

January 31, 2024

Arizona Corporation Commission  
1200 W. Washington St.  
Phoenix, AZ

*RE: Reject Submitted Integrated Resource Plans Docket No. E-99999A-22-0046*

Chairman O'Connor and Commissioners,

The undersigned organizations represent the interests of thousands of ratepayers across Arizona, and we write to urge you to reject the Integrated Resource Plans submitted by APS<sup>1</sup>, TEP,<sup>2</sup> and UNS<sup>3</sup>. Many of the same organizations submitted a letter to this Commission in November highlighting concerns about Environmental, Social, and Governance (ESG) goals being pursued by the utilities<sup>4</sup>. Former Commissioner Justin Olson submitted a letter<sup>5</sup> too, as did the Arizona Freedom Caucus<sup>6</sup>. Those letters warned that unless ESG was prohibited upstream, every downstream issue would be irredeemably impacted by it. Unfortunately, these Plans prove that warning true. In short, these Plans were driven by political agendas to get to "Net Zero" by 2050, which will result in an unreliable grid and unaffordable rates. The Commission has a constitutional obligation to ensure just and reasonable rates<sup>7</sup> and a statutory duty to ensure adequate provision of service<sup>8</sup>. That means ensuring reliable, affordable, and plentiful energy in the state, which should be the mission of this Commission. But these ideological environmental commitments do the opposite, and for that reason, they should be rejected.

### **Proposed Resource Plans Would Make the Grid Unreliable**

By definition resources including solar, wind, and battery storage are intermittent<sup>9</sup>, which means they are unreliable. Arizona needs a grid that not only fully covers baseload demand but can also respond to surges during summer months when Arizonans rely on air conditioning to keep cool. The submitted Plans propose to meet future demand almost entirely with these unreliable sources, closing down all coal generation by 2031, and building miniscule amounts of new natural gas generation, which is recognized as necessary when coal generation is shut down early.

This is known not only inherently, but by experience. States and countries that have unwisely committed to Net Zero have experienced rolling blackouts, continuously request their customers to use less, and eventually make haste to reopen reliable sources of generation they had closed down. In countries to which environmental activists point in support of the idea that a reliable grid can be made of unreliable sources, like Germany, prices are higher than ever (more than 30 cents per kWh) and policymakers are scrambling to obtain coal and natural gas resources from Russia, even going back on their

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<sup>1</sup> <https://docket.images.azcc.gov/E000031965.pdf?i=1706578321851>

<sup>2</sup> <https://docket.images.azcc.gov/E000031960.pdf?i=1706578321851>

<sup>3</sup> <https://docket.images.azcc.gov/E000031961.pdf?i=1706578321851>

<sup>4</sup> Sent November 17, 2023, but not uploaded to Docket No. AU-00000A-20-0311

<sup>5</sup> <https://docket.images.azcc.gov/E000031692.pdf?i=1706578683929>

<sup>6</sup> <https://x.com/azfreedomcaucus/status/1722725375829233904?s=46&t=1rK86-PRqTniYVYoySMEVw>

<sup>7</sup> Ariz. Const. art. XV, § 3

<sup>8</sup> A.R.S § 40-321

<sup>9</sup> R14-2-701

plans to shut down coal. Many of the countries these activists point to are also not an honest comparison, because some (France) have large amounts of reliable nuclear and hydro generation (80%) that are not obtainable here. They also have the convenience of exporting excess energy (when their solar and wind farms are overproducing) to other countries, and then import (in some cases up to 50% of their total generation) from others with reliable sources like natural gas, coal, and nuclear when the sun is no longer shining and the wind is not blowing, resulting in shortages.<sup>10</sup>

Instead of ensuring reliable and plentiful energy, countries that have pursued Net Zero most are asking citizens to make themselves “resilient” by buying candles and flashlights, so that when the utilities fail to provide adequate power, and blackouts ensue, they can still see and (maybe) heat their houses.<sup>11</sup> The resources required to go Net Zero are unreliable. There is no question that if Arizona’s monopoly utilities are permitted to go down this path, Arizonans will experience the same blackouts of those in California, Texas, Germany, and elsewhere.

### **Proposed Resource Plans Would Cost Ratepayers Billions**

The primary purpose of the Commission is to ensure just and reasonable rates. This necessarily requires that the Commission prevent monopoly utilities from voluntarily shutting down reliable generation sources and pouring ratepayer money into unreliable and costly resources. There is a long and documented history in our state alone outlining the costs to go Net Zero.

In 2018, an out of state interest group pushed an initiative, Prop 127, onto the ballot that would have required 50% of the generation provided by monopoly utilities to come from unreliable sources. Thankfully, the voters rejected this proposal by a margin of 2-1. At the time, all of the utilities opposed the measure, and wrote ballot arguments warning voters that it would increase the cost of electricity to ratepayers by over a thousand dollars a year.<sup>12</sup> In 2021, when the Commission was considering a proposal that went even further to ban all reliable energy generation sources by 2050, it retained an independent contractor to conduct a cost analysis, more than a year into the process. That study projected a \$6 billion cost to ratepayers by 2050.<sup>13</sup> Thankfully, it too was rejected.

Late last year, one of the undersigned organizations, the Arizona Free Enterprise Club, published a paper<sup>14</sup> authored by renowned economist Stephen Moore. The paper looked at the 10 states with the highest electricity rates and the 10 with the lowest. Moore then overlaid those states with their respective energy mandates. Unsurprisingly, nine of the 10 states with the highest rates had “renewable” mandates, while seven of the 10 lowest cost states had no mandates at all. Furthermore, ratepayers residing in states with mandates paid on average 42 percent more for electricity than those living in states without them. Experience makes what is theoretically expected clearly known.

The submitted Plans argue that going Net Zero now happens to be the lowest cost portfolio. However, many of the assumptions made for the cost analysis are not readily available. AZFEC was prevented from joining the RPAC for TEP and UNS. And, though accepted into the APS RPAC, AZFEC was

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<sup>10</sup> <https://energytalkingpoints.com/other-countries-80-percent/>

<sup>11</sup> <https://www.independent.co.uk/news/uk/politics/power-cuts-energy-supply-uk-dowden-b2458560.html>

<sup>12</sup> [https://azsos.gov/sites/default/files/2018\\_Publicity\\_Pamphlet\\_Final.pdf](https://azsos.gov/sites/default/files/2018_Publicity_Pamphlet_Final.pdf)

<sup>13</sup> <https://docket.images.azcc.gov/E000015052.pdf>

<sup>14</sup> [https://azfree.org/wp-content/uploads/2023/11/AZ-Net-Zero-Brochure\\_Stephen-Moore\\_8.5x11\\_FINAL\\_Pages.pdf](https://azfree.org/wp-content/uploads/2023/11/AZ-Net-Zero-Brochure_Stephen-Moore_8.5x11_FINAL_Pages.pdf)

never given access to the modeling software employed by all of the utilities, AURORA<sup>15</sup>. In the November Public Input Meeting for the APS Plan, AZFEC asked how long APS expects batteries in storage projects to last before needing replacement. APS responded that they model the batteries to last 20 years.<sup>16</sup> This is far longer than these batteries are likely to last, which will inevitably increase the cost for these sources.

Further, when asked about previous cost estimates showing unreliable sources as more expensive, APS responded that the lower cost they now expect is due primarily to billions of dollars in subsidies from the federal government. Cost assessments should not be based on *expected* future subsidies. Later this year, a presidential election will be held. There may be a new administration and a new Congress that changes course. And this is the nature of these subsidies, every two years a new election is held, and those expected credits could vanish with it.

### **Proposed Resource Plans Are Irredeemably Poisoned by Political Precommitments**

It is clear APS, TEP, and UNS have as their top priority meeting voluntary climate goals. They publicly advertise it on their websites, commit to it in their SEC filings to shareholders, and even more importantly their top executives are incentivized by financial gain to build more unreliable generation sources<sup>17</sup>. That is the gauntlet they have thrown down. As a consequence, all other pursuits are secondary or tertiary to this, and decisions are prioritized accordingly. As they say, “you can only serve one master,” and the APS, TEP, and UNS have made theirs the political climate agenda. These commitments are not only inappropriate, but they also compromise the fidelity owed to the residents of this state. especially when they adversely affect ratepayers in the state. Monopoly utilities in Arizona benefit from a captive base of customers, but they still answer to the Commission, their regulatory authority. Reliable and affordable energy must be the only motivation for utilities, not ideological commitments.

We strongly urge the Commission to protect Arizona ratepayers by rejecting these Plans. If approved, they will cost ratepayers billions and result in likely rolling blackouts. The Commission should direct the utilities to forgo their environmental goals and start anew with the proper priority of providing reliable, affordable, and plentiful energy.

Respectfully,

Scot Mussi  
President  
Arizona Free Enterprise Club

Ryan Walker  
Executive Vice President  
Heritage Action for America

Merissa Hamilton  
Chair  
EZAZ

Cameron Sholty  
Executive Director  
Heartland Impact

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<sup>15</sup> <https://azfreenews.com/2023/11/worlds-largest-globalist-investors-now-backing-esg-push-in-arizona-utilities/>

<sup>16</sup> [https://www.aps.com/-/media/APS/APSCOM-PDFs/About/Our-Company/Doing-business-with-us/Resource-Planning-and-Management/APS\\_Public\\_Stakeholder\\_QA\\_2023-11-7.pdf?la=en&sc\\_lang=en&hash=23900A28A592AF444B7B525125FF438A](https://www.aps.com/-/media/APS/APSCOM-PDFs/About/Our-Company/Doing-business-with-us/Resource-Planning-and-Management/APS_Public_Stakeholder_QA_2023-11-7.pdf?la=en&sc_lang=en&hash=23900A28A592AF444B7B525125FF438A)

<sup>17</sup> <https://azfreenews.com/2023/11/arizonas-energy-executives-receive-millions-in-financial-incentives-to-meet-esg-criteria/>