

Rate review decision highlights for business customers

The Arizona Corporation Commission (ACC) has approved a decision in our first rate review in five years. The decision will support our investment in a cleaner, smarter energy infrastructure, help create jobs and strengthen Arizona's economy. This is a needed step in creating a long-term, sustainable energy future for our customers and Arizona.



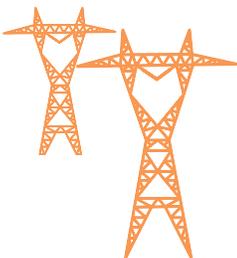
A boost for business

- New economic development rate options to encourage businesses to expand or relocate here, including one for rural municipal business development
- New rate to attract high-efficiency customers, such as data centers, to locate here
- An aggregation rate that can lower energy costs for customers with multiple locations and qualifying demand
- More off-peak hours for most businesses



A cleaner energy mix

- Complete investment in the Ocotillo Modernization Project for a cleaner, more efficient plant
- Support 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
- Fund the continued development of innovative 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

- Improved time-of-use (TOU) options to work better with the operating schedules of many businesses
- Continued energy efficiency programs targeted at businesses
- Special discount rates for public schools and military customers

The Details

Updated rate options

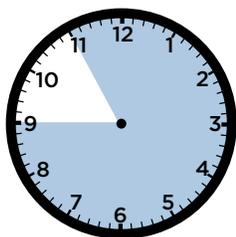
The agreement includes new rate options and changes to other business rates:

- New rate option for high-efficiency customers that need highly reliable, affordable energy, such as data centers
- New discount plan for qualifying extra-large business customers to support commercial and industrial economic development in Arizona
- An aggregation option that can lower energy costs for chain accounts with qualifying demand on the E-32 L rate schedule

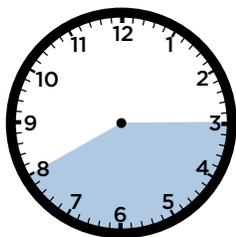
Reduced and realigned on-peak hours

On-peak (higher cost) hours will be cut by half for most business TOU rates, to 3–8 p.m. from 11 a.m.–9 p.m. This aligns TOU rates better with business operating schedules and helps customers save. It also more accurately reflects when peak usage on the grid and costs to meet that demand are highest.

**Current
on-peak hours
(11 a.m.–9 p.m.)**



**New
on-peak hours
(3–8 p.m.)**



Time-of-use hours for extra-large businesses (rate E-35) would remain unchanged because they use energy more consistently throughout the day, and it could cause unintended bill impacts for these customers.

Pricing Impact

The overall revenue increase is 3.3% (\$95 million) compared to the 5.74% (\$166 million) increase proposed in our original filing.

Bills for non-residential customers will increase by an average 1.9% across all classes. The typical monthly bill for residential customers will increase 4.5%, or about \$6.

Solar Net Metering

This decision will not change the current net metering rules for our non-residential solar customers.

Cost Management

We have worked aggressively to reduce expenses through rigorous cost management principles, generating more than \$200 million in savings from 2009–15.

We are also making investments in our energy grid to benefit customers with improved reliability and redundancy, increased access to power markets and continued development of renewable energy.

What's Next

The rate adjustment takes effect on Aug. 19. Customers do not need to take immediate action. We will communicate with them starting this fall about picking a new rate plan.

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