State Room Arizona 007: Aimee Yentes | Inside Arizona's Biggest Political Battles: 2026

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Full Article-Style Transcript

Introduction

Scot Mussi: Hi, welcome to The State Room, a podcast dedicated to discussing key policy issues and events impacting our state. I am your host, Scot Mussi. On today's episode of The State Room, we are going to be discussing a couple different political battles brewing here in Arizona, a couple of which will have an impact directly on our pocketbooks and our quality of life: utility rate hikes, ballot referrals, school choice initiatives, and even a proposed light rail boondoggle in the West Valley. To discuss all these topics today, we have with us Aimee Yentes, Vice President of the Arizona Free Enterprise Club, to join us here. Aimee, thanks for coming on The State Room.

Aimee Yentes: Thanks, Scot. You are having me back. It must not have been a disaster last time.

Scot Mussi: Rave reviews. Rave reviews, Aimee. They just want more of you. There is a fever. The prescription is more Aimee, more Aimee on The State Room. So, give people what they want.

APS Rate Hike and Energy Policy

Scot Mussi: Let us dive in. First, let us talk about rate hikes. Over the last couple years, this has been a big issue that we have been engaged in here in Arizona, fighting the green scam, fighting Green New Deal, dealing with energy costs. A lot of that is because of the downstream impact, which is the possibility of higher utility costs, potential blackouts, and all the other problems. Over the last year or so, last couple years, we started seeing rate hike after rate hike from different utilities. This week, the hearings started on the proposed APS rate increase - 14 percent they are asking for at the commission - and now these hearings have begun. So let us kick it off. Why so much? Why is APS wanting a 14 percent rate hike and asking that from our commissioners down at the CorpCom?

Aimee Yentes: That is the question they are being asked to answer right now. You are right, last year APS filed their 14 percent rate hike. That is basically $662 million in base revenue that they are trying to recover from ratepayers. When they do a couple accounting tricks, it is about $580 million, which makes up that 14 percent. So, I guess dollars and cents for the average Arizona family, that is $240 extra they would be paying a year for their electricity - to run their washing machine, a dishwasher, turn the lights on. That is significant. Embedded in that is a 10.7 percent return on equity. So the question of how much APS should profit off building new generation assets is one of those issues that will be contested in this hearing as well. That is the parameter around why the 14 percent. Obviously, the Club is an intervenor in that, and so we will be tackling various issues, trying to make arguments as to why that is too high and people should not have to pay that much on their utility bills.

Scot Mussi: APS is a monopoly, so they have their own service territory that they get to have as captive ratepayers. On the flip side, you talked about this rate of return, and they can make a profit on it. They do have a legal right to receive a rate of return or to receive a profit. They cannot be denied that. But in this one, they are asking for what is it, 10 percent?

Aimee Yentes: 10.7 percent. Various intervenors are going to be asking for what they would consider and argue is a more appropriate ROE. The AG is involved as an intervenor. So is our residential utility organization called RUCO that is supposed to step in and represent ratepayers.

They all have a different idea of what they would consider a fair profit for, like you mentioned, a private utility to recover. So that is an element of this rate case as well.

Scot Mussi: The other thing as well, and I guess one of the arguments about this, is that they included, and have been over the last several years - because how you ask for this rate hike is not based on what you might be doing in the future. It is to recover costs that you already have done. One of the big outstanding questions here, and one of the concerns we have consistently had, is that they have been going out and spending a lot of money building a lot of green energy projects: wind, solar, battery storage in the grid. That has been one of the questions we brought forward in this rate case, or one of the things we are questioning.

Aimee Yentes: Exactly. I would say we are probably unique in that our intervention brings up arguments that I think are unique both historically and certainly to this rate case. A big portion of what they are looking to recover is for specific projects, and one of those is the Agave battery energy storage system. That is a $264 million project, and that is the core of one of our expert testimonies. We are questioning the prudency of that investment and whether there were alternatives that were lower cost that they could have pursued that would have resulted in them asking for less recovery from ratepayers.

Scot Mussi: That is part of this as well. For several years, APS and Pinnacle West, the parent company - one of the things people are not familiar with is that this is a private company. The parent company is Pinnacle West for APS. They are a publicly traded company, but all of their revenue comes from APS. This is not a diversified portfolio. One hundred percent of the money that comes from ratepayers here in the state of Arizona is ultimately their revenue. It is how much money they have. It is how they pay shareholders, how they pay everybody in the company. Over the last several years, they have had these climate commitments, been pushing for all these projects. Now, as you mentioned with Agave and everything else, we are unique in that there does not seem to be anybody else wanting to make the argument that maybe that is what is driving the rate hikes.

