What the APS Rate Decision means:

APS has recently reached a settlement on rate design that will have different impacts on different user groups. Although rates will affect individuals differently, and additional changes may occur before final approval, some of the expected results of this settlement are described below.

Residential Customers:

Most residential clients are expected to see their bill increase by 5-10% and will encounter new choices that need may be difficult to understand. The price increase is partially due to the increase in the fix charge to $20, although very small users may qualify for a smaller category. The other choices residential customers will face are whether they want to have a two part rate or a three part rate; as shown in the figure. The variable part of the bill can be either be a flat volumetric or on time of use rate, which depends on when they used the energy. Volumetric pricing may cost more (on average about $0.13-0.14/kWh), but residents wont have to worry about what happens if their appliances are running during peak times (3-8pm on weekdays). The cost of running appliances during that time will be over $0.23/kWh with TOU pricing, and could be even more variable if they opt into the three tiered pricing that includes the demand charge. The demand charge multiplies the users greatest demand during a month times the demand rate. However, for the sophisticated energy user the three part rate will offer the most potential savings. Residents that might benefit from the new options include those who:

- Are not home on week days during the evening
- Have smart thermostats that have been programed to take advantage of TOU pricing
- Have electric vehicles and have considered their electricity plans in light thereof.

Residents that have not spent time thinking about their electricity usage would be well served by investing in a smart thermostat as the entire industry moves towards more customer participation.

Residential Customers with Solar:

Residential customers who have solar on their roof will be grandfathered into their existing agreements. New customers have a more complex decision to make, as experience with the new rate structures makes understanding the advantages and disadvantages more difficult. Ironically, the new agreement actually values solar exported to the grid at a higher rate than on site usage. This may have unintended
consequences for opportunistic system design, especially in combination with smart thermostats or storage. While this rate is higher than the current net-metering rate, the increases in the fixed and demand charges decrease the total savings for future solar customers. Unlike other customers, solar customers will have no choice about time of use pricing (it will be mandatory), but can still decide whether they want a two or three tier plan, that includes a demand charge. Between the rising general rate prices for non-solar customers and the export rate, it is likely that the solar industry will fare better than in the neighboring SRP territory, but it will certainly be a more complex proposition that depends on the use patterns of the resident, and the total monthly savings may be smaller for some customers.

**Commercial Customers:**

Changes to commercial customers were not as major or contentious as residential rate changes; as many commercial customers already are accustom to demand charges (3 part rate designs). APS’s rate proposal requests that even extra small businesses should use switch to the three-part rate and demand charge. Additionally, it proposes a reduced rate schedule for customers who have a consistent use pattern (a high load factor) or for new loads that that have a medium load factor.

**Other Opportunities:**

There are several opportunities for more engaged customers who are interested in storage. APS has experimental rate pilots for both residential customers that purchase new generation paired with a storage or demand management or electric vehicle, and for large commercial customers interested in storage. These are open to a limited number of participants.

Next steps toward approving a rate case for APS will take place at the ACC open meeting on August 15th or 16th. For updated information on ACC meetings visit: [http://edocket.azcc.gov/Calendar](http://edocket.azcc.gov/Calendar)

Additional and updated information on the APS rate case can be found under docket number E-013445A-16-0036. It is available at: [http://edocket.azcc.gov/Docket/DocketDetailSearch?docketId=19348#docket-detail-container1](http://edocket.azcc.gov/Docket/DocketDetailSearch?docketId=19348#docket-detail-container1)