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September 30, 2016

Docket Control
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, AZ 85007

RE: Arizona Public Service Company 2016 Rate Case
Docket No. E-01345A-16-0036 and E-01345A-16-0123

On September 29, 2016, Arizona Public Service Company (APS) conducted its third Rate Case Technical Conference, in the above-referenced matter. APS is providing a copy of the presentation, attached hereto.

If you have any questions regarding this information, please contact me at 602-250-3341.

Sincerely,

Kerri A. Carnes

KC/am

cc: Thomas Broderick
Terri Ford
Eric Van Epps

Arizona Corporation Commission
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APS Rate Case Technical Conference

September 29, 2016

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Agenda

- Introduction
- Residential Customer Outreach and Rate Transition Plan
- Rate Design-Overview of Residential Rates and Changes

Residential Customer Outreach and Rate Transition Plan

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Overview

- Current rate plan success
- Creating a customer-centric plan
  - Objectives and Education/outreach framework
  - Customer touchpoints, tools and community outreach
  - Customer engagement factors
- 3 phases of outreach
  - Awareness
  - Transition
  - Transition and Beyond
- Summary

Proposed rates overview

	Basic Service Charge (per month)	Demand Charge ($/kW)**	Summer Energy Charge (On/Off Peak $/kWh)	Winter Energy Charge (On/Off Peak $/kWh)
Extra Small*	$18	None	$0.10324	$0.10324
R-1	$24	$6.60/kW	$0.1516/$0.08070	$0.12730/$0.08070
R-2	$14.50	$8.40/kW	$0.1516/$0.0808	$0.12730/$0.0808
R-3	$24	$16.40/kW summer $11.50/kW winter	$0.0909/$0.05475	$0.06670/$0.05475

Core message - shift, stagger, save

3 ways to save during on-peak hours (3pm-8pm on weekdays)

shift

usage from on-peak to off-peak

For example, set your dishwasher to run on a delay cycle, run your pool pump at night or do your laundry on the weekend.

stagger

the use of major appliances

Avoid running major appliances at the same time during on-peak hours. For example, start your laundry after you cook dinner.

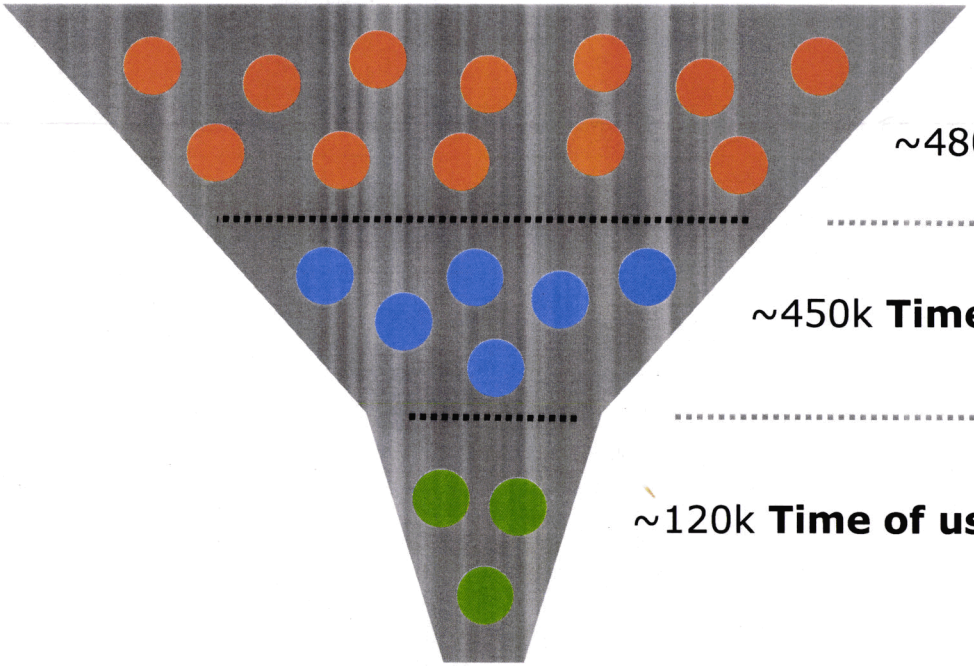
save

with tips and tools

For example, turn off ceiling fans when leaving a room, switch to LEDs, and get customized savings tips by taking our online Energy Analyzer survey.

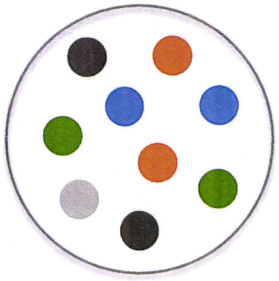
Experience – not starting from zero

~1 million **Residential** customers



Our Customers…	*Opportunity…*
~480k **Standard** customers	**Save** (through conservation)
~450k **Time of use** customers	**Shift & Save**
~120k **Time of use with demand** customers	**Shift, Stagger & Save**

~260 thousand Residential **x-small** customers



Create a transition strategy based on experience from our current customers

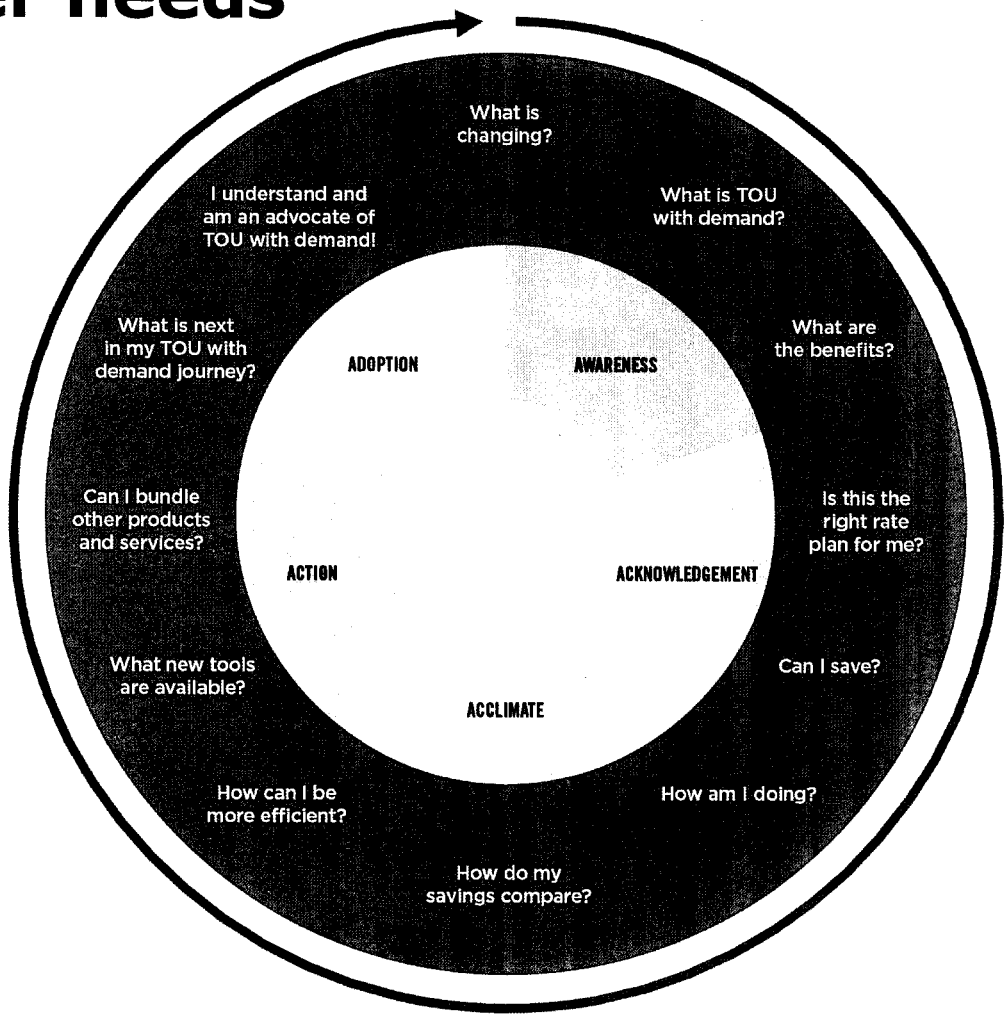
Determine:

