



OUR PROPOSAL

Details on the filing and answers to frequently asked questions.

APS filed a proposal with the Arizona Corporation Commission (ACC) in April to adjust the grid access (LFCR-DG) charge. The charge would go from 70 cents per kilowatt of installed rooftop solar, about \$5 for a typical residential installation, to \$3 per kilowatt, or about \$21, for future solar customers.

The ACC, with support from its staff and the state's consumer advocate, concluded in 2013 that a monthly grid access charge of about \$21 would be appropriate for future customers who choose rooftop solar, with the acknowledgement that it could be changed in the future. Our proposal simply asks them to implement what they already concluded would be reasonable as an interim solution.

Existing solar customers, including those who are subject to the current monthly charge, would not be impacted by this proposal. If approved the ACC, the charge would apply only to customers who add solar following the effective date set by the ACC.

Answers to Frequently Asked Questions

Why is APS asking for an increase in the access charge?

APS is proposing increasing the charge from 70 cents per kilowatt to \$3 per kilowatt, a figure that the ACC, its staff and the state's utility consumer advocate concluded would be reasonable in 2013. The adjustment would be an incremental step toward a fair pricing model that reflects how customers use the grid today and would not increase our revenue.

Why now?

The commission created this framework to periodically reset the charge as needed. Commissioners initially set the charge at 70 cents per

kilowatt with the acknowledgement that it could be changed in the future. Our proposal simply asks them to implement what they already concluded would be reasonable as an interim solution.

How did you arrive at this proposed change?

As part of the 2013 decision, the ACC, ACC Staff and the Residential Utility Consumer Office concluded that a \$3 per kilowatt charge was reasonable. The two dissenting commissioners voted no because they thought the 70-cent charge should be higher. The decision to start with a lower charge was largely the result of solar leasing companies claiming even a \$5 per month charge would kill their business. Those claims have proved to be unfounded. Updating the charge to a more reasonable amount is the logical next step.

Isn't the current charge enough?

The current access charge was an important first step in updating the pricing model. A grid access charge of \$3 per kilowatt was determined as reasonable in 2013. We need to continue updating prices to reflect the way customers use the grid.

Will this fix the issue?

No, the proposal is an interim step until we can have a broader discussion in the general rate case about updating electric pricing so everyone pays their fair share for keeping the grid up-to-date and reliable 24/7.

What has been done so far to update rates?

The Arizona Corporation Commission (ACC) in November 2013 recognized a need to update rates to reflect the changing ways customers use the grid. The ACC voted 3 to 2 to institute a grid access charge for customers who apply for rooftop solar panels after Jan. 1, 2014. The two commissioners who dissented thought the amount should have started higher than 70 cents per kilowatt of installed capacity (about \$5 for a typical installation).

What impact has the current charge had on rooftop solar in Arizona?

Rooftop solar interests cried wolf – again – that this charge would kill the industry in Arizona. Most of their claims have proved false, like in 2010 when upfront incentives were reduced and installations increased the next year. The same refrain was heard when upfront incentives continued to drop in 2011, and installations rose 72 percent in 2012. The current grid access charge was predicted to cause significant pain for the industry by some solar advocates, but our customers across Arizona continue to choose solar for their homes. Last year, 7,800 customers installed solar, the most in a single year.

Will this affect current customers with rooftop solar?

No, the proposal will not impact customers who currently have rooftop solar. Existing rooftop solar customers who signed up for solar prior to Jan 1, 2014 would be grandfathered under the agreements they originally signed. Systems installed between January 1, 2014 and the effective date of this change would be grandfathered at the 70-cent charge.

When would the increase go into effect?

The proposed access charge is subject to approval by the Arizona Corporation Commission. Any change would follow a formal order issued by the commission, which would include an effective date.

Why is the current pricing structure not fair to all customers?

In most cases, rooftop solar panels reduce a customer's bill by a larger amount than it reduces the utility's cost to serve them. Due to this structure called by the commission as "unfair" and "defective," it is estimated that each rooftop solar customer avoids about \$800 to \$1,000 of fixed costs. These costs are then spread among non-solar customers.

Why doesn't APS just ask for the same solution that it did in 2013?

The commission concluded in its original decision that the grid access charge is an interim solution, and more substantial rate design should be considered in a general rate case. The commission created a framework to request an adjustment if the need arises, and this proposal helps the current pricing model become fairer for all customers.

Did the SRP decision influence your proposal?

Other states and other utilities, including SRP and TEP, are taking action to ensure customers share fairly in the cost of maintaining the grid and enable solar as a long-term, sustainable option for customers. SRP's decision has contributed significantly to the discussion here in Arizona and across the country.

Why aren't you proposing a way for solar customers to save on their bill like SRP did?

Solar customers also have an option to enroll in our Combined Advantage pricing plan, an existing plan open to all APS residential customers that includes time-of-use pricing with a demand charge. Customers who add solar and enroll in this plan are not subject to the grid access charge.

What are the differences from SRP's proposal?

The APS grid access charge is based on the size of a customer's rooftop solar system. SRP's decision places solar customers on a plan with an increased monthly service charge and a demand charge, which allows customers to manage their costs by controlling their energy use.

Do customers with rooftop solar still use the electric grid?

Nearly all Arizonans with electricity, including those with solar panels on their rooftops, rely on the electric grid. Rooftop solar customers need the grid when their systems aren't producing energy, like at nighttime and cloudy days, or when they need additional power for their homes, like to turn on an air conditioner. They also need the grid to sell power back to the utility when their systems are producing more than they need. The electric grid is critical to reliable energy. Everyone who uses it should share fairly in paying for it.

Solar is good for the environment. Why shouldn't non-solar customers pay more to support solar and the environment?

It's an issue of fairness for all customers. Not everyone can install solar. Many homeowners have issues like poor roof orientation, structural problems or trees that shade their roof during the day. Others simply can't afford it. Rooftop solar customers still need the grid 24/7 for reliable power and services, and everyone who uses the grid should pay their fair share for it.

Is APS for solar?

Absolutely. The handful of rooftop solar leasing companies that are attacking us are concerned with short-term profits and their ability to sign up as many customers as they can before the solar tax credit is scheduled to change in 2016. APS's job is to ensure the long-term sustainability of solar power in Arizona. APS's generation portfolio has 875 megawatts of solar, enough to power 220,000 Arizona homes. We are conducting important research to help maximize the efficiency and effectiveness of rooftop solar through the Community Power Project in Flagstaff and our Solar Partner rooftop solar program. All APS customers benefit from this solar energy.

How does APS compare to other utilities for solar energy?

APS is one of the country's highest-ranked electric utilities for solar energy. In 2014, APS ranked in the top five of all U.S. utilities in four separate categories by the Solar Electric Power Association.

I don't have solar. Why should I care?

Rooftop solar is just a small part of a broader conversation that's happening around the country. Utilities, regulators and customers are discussing how to best meet customers' changing energy choices and enable new technologies for the future. Modernizing the grid and updating electric pricing so everyone shares fairly in keeping the grid up-to-date and reliable are critical to Arizona's energy future.

Does the proposed charge increase APS’s revenue?

No. When APS collects money for the grid access charge from solar customers, the amount that non-solar customers pay toward lost fixed-cost recovery is reduced by that same amount. APS sees no added revenue.

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