Aimee Yentes: A lot of the intervenors are focusing on that return on equity and what they think the appropriate level would be. Our arguments are, to your point, the company itself had adopted 100 percent climate commitments, and that is going to influence the kind of generation assets that they pursue. To boot, they tied executive compensation to clean energy assets. Basically, if you retire a coal plant, your top executives can make more money. If you build more solar and battery, your executives can get compensated for that. That is something we are trying to peel apart in this rate case. We have to be able to answer the question: why would they pursue a generation asset that is more expensive, that is not going to be as affordable, and we would say also less reliable than maybe your traditional coal plant or gas turbine plant? Why would they pursue these? Part of what we have filed as our testimony is that we are arguing there was an incentive to do so. When people get compensated for certain metrics, they are going to try and hit those. We think that is an intuitive explanation.

How the Rate Case Process Works

Scot Mussi: One of the interesting things about this intervention, and we can talk about this too because I think one of the hard parts for people to get their arms around, is that this is a very opaque, weird process. In fact, this is our first intervention. We have never been involved in one of these before. It is almost like a legal proceeding where you are sitting down and there is a trial going on at the hearings that started this week. It is almost like a 20-day trial to talk about the different elements with this rate increase. So, unlike any other public policy process that you can even fathom, and one that for regular ratepayers, regular voters, is almost impossible to understand. One of the things we are trying to do is cut through the clutter and boil it down to something that people can at least relate to or understand and know what is going on. When you look at all the different intervenors, there are like two dozen. You have the utility and two dozen different intervenors. One of the interesting things about this has been that we are getting a lot of pushback even from the intervenors in this rate case because they do not like the fact that we are making arguments critical of various Green New Deal projects and green scam projects. Can you shine a little bit of light on that? You have been closer to doing that than I have been able to watch some of it.

Aimee Yentes: The process is definitely opaque. I think that probably serves the utility's interest more than it does not. But at the heart of it, you are right to describe it like a judicial proceeding, like a trial. After APS filed for their rate hike, we, among 26 intervenors, had an opportunity to participate in that trial. Everybody provides what their testimony is going to be, and then APS responds to it, and then we respond to the response, and then an evidentiary hearing unfolds, which is what we are in the midst of. I am not totally surprised that the other intervenors are not wild about our involvement, because many of those intervenors, whether you are a large business who maybe has their own climate commitments because that is culturally where things have driven, or you represent the solar industry, or an industry group that benefits from participating in those procurement processes - most of the intervenors have a direct financial interest in some element.

Scot Mussi: Not just the utility, but all the intervenors. Most of them represent either businesses, companies, affiliated companies that are downstream, the unions participating in this, that do union work for construction on this. There is some sort of financial interest for most of these intervenors.

Aimee Yentes: Yes, it is an inside game. Funny enough, on the intervention of the unions, they are probably one of the more unique ones from the standpoint that they kind of just are okay with everything that the utilities are doing. While there is opposition from all sides, that has certainly been maybe their one friendly intervenor from the utility standpoint.

Scot Mussi: One of the issues in this as well - from our intervention, we will not opine on it much - is the issue of automatic rate hikes that they want to do. That seems to be one of the few issues where there is universal opposition among all the intervenors, whether the ones financial or ours, which is obviously more of a policy focus on ratepayers. We want to make sure we are protecting them and get this as low as possible. This automatic rate hike idea - to say that you can just go in and do that. You mean putting rate hikes on autopilot is not anybody's idea of a good idea?

Aimee Yentes: No, that is pretty much universally hated from the spectrum from the left to the right. Nobody really apart from the utilities themselves thinks it is a good idea to not have that review.

Scot Mussi: The commissioners seem to have been speaking positively about it and saying they like it, existing commissioners. But okay, outside the utilities and the city commissioners, nobody else thinks it is a good idea to put rate hikes on autopilot.

Aimee Yentes: They will argue that they could automatically go down too, but nobody thinks that is going to happen.

Scot Mussi: What automatically has gone down in the last couple years? This is their third rate hike, APS, in four years. If this one gets approved because this one is 14 percent, what is the increase over the last three years?

