance

APS is adopting next-generation applications and smart devices to better manage customer relationships and energy assets. For example, APS is implementing a new PeopleSoft enterprise resource planning (ERP) suite that will replace weekly executive summaries with near-real time tools for reporting and decision support. An automated meter-reading application will

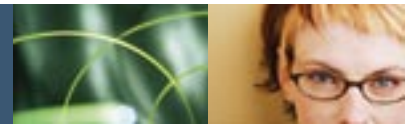
streamline both metering and billing and a new outage management system will enable APS to more efficiently distribute energy and rapidly restore power in the event of an outage.

The company's growing dependence on such new streams of information has raised the stakes on IS performance.

"Our businesses are increasing their reliance on information systems and demanding near-real-time information as well as far higher levels of availability," said Marshall. "Agility is also critical as we diversify our markets and adapt to changing regulatory mandates, new standards for corporate governance and unprecedented security threats. At the same time, unlike most utilities, we are increasing our customer base by about six percent a year. We could no longer satisfy our business needs with our traditional IS organization, which relied on individual initiatives rather than a standardized approach."

Back in 2001, downtime occurred so often that business users were losing confidence in the IS infrastructure. With 15 groups using different tools and processes to handle help-desk calls and manage incidents, senior IS personnel often duplicated efforts as they attempted to diagnose and fix the same problem. The IS organization lacked centralized mechanisms to efficiently prioritize, diagnose and resolve service issues that could be readily handled by level-one personnel rather than senior IS staff.

"We were treating a problem's symptom—not its root cause," said Marshall. "As a result, problems recurred and downtime increased along with our costs. We



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had to do something radical to reverse these trends and better serve our internal customers.”

Phased IS transformation capitalizes on modular tools

Using the 10 core ITIL best practices as their model, a team of forward-looking IS managers at APS planned and implemented a phased transformation of service delivery and support to meet the company’s current and future needs.

Joining Marshall and his team were Barbara Readell, IS Customer Care manager; Robert Trager, an APS consultant who guided the design of new IS processes; and IS Director Gary Shanker, whose leadership advanced the ITIL initiative enterprise-wide.

The team started by defining and documenting a set of ITIL-based best practices for incident, configuration and change management. Next, they incorporated these processes into HP OpenView Operations and HP OpenView Service Desk.

“We chose the HP OpenView suite after evaluating several competing systems,” said Marshall. “Its ITIL-based framework is consistent with our strategy. And its modularity and ability to integrate with our numerous external elementmanagement systems were huge advantages, enabling us to progress in phases. If we had to roll out all the processes at once, our project would never have gotten off the ground.

“The integration among all OpenView modules gave us the flexibility to implement a couple of key processes, demonstrate immediate business value,

and win the resources to extend our implementation across IS,” Marshall continued. “We began by establishing the tools and processes for incident, change and configuration management and then continued to build upon this foundation.”

HP OpenView Performance Agents feed data from diverse systems into the OpenView Operations environment. For example, agents extracts real-time performance data and alerts from critical element managers, including IBM Director, Oracle OEM, Microsoft SQL Enterprise Manager, CiscoWorks 2000 and the in-house developed application monitoring system. The agent draws the data into OpenView Operations, where it is transferred into OpenView Service Desk for incident management.

“Instead of discarding existing element managers,” said Marshall, “we were able to integrate them into OpenView. This approach helped IS staff come to accept the new environment.”

Achieving more impact—sooner

Pepperweed Consulting accommodated the APS team’s phased approach to implementation. “HP recommended Pepperweed,” said Marshall. “Its HP-certified OpenView consultants worked well with our team, helping to refine our strategies and technical implementation so that the tools added the most value to our business.

“Pepperweed’s expertise complements ours,” added Marshall. “We’ve achieved more impact, sooner by leveraging their in-depth knowledge of OpenView. And with their flexible way of working, our Pepperweed consultants partner with us like extended members of our team.”

The joint team incorporated Invoq Systems AlarmPoint software to automate the escalation process. “AlarmPoint is much more than a notification tool,” said Marshall. “It supports two-way communication with users and fully integrates back into HP OpenView Service Desk and OpenView Operations to track and escalate response to incidents and service calls. Our OpenView environment automates a lot of steps. One operator can dispatch the right level of support and track incidents across diverse groups and technologies. As a result, we resolve problems—even complex issues—faster, and with fewer resources.”

Consolidating information on all IS assets

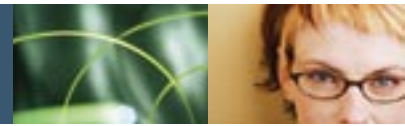
The Pinnacle West infrastructure incorporates diverse vendors’ technologies, including IBM mainframes, Sun servers, Microsoft Windows-based systems, 6,000 workstations, Cisco networking equipment and both Oracle and Microsoft SQL databases.

At the core of HP OpenView Service Desk is a powerful configuration management database (CMDB) that enables the APS team to integrate data from all components of this complex, multi-vendor environment. From a complex system to a standalone device, each physical or logical component is defined as a configuration item in the CMDB. The database tracks the item’s configuration history, IT owners, vendor, interdependencies, and problem records.

“Our database holds some 23,000 configuration items,” said Marshall. “We manage all of our infrastructure assets, including networks, network equipment,



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servers, PCs, production applications, phone systems and microwave towers.”

From device-driven management to customer - centric service

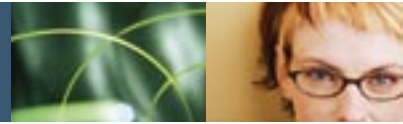
“We’re providing better, faster and more cost-effective services,” said Marshall.

“One of our biggest breakthroughs came from implementing problem management. By detecting and resolving the root causes of failures, we receive fewer service calls.”.

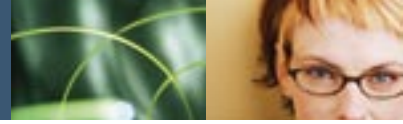
The OpenView environment supports such enhancements as proactive outage planning and the provisioning of tiered service levels. Its ITIL-based framework also enables the company to manage compliance with Sarbanes-Oxley standards for IS controls and documentation. “We know the current status of compliance, including gaps,” said Marshall, “and with minimal effort we can adapt to changing regulatory requirements.”

The IS organization has transformed itself, replacing reactive, device-driven management with proactive, servicecentric operations that advance the evolution of APS.

“We’ve created a culture of service in IS,” concluded Marshall. “Now, IS has the organization, tools and processes with the flexibility to keep pace with the dynamic requirements of our company. Integration of our tools and processes with OpenView enabled us to do this. And as we continuously improve and expand our environment, both Pepperweed and HP remain major contributors to our success.”



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Challenges

- Transition from utility to customer-centric service provider
- Need for adaptability to dynamic markets and regulatory requirements
- Inflexible, unstable IS infrastructure with substantial downtime and costs
- Demand for higher flexibility, efficiency and quality in IS support

Solution

- Pepperweed Consulting worked closely with APS IS team to:
 - Develop and implement technology roadmap supporting ITIL-compliant IT service management
 - Evaluate technologies
 - Develop prototypes
 - Deploy, configure and integrate software
 - Roll out advanced features
- HP OpenView suite, including:
 - HP OpenView Operations for Unix, HP OpenView Service Navigator, HP OpenView Service Desk, HP OpenView Service Reporter HP OpenView Network Node Manager, HP OpenView for Internet Services, HP OpenView Performance Agent and HP OpenView configuration management database
- AlarmPoint event notification and escalation software from Invoq Systems, Inc.

Result

- Standardized, streamlined management reduces downtime by 50 percent, speeds up mean time to repair by 75 percent and boosts IS staff productivity
- Single ITIL-based OpenView environment standardizes processes and tools of 15 management groups
- Service-centric management replaces device-driven tools and workflows
- Agile, efficient IS adapts to diverse SLAs and evolving business and regulatory requirements



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