- Messaging strategies for **Shift, Stagger and Save**
- Touchpoint frequency

Building an education and outreach plan around the customer needs

Education & outreach objectives:

- Drive awareness across all communications channels
- Acclimate / familiarize customers with Shift, Stagger and Save
- Create a call to action, getting customers to visit aps.com demand page and become familiar with their demand
- Increase adoption of APS tools and programs to facilitate demand awareness and control



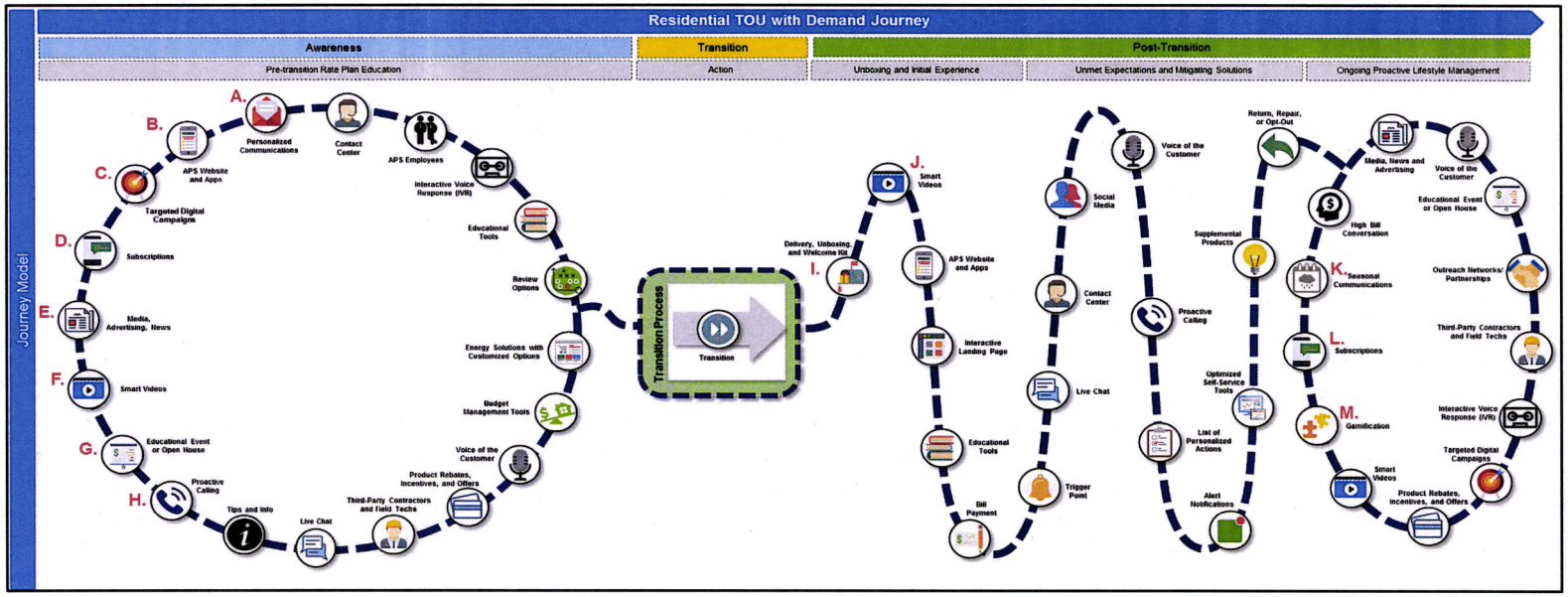
Customer touchpoints

- A touchpoint is a measureable customer interaction
- Touchpoints can include messaging, communications, tools and live interactions

Touchpoints help to:
- Create awareness to a change
- Assist a customer in managing energy and lowering their bill

= millions of customer touchpoints per year

Awareness | Transition | Transition and Beyond



Digital platforms to support customer education

Customer-friendly, easy-to-navigate demand webpage:

- aps.com demand webpage, launching this fall
- Easy access to information regarding customer demand questions and quick tips
- Robust webpage with personalized education tools

Arizona energy initiatives:

- AZenergyfuture.com website
- Detailed information relevant to Arizona's energy future and rate reviews
- Intended for stakeholders and highly engaged customers

aps.com demand webpage demo

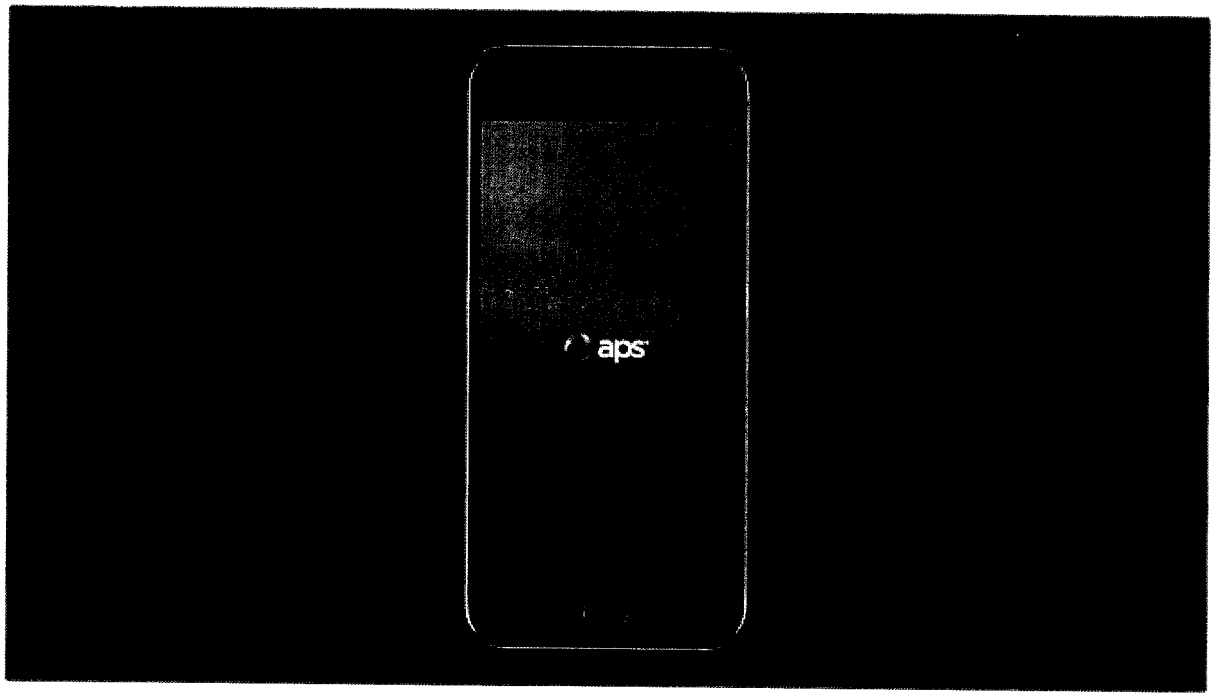
Digital tools to help customers manage usage

APS mobile app

- Create transparency in current and historical usage and demand information

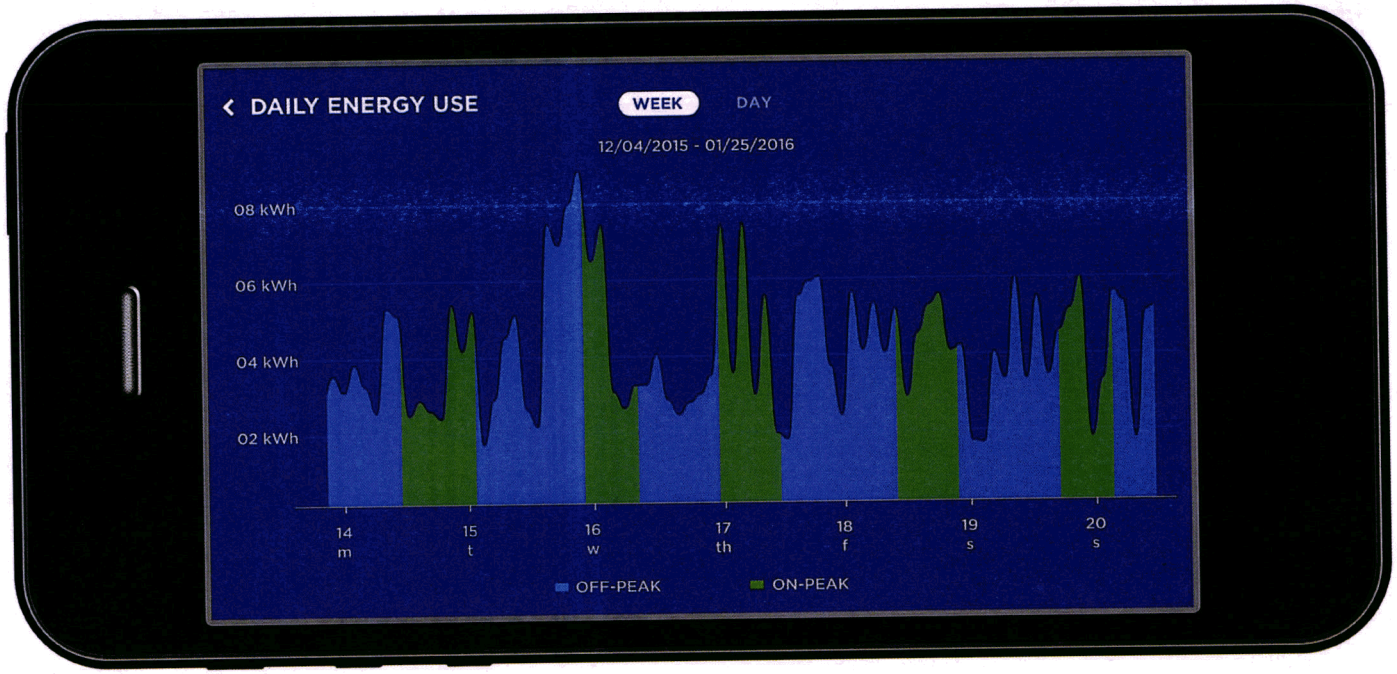
Notifications and alerts center

- Alert customers via text and email set to their threshold preferences
  - Overall energy usage
  - Peak usage alert
  - Payment alert
  - Outages reported

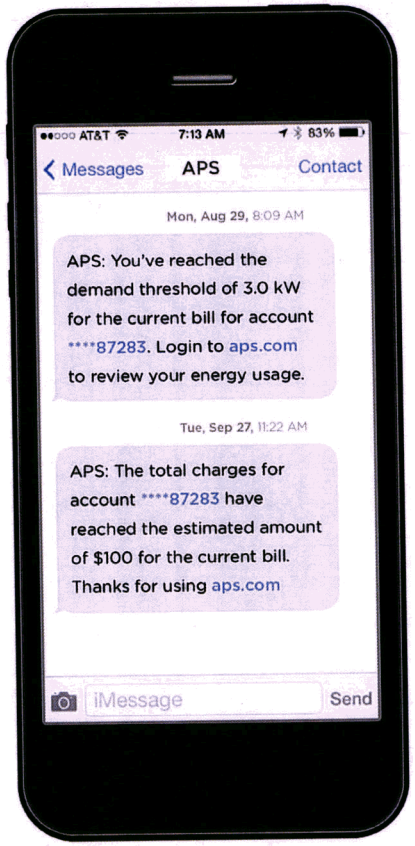


APS mobile app demo

Mobile phone app and notifications



Customer's peak usage graph



Mobile app interface

Awareness through community outreach

APS is engaged in the community through...

Community outreach

- Delivered over 50 presentations to various organizations and communities across Arizona

Customer open house events

- Held events in Sun City, Flagstaff, Payson
- Expect at least 10 additional events to be held throughout Arizona prior to transition. Casa Grande and Pebble Creek scheduled for this year.

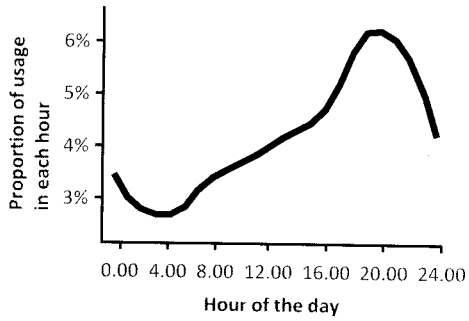
Home shows and community events

- Approximately 130 events scheduled to provide awareness

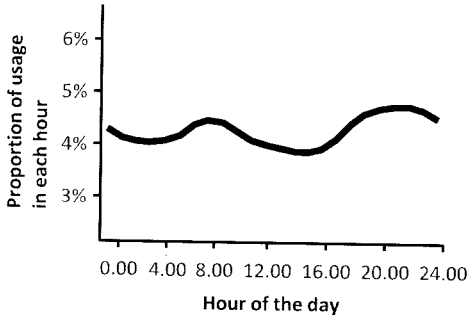
Customer usage insights

- Recognize it is important to know our customer profiles in order to create tailored messaging
- Understand who they are, how they use our product and how best to communicate to them

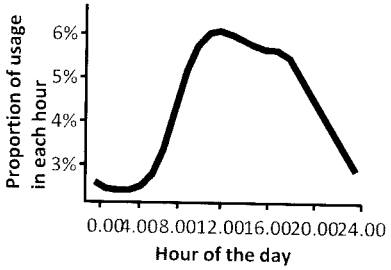
Weekday Evening Peakers (Index = 1)



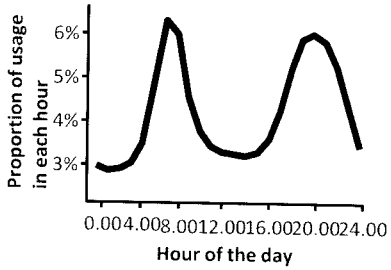
Weekday Steady Eddies (Index = 0)



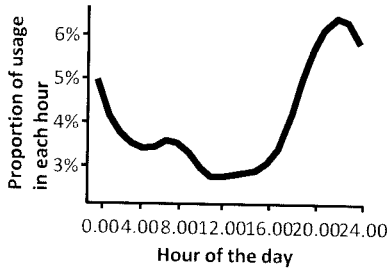
Weekday Daytimers (Index = 4)



Weekday Twin Peaks (Index = 3)

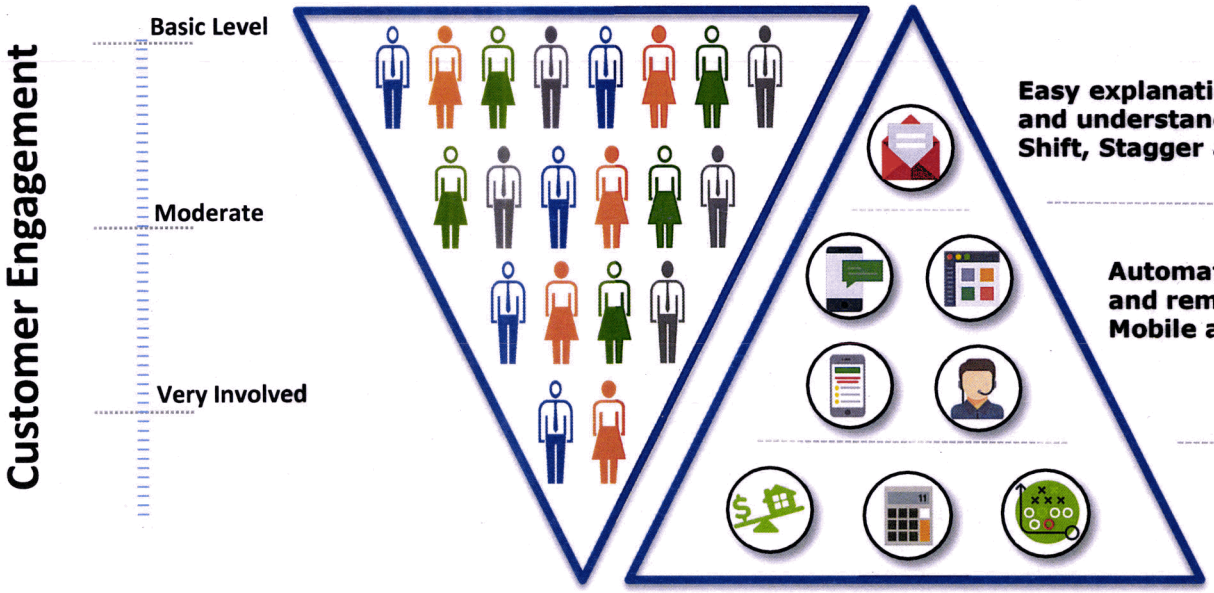


Weekday Night Owls (Index = 2)

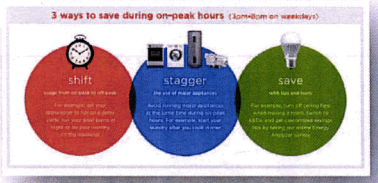


Graphs: 5 load profile types for APS residential customers

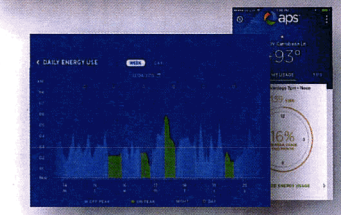
Customers level of engagement



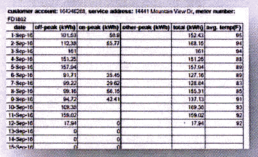
Easy explanation, tips and understanding: Shift, Stagger and Save



Automated notifications and reminders: Mobile and web tools



Downloadable data to enable deeper analytics:



- Create a plan that addresses all types of customers and their individual engagement preference
- Give customers the option to receive their preferred level of information regarding their new rate plans and tips to save

Voice of the customer

Phases of Outreach

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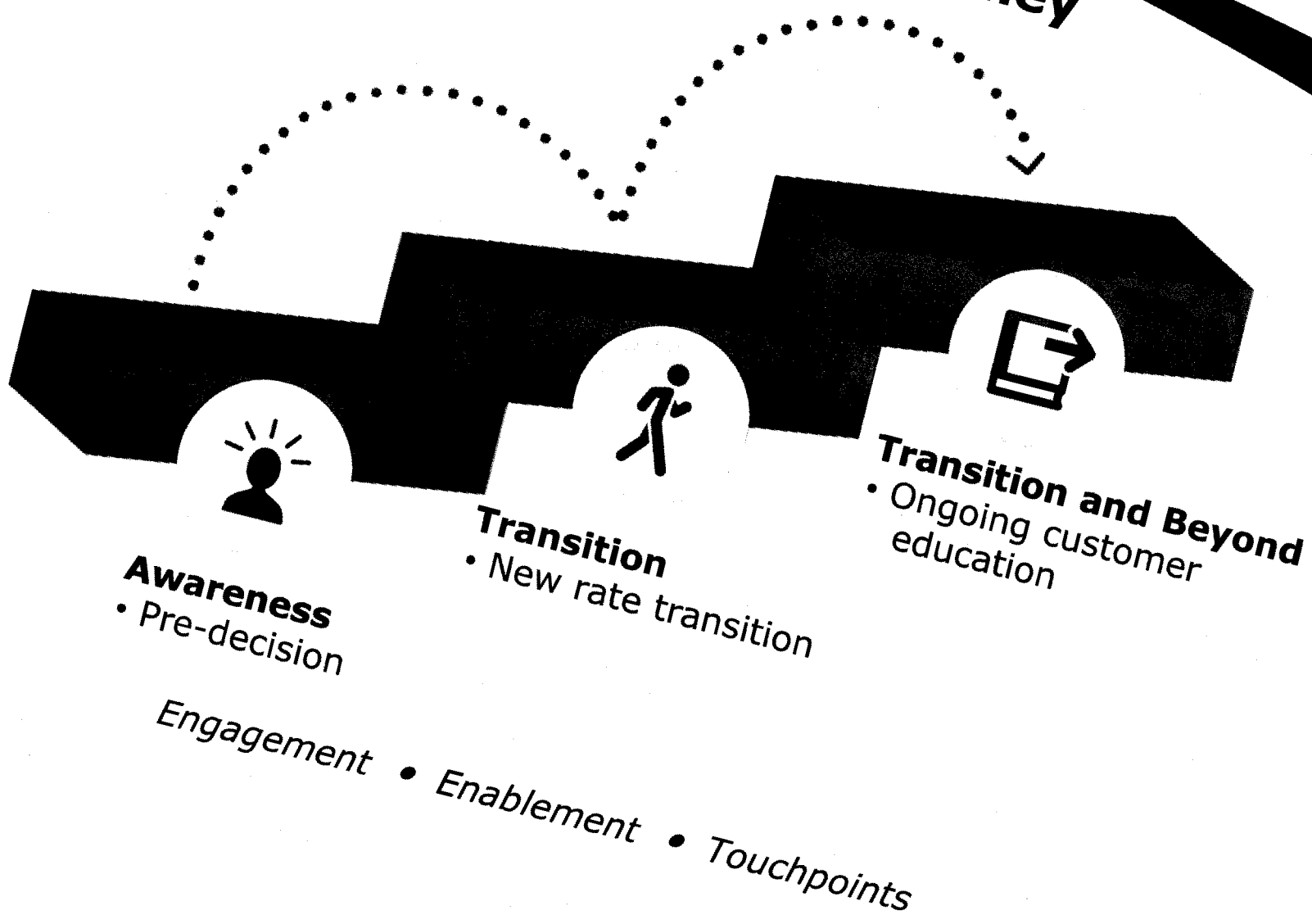
Phases tied to the customer journey and overall transition



AWARENESS

Pre-decision

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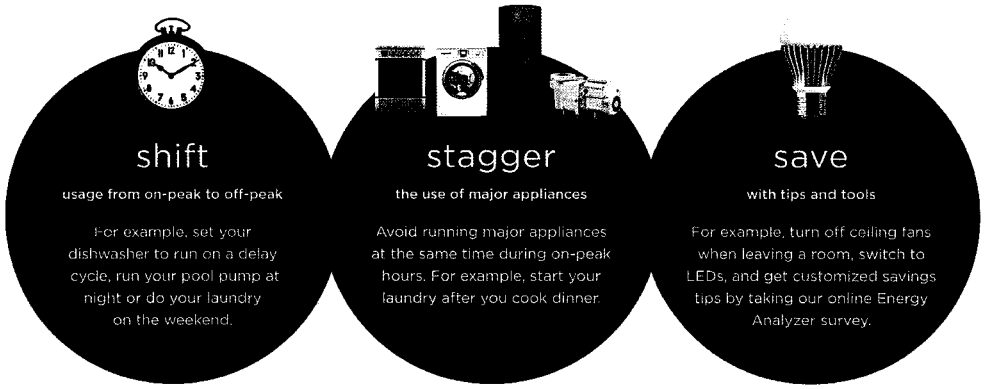
Awareness phase

Phase objectives:

- Educate customers on energy usage prior to the rate transition
  - Build familiarity of Shift, Stagger and Save messaging and drive awareness of which household appliances use the most energy
- Inform the communities we serve through outreach
- Encourage adoption of APS tools and programs through marketing and advertising

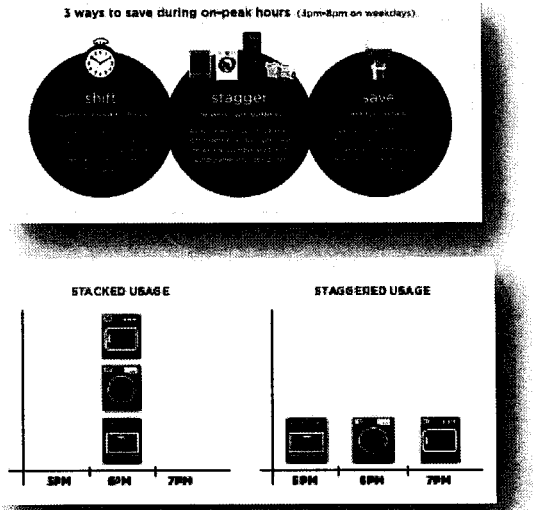
3 ways to save during on-peak hours (3pm-8pm on weekdays)



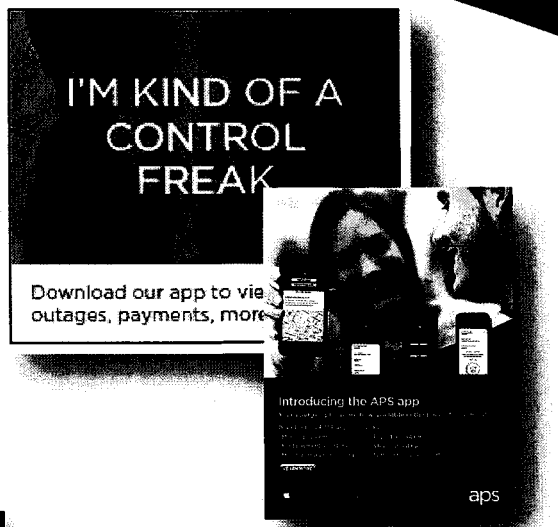
Awareness phase - education and outreach

E&O	Awareness Phase	
Newsletter	• Dedicate section of the monthly newsletter for Shift, Stagger and Save messaging • Gradual build of energy usage education	Monthly Articles (Beginning Q4 2016)
Email	• Create Shift, Stagger and Save messaging for transactional emails	Targeted Email Campaigns (Beginning Q4 2016-transactional)
APS.com	• Launch targeted, banner and pop-up ads dedicated to Shift, Stagger and Save	APS.com advertising (Beginning Q4 2016)
IVR Message	• Setup IVR messaging as customers dial into the contact center	IVR Awareness Recording (Beginning Q4 2016)
Bill Communications	• Develop bill inserts and bill messaging with Shift, Stagger and Save messaging • Vary bill insert and bill message by month	Monthly Bill Messages (Beginning 2017)

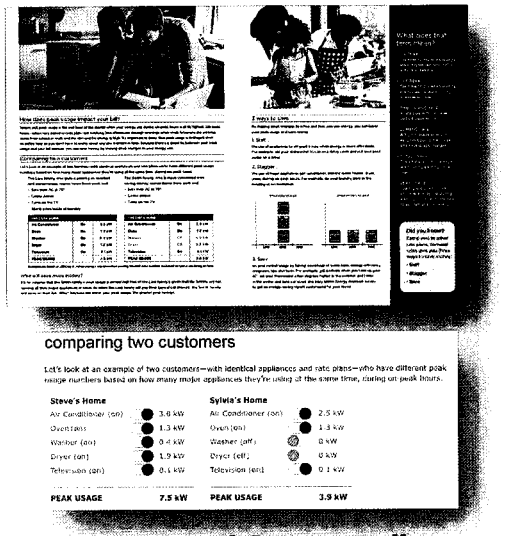
Demand education



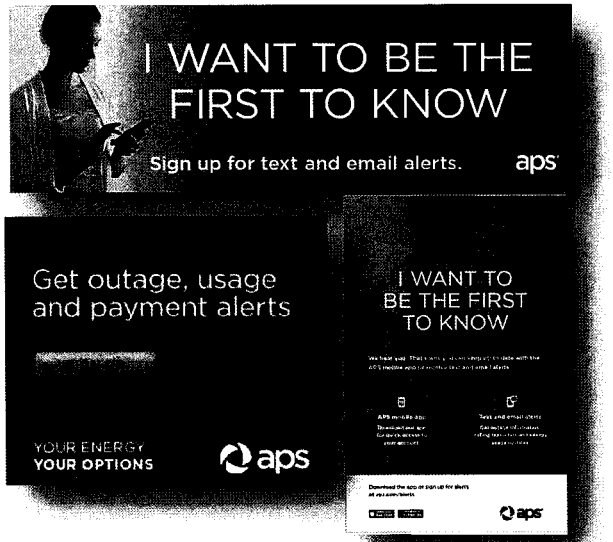
Shift, Stagger and Save: how to stagger



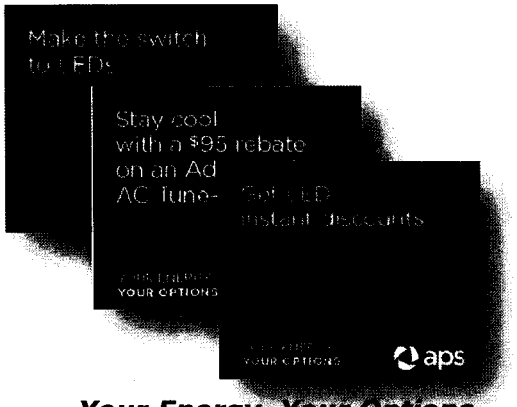
Mobile app campaign



Shift, Stagger and Save: appliance usage



Alerts and notification campaign



Your Energy, Your Options campaign

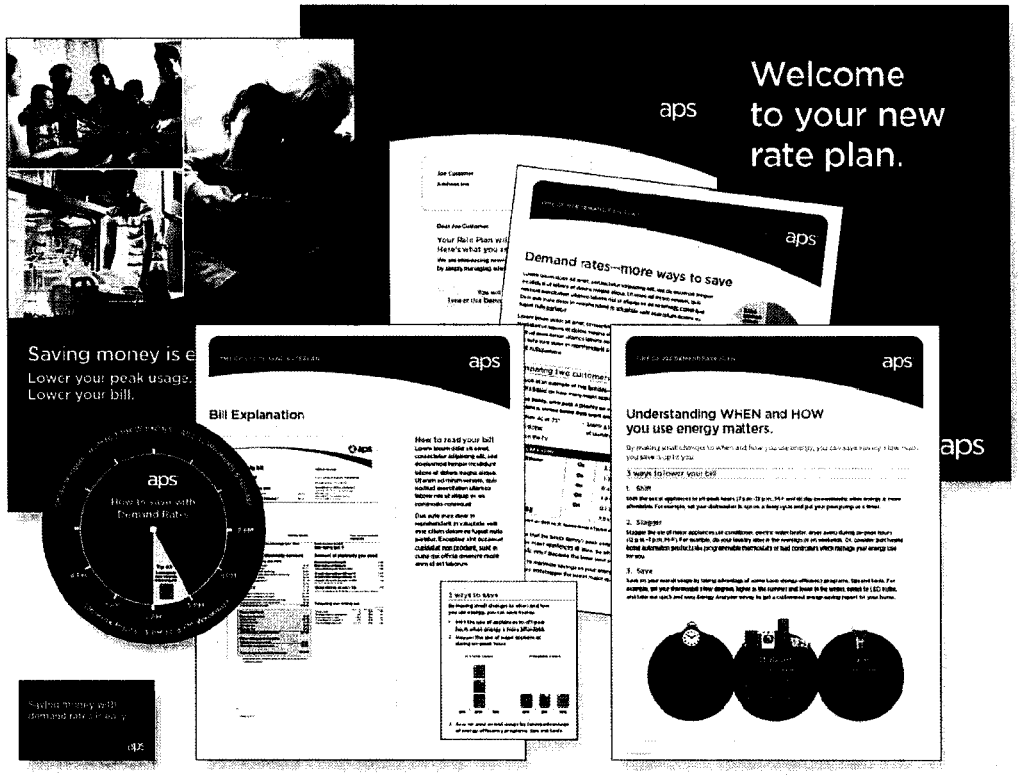
Transition

New rate transition

Transition phase

Phase objectives:

- Inform customers of transition details
  - Notice of upcoming change and best rate analysis
  - Reinforce Shift, Stagger and Save messaging, while providing additional tips to stagger and become familiar with their new rate plan
  - Welcoming communication via smart video and/or mailer
- Leverage segmentation to effectively communicate
- Ensure business readiness—people, process, systems and technology
- Execute rate transition



Sample welcome kit

Transition phase - education and outreach

E&O	Transition Phase
Awareness Phase	• Continue education and outreach efforts from the awareness phase with adjusted messaging to fit transition phase • Newsletter, Bill Communications, Email, APS.com, IVR
Letter	• Personalized letter with customer information regarding upcoming transition and best rate analysis • Sent via direct mail
Smart Video	• Personalized smart video with customer information regarding upcoming transition and best rate analysis
Social Media	• Leverage social media platforms to send TOU with demand and Shift, Stagger and Save messaging • Monitor voice of the customer
Community Partnerships	• Leverage community partnerships to educate on TOU with demand transition
Mass Media	• Shift, Stagger and Save mass media campaign (radio, print, digital, podcast)
Welcome Kit	• Interactive and personalized welcome kit introducing customers to their new TOU with demand rate plan

Transition and Beyond

Ongoing customer education

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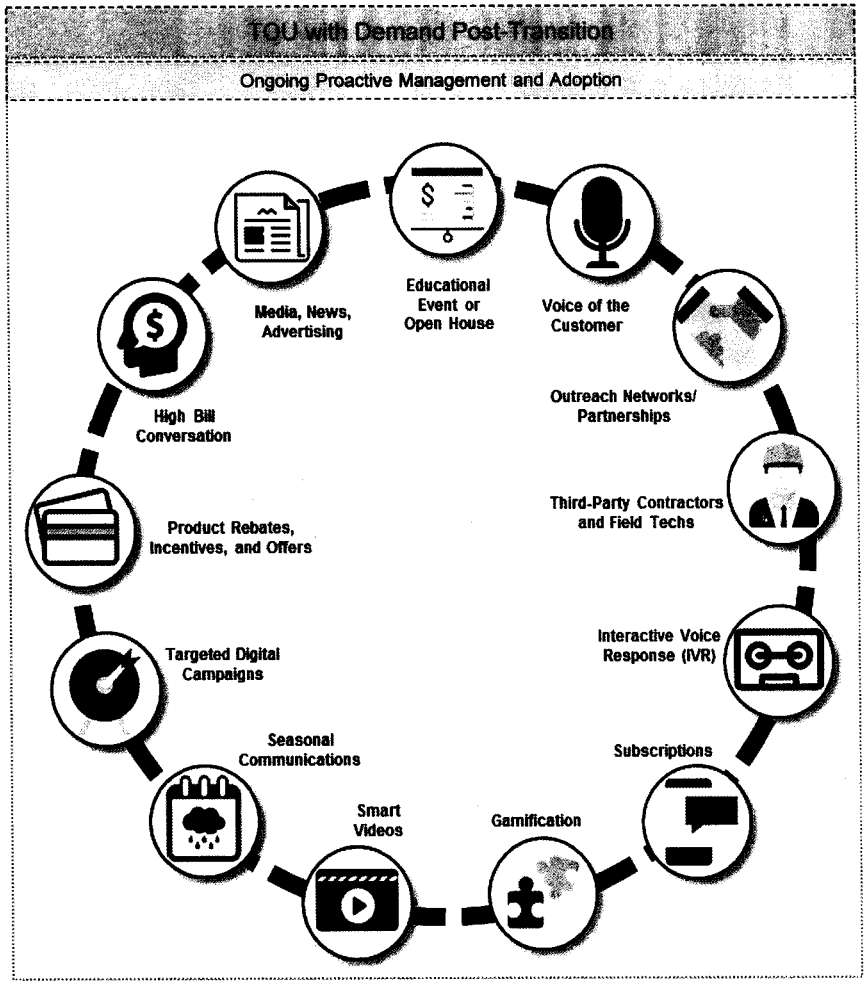
Transition and beyond phase

Phase objectives:

- Continue Shift, Stagger and Save messaging and incorporate outbound outreach as appropriate
- Reminders and savings tips before high heat and cooling seasons
- Encourage participation in programs, alerts and other service offerings
- Monitor customer feedback regarding recent transition experience

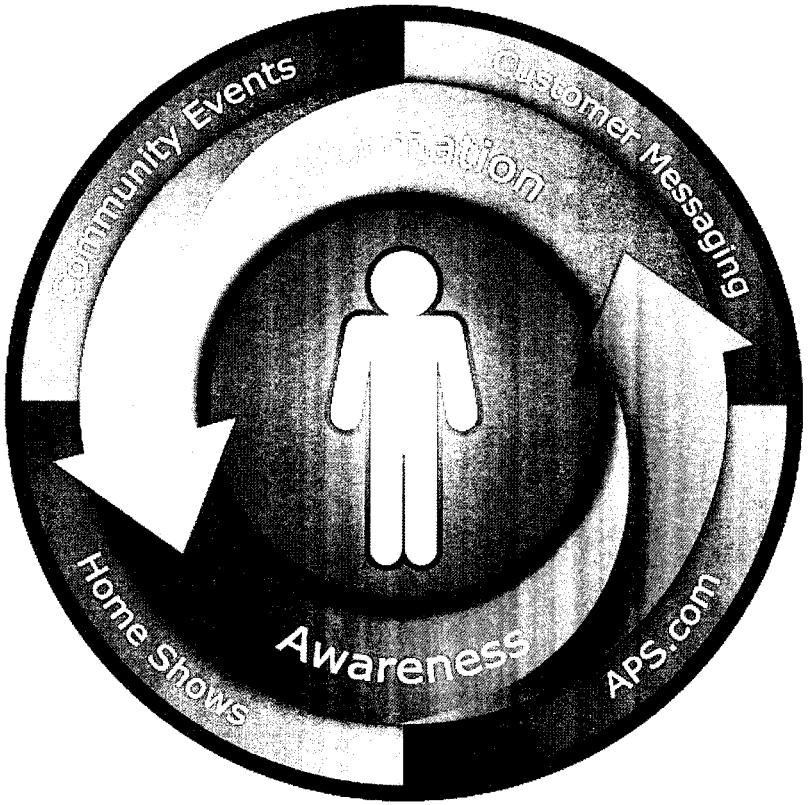


Transition and beyond phase - education and outreach

E&O	Beyond Transition
Seasonal Readiness	• Seasonal tips to prepare for temperature changes
Proactive Communications	• Personalized communication triggered by usage behaviors. Activated in advance of potential high bill • Provide list of actions customer can take to Shift, Stagger and Save
Mass Media	• Continue Shift, Stagger and Save mass media campaign (radio, print, digital)
Bill Communications	• Personalized bill messages and inserts explaining TOU with demand
Awareness & Transition Phase	• Continue education and outreach efforts from the awareness and transition phases with adjusted messaging to fit the post- transition phase

Summary

- **Our commitment:**
  - Create a seamless and transparent customer journey
  - Leveraging the success of current rate plans and our customer's experience
  - Create an awareness of TOU with demand rates for our customers, with the goal of leaving them feeling well informed
  - Provide helpful tools and resources



Rate Design-Overview of Residential Rates and Changes

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Rate Design Modernization

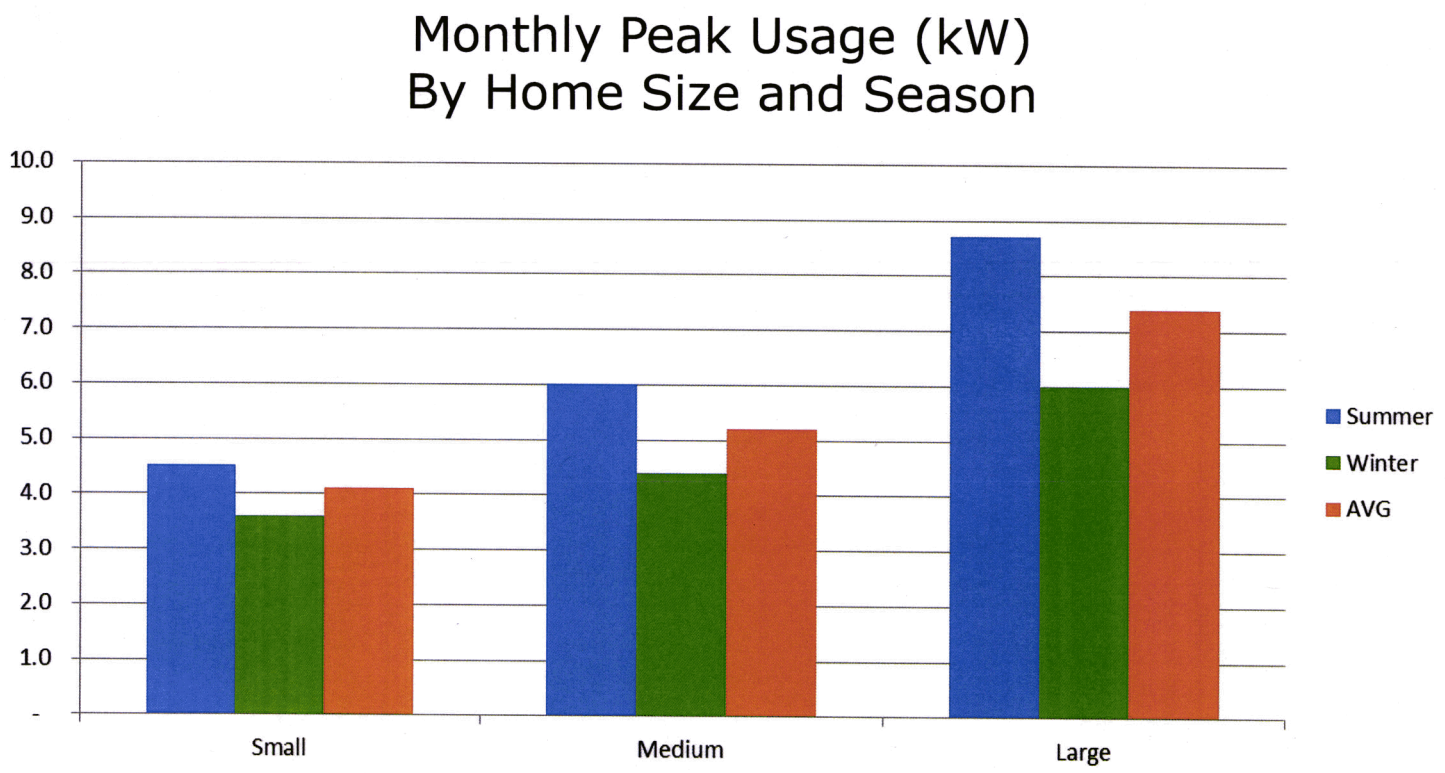
Focus Area	Current State	Rate Case Objective
Time-of-Use Rates (TOU)	• > 50% of residential customers are on a TOU rate • On-peak hours from 12-7 PM (M-F) • TOU difference in on-peak prices that are 4 times the off-peak prices	• Most residential customers on a TOU rate • On-peak hours from 3-8 PM (M-F) to better align with system peak • TOU difference in on-peak prices that are 2 times the off-peak prices
Demand Rates	• 11% of residential customers are on demand rates, more than any other electric utility	• Most residential customers on demand rates • Calculated on the highest demand averaged over a one-hour period during the on-peak period each month
Basic Service (Fixed) Charge	• Customers pay basic service charge ranging from $8.67 - $16.91 per month	• Set basic service charge for all rate classes ranging from $14 - $24 per month
Net Metering	• Excess power compensated at full retail price	• Excess power compensated at export price aligned with avoided cost • Recovery of cost to purchase through existing PSA mechanism • Grandfather qualified rooftop solar customers

Residential Rate Design

- Three Rate Options
- Extra Small Rate (<600kWh per month)
- On-peak hours 3-8 p.m. and four new off-peak holidays
- $34/month credit (up to 80% of bill) for limited-income customers
- "Flat Bill" Option (not the same as equalizer)
- AMI meter opt-out fee
- Grandfather solar customers

	Basic Service Charge (per month)	Demand Charge ($/kW)	Summer Energy Charge (On/Off Peak $/kWh)	Winter Energy Charge (On/Off Peak $/kWh)
Extra Small*	$18	None	$0.10324	$0.10324
R-1	$24	$6.60/kW	$0.15160/$0.08070	$0.12730/$0.08070
R-2	$14.50	$8.40/kW	$0.15160/$0.08080	$0.12730/$0.08080
R-3	$24	$16.40/kW summer $11.50/kW winter	$0.09090/$0.05475	$0.06670/$0.05475

Residential Demand



Small Home - 750 kWh per month
Medium Home - 1100 kWh
Large Home - 2050 kWh

1- hour demand
On-peak only Noon to 7 pm

Note: 96% of customer bills are under 10 kW demand

How is Average Demand Calculated?

Demand is averaged over an entire hour—not just one moment in time.

6:00 - 6:10pm – 7 kW – using the oven, dryer and AC at the same time

6:11 - 7:00pm – 4 kW – oven and dryer turned off

The demand averaged over an hour is 4.5 kW

7 kW | for 10 minutes (7 x 10) = 70 kW

4 kW | for 50 minutes (4 x 50) = 200 kW

70 kW + 200 kW = 270 kW

270 kW ÷ 60 min. = 4.5 kW

Extra Small Customer Bill Impacts

Average Energy & Demand - 450 kWh, 3 kW

Customer Bill					
	Rate	Basic Service Charge	Energy Charge	Demand Charge	Total [2]
Transitional Rate [1]	E-12	$ 10	$ 56	-	$ 66
New Rate [3]	R-XS	$ 18	$ 47	-	$ 65
Impact		$ 8	$ (9)	-	$ (1)

[1] Transitional Rates incorporate current rate structure with requested rate increase
[2] Total amount reflects base rate charges only and excludes adjustor charges, taxes and fees
[3] Best rate

Small Customer Bill Impacts

Average Energy & Demand – 750 kWh, 4 kW

	Customer Bill				
	Rate	Basic Service Charge	Energy Charge	Demand Charge	Total[2]
Transitional Rate [1]	E-12	$10	$101	-	$111
Transitional Rate [1]	ET-2	$20	$92	-	$112
New Rate [3]	R-2	$15	$69	$34	$118
Impact	E-12 Impact	$5	($32)	$34	$8
Impact	ET-2 Impact	($5)	($23)	$34	$6

[1] Transitional Rates incorporate current rate structure with requested rate increase
[2] Total amount reflects base rate charges only and excludes adjustor charges, taxes and fees
[3] Best rate

Medium Customer Bill Impacts

Average Energy & Demand – 1,100 kWh, 5 kW

	Customer Bill				
	Rate	Basic Service Charge	Energy Charge	Demand Charge	Total[2]
Transitional Rate [1]	E-12	$10	$160	-	$170
Transitional Rate [1]	ET-2	$20	$134	-	$154
New Rate [3]	R-1	$24	$102	$33	$159
Impact	E-12 Impact	$14	($58)	$33	($11)
Impact	ET-2 Impact	$4	($32)	$33	$5

[1] Transitional Rates incorporate current rate structure with requested rate increase
[2] Total amount reflects base rate charges only and excludes adjustor charges, taxes and fees
[3] Best rate

Large Customer Bill Impacts

Average Energy & Demand – 2,050 kWh, 7 kW

Customer Bill					
	Rate	Basic Service Charge	Energy Charge	Demand Charge	Total[2]
Transitional Rate [1]	ET-2	$20	$250	-	$270
Transitional Rate [1]	ECT-2	$20	$127	$99	$246
New Rate [3]	R-3	$24	$123	$101	$248
Impact	ET-2 Impact	$4	($127)	$101	($22)
Impact	ECT-2 Impact	$4	($4)	$3	$3

[1] Transitional Rates incorporate current rate structure with requested rate increase
[2] Total amount reflects base rate charges only and excludes adjustor charges, taxes and fees
[3] Best rate

Small Customer Bill Impact Sensitivities

ET-2 and E-12 Customers Billed on Best Rate					
				Impact	
Load Factor	Demand kW	Energy kWh	Bill	ET-2	E-12
23%	4.5	750	$122	$11	$12
26%	4.0	750	$118	$6	$8
29%	3.5	750	$114	$2	$3

Medium Customer Bill Impact Sensitivities

ET-2 and E-12 Customers Billed on Best Rate					
				Impact	
Load Factor	Demand kW	Energy kWh	Bill	ET-2	E-12
25%	6.0	1,100	$165	$11	($5)
30%	5.0	1,100	$159	$5	($11)
37%	4.0	1,100	$152	($2)	($18)

Large Customer Bill Impact Sensitivities

ET-2 and ECT-2 Customers Billed on Best Rate					
				Impact	
Load Factor	Demand kW	Energy kWh	Bill	ET-2	ECT-2
35%	8.0	2,050	$262	($9)	$3
40%	7.0	2,050	$248	($22)	$3
47%	6.0	2,050	$233	($37)	$2

Future Technical Conference

- **Thursday, November 3rd, 2016 from 2:00-3:30pm**
  - **Location Change: APS Learning Center**
  - Proposed Topics
    - Adjustments and updates to APS's request and SFR's
    - Discovery
    - Dates and locations for settlement discussions

If have any questions, please email ratecase@aps.com