Aimee Yentes: About 30 percent. Among all the other things that have been going up in price, we have certainly seen it in our energy bills, and that is one fixed cost in somebody's budget. They cannot not use electricity.

Scot Mussi: That ultimately is why we are in this fight. We talk about this, we get into these processes and everything else. At the end of the day, what really matters is what are we doing to protect homeowners? What are we doing to protect families and businesses, and how are we keeping these costs down? It is why fighting against the green scam and the Green New Deal, making sure we are getting reliable and affordable power, and ultimately translating that into savings is what matters. That is why this matters to everybody and why everybody should be paying attention to what is happening with this rate increase.

Aimee Yentes: That is why we have a specific ask to the administrative law judge and ultimately the commission, who will make the final decision: do not allow the utility to recover the full cost of this Agave battery plant when they had more affordable options. That is really at the heart of it. We are trying to bring that cost down. We are saying that with the information you had at the time, you knew this was a more expensive route to go, given the degradation of the output for this battery facility. You could have had around-the-clock energy sources replacing coal plants shutting down with things like gas turbines. You could have done this more affordably. We should not allow them to recover this asset in full, and there were more prudent options on the table. That is the crux of what we are asking, and if we are successful, that will result in that full number coming down.

Future Energy Demand and Changing Utility Incentives

Scot Mussi: With the hope too, part of that is whether the rate case, but also changing the culture about what has been going on the last decade-plus in energy policy and resource planning for future growth. Now there is a huge demand for new energy, something that did not exist for decades. There was not this big push to say we need to build a bunch of new generation for 15 or 20 years. Now, with the interest in data centers and AI, there is this big demand for energy. If we do not change the culture and get back to saying we are going to build reliable, dispatchable power - coal, natural gas, nuclear power that runs all the time - there is no way you are going to be able to do this in a way that will ever be affordable or reliable.

Aimee Yentes: Exactly. I think it is interesting because APS has changed that climate commitment that they had previously embedded in their SEC filings, that they linked to executive compensation. Now they are using metrics on reliability and affordability. It does beg the question: if these are the new metrics, then it is a tacit admission that what they were committing to prior was not, by default, the most reliable and affordable. Everybody has seen exploding demand on the grid. We expect and anticipate that there are going to be new assets that have to be built to meet that. But how are we doing that?

Scot Mussi: The danger is that right now, you look at the current plans for utilities in Arizona - and we are talking a lot about APS, but this is not just APS and it is not just Arizona. It is nationally. This is a national problem dealing with energy generation and where things have been going for the last decade because of this push to go net zero. The left has been driving it, and frankly, the profitability that is out there, the money flowing into the green scam world. The reality is that there are hundreds of billions, trillions of dollars floating in that space. The plan right now is to build mostly more green energy projects, more wind, more solar. We need to change that, not just with APS but with everybody, because APS is not the only one asking for a rate increase. You have TEP right now going through a rate hike as well. It is how we get there and make sure we are changing direction on meeting our energy demands.

Aimee Yentes: Yes, 100 percent. It is not unique in Arizona, and these conversations are happening everywhere. We have seen this administration tackle that issue. They are grappling with it. We have seen a huge surge of these kinds of projects because there have been massive subsidies with that, and a lot of those subsidies have dried up. Culturally, we have had banking institutions kind of pushing these things. We have to make a U-turn at some point. Otherwise, it is just going to be a rolling rate increase from here until I do not know when.

Scot Mussi: It will keep compounding on itself, because again, when they get the recovery, it is always after what has been built. We have to do everything we can to shift that direction.

Legislature, Budget, and Ballot Referrals

Scot Mussi: All right, next up, legislature. They have had a little bit of a pause because they passed their budget. The Republicans did. Hobbs vetoed it, saying that she did not want that budget even though she had walked away. That has been a big exercise in incompetence on her behalf. She exposed herself that she has no plan when it comes to providing a budget. They are in negotiations now. From what we are hearing, they are planning on coming back in a couple weeks. Obviously, the budget is rolling out there. We are going to stay engaged and involved with that. But something else that is not getting a lot of attention are ballot referrals. The legislature has the opportunity to refer to the November ballot various measures that can be conservative, pro-growth, good reforms that we can get passed. So far, they have not really referred any this year. They have not referred a single one as of yet, but they used to have this basket of ballot referrals they could potentially put on the ballot for a lot of good reasons. Can you talk a little bit about some of the good ones? What are some of the ideas currently percolating at the legislature right now, proposed measures that we could see potentially get on the ballot that can be big wins for Arizonans in November?

Aimee Yentes: There are quite a few, actually. There are several dozen referrals still moving out there. The ones that are probably my favorite - I have to put a plug for one of the Club's - was HCR 2016, which in policy talk is what they call a striker. It was not the bill as it was introduced initially, but it became this bill in the mid-process. This is our one that would prohibit local cities from increasing taxes, fees, and rates. We talked about it on our last episode kind of at length. That one is still moving through the process.

Scot Mussi: The pause on taxes and fees at the local level. Does that not sound dreamy?

Aimee Yentes: Yes. Who would not love that?

Scot Mussi: Just this week, every day it seems like there is another reason coming out for why this is needed here in Arizona. Local governments are swimming in cash. Their budgets and revenue have gone through the roof, but their spending has gone through the roof. This is coming out in Tempe this week. A story comes out that they spent $2 million on an ugly new sign in Tempe while simultaneously coming out and saying, "Oh, by the way, we have over a $20 million deficit. To pay for it, we are going to raise our sales tax by half a cent."

Aimee Yentes: I do not know why anybody would go to Mill Avenue and fight streetcar there, but if they do, they will see that new $2 million sign. Astounding. But they are not the only one. There has been no spending discipline among cities in these last five years. As you mentioned, they have gotten windfalls from increased share of the income tax. That has been a good boost to their revenues. Once they were able to start taxing online sales, that was a whole new revenue stream. They really just responded by sizing up. We think it is a really good idea to put the brakes on the cost increases people are seeing. This is a short four years that HCR 2016 would propose, and given the kind of soft economy we have had, I think that is a no-brainer. I think voters would love it.

Scot Mussi: We are not even talking about them saying they have to cut their taxes. We are just saying no new taxes, no new fees. Just stop for a few years. Stop for four years. It is amazing how much opposition and just hyperbolic, insane arguments you hear from government officials. They are the biggest opposition to this. Unfortunately in Arizona, taxpayer money can go down to the Capitol and be used to hire lobbyists. They have probably about a hundred lobbyists at the Capitol that we are all paying for to say they need to keep raising their taxes.

Aimee Yentes: That is one idea. I think it is a no-brainer. I hope the Republicans continue to support that through the process. But there are others. There is HCR 2040, another one I would consider a no-brainer. It would prohibit school districts from using public resources to support labor organization activities. We should be spending all that money on students in the classroom, not subsidizing teacher union activities. I think that one makes a lot of sense. These are all measures that, with a Democrat governor, we could not get passed. This really is the option to get good quality policy passed.

Scot Mussi: One of the reasons why the legislature should be proactive. Absolutely. Be proactive. It is their opportunity to get good reforms.

ESA and School Choice Initiative

Scot Mussi: Also, dovetailing into the ESA fight, you mentioned the union measure there. It is also a good way for these groups, especially these out-of-state groups, to put them on defense a little bit related to some of the activities they are doing in this state. In the case of the ESA initiative and the NEA, they are wanting to come into Arizona and spend lots of money to put their own measures on the ballot.

Aimee Yentes: The left has key constituencies. Obviously, the unions are a big one, and that represents a lot of money and resources that they go spend to try and further their agenda. You have the self-proclaimed democracy groups, the ones pushing radical California-style election policy. It is a good idea to keep those groups and organizations busy during the election season. They are not bashful about going out and dropping millions of dollars to bring in out-of-state circulators to get things on the ballot. You brought up a topical one at this point. If anybody is taking trips to the library right now, they are probably getting hit up by some of those petition circulators trying to persuade them why they should basically gut our scholarship program here that supports school choice and under 100,000 families that represent real students. There are threats out there on the street. We ought to be putting good countermeasures on the ballot.

Scot Mussi: With the ESA initiative that the unions have already dumped over $4 million into Arizona - and in Arizona you can pay circulators to go out and stand outside libraries and everywhere else to gather signatures to also put measures on the ballot in addition to the legislature - that is what the teachers unions are doing. Ninety-nine percent of their funding is from the Washington, D.C. teachers union, all out of state. They are putting this measure forward. They are saying, "We are actually the true caretakers of school choice," and that their measure is about putting guardrails on the program. This week, Common Sense Institute issued a report. They analyzed the union initiative they are trying to put on the ballot in November. They concluded that if it passed, 20,000 kids that are currently receiving scholarