

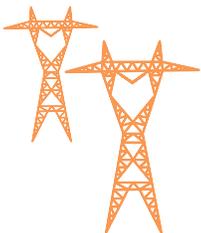
Rate review decision highlights for residential customers

The Arizona Corporation Commission (ACC) has approved a decision in our first rate review in five years. The decision enables our customers to benefit from more choice and control through new rate options, investment in a cleaner, smarter energy infrastructure and continued solar leadership for Arizona. This is a needed step in creating a long-term, sustainable energy policy for our customers and Arizona.



A cleaner energy mix

- Investment in the Ocotillo Modernization Project for a cleaner, more efficient plant
- Added investment to reduce emissions at Four Corners Power Plant
- Continue industry-leading performance at Palo Verde Nuclear Generating Station, which produces 80% of Arizona's carbon-free electricity



A reliable power grid that encourages innovation

- Invest significantly in upgrades and maintenance for stronger, smarter infrastructure
- Spend \$10 million to \$15 million annually in the AZ Sun II rooftop solar program, which expands rooftop solar access for limited- and moderate-income customers
- Fund the continued development and deployment of advanced technologies such as battery storage, microgrids and advanced solar research
- Implement an advanced energy management system, plus hundreds of smaller projects to enhance safety, efficiency and customer value



More customer control of their energy costs

- An updated time-of-use (TOU) rate plan with fewer on-peak hours, four more off-peak holidays and a super off-peak period in winter
- Two optional TOU plans with peak-hour usage, plus a pilot program that supports home energy technologies
- Refund \$15 million of surplus energy efficiency program funds to customers



Safeguards for select customer groups

- Increased funding for limited-income customer programs, including crisis bill assistance
- A simple rate option for customers who use less energy
- Grandfathering for existing private solar customers

The Details

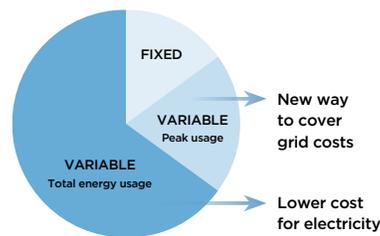
Updated rate plans

The agreement includes rate options that create more choices for customers to control their energy costs. Among the options:

- An updated TOU plan that includes a winter super off-peak period of 10 a.m.–3 p.m. to encourage energy use at midday, when solar production is abundant
- Two optional TOU plans with peak-hour usage and a pilot program that supports home energy technologies, all of which provide customers more opportunities to save
- An extra-small rate for customers who use less than 600 kilowatt-hours monthly

OTHER WAYS TO SAVE

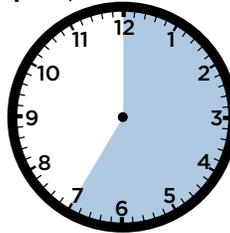
- **Shift** the use of appliances to off-peak hours
- **Stagger** the use of major appliances during on-peak hours
- **Save** on your overall usage



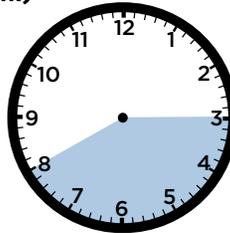
Reduced and realigned on-peak hours

Customers can save with two additional off-peak (lower cost) hours each weekday and later on-peak hours. This more accurately reflects when customers' peak usage and energy costs are highest.

Current on-peak hours (noon–7 p.m.)



New on-peak hours (3–8 p.m.)



Added holidays with off-peak pricing

Customers on TOU plans now have 10 off-peak holidays when they can save all day. The new holidays are:

- Martin Luther King Jr. Day
- Presidents Day
- Cesar Chavez Day
- Veterans Day

Grandfathering for solar customers

Existing private rooftop solar customers would be grandfathered for 20 years under the rules in place at the time of their interconnection. The rules stay with the property even if the customer moves.

New private solar customers would be grandfathered under current rules if we receive their completed application by Aug. 31 and the system is installed by Feb 27, 2018.

Options for future solar customers

Future private solar customers choose from up to four rate options, including a TOU rate plan with a grid access charge and two TOU plans with a peak-hour usage charge and without a grid access charge.

The credit future solar customers receive for excess energy sent to the grid would start at 12.9 cents per kilowatt-hour.

Bill Impact

The monthly bill for a typical residential customer (using 1,035 kWh) is projected to rise 4.5%, or about \$6.

What's Next

The rate adjustment takes effect on Aug. 19. No immediate action is needed. Current customers have the option to choose a new plan for which they are eligible. New customers and current customers who move after Aug. 19 will choose their plan from among the new options.

We will support customers through the transition period to help them choose a plan that best fits their energy needs.

APS will not request another general rate review before June 1, 2019, which will be three years between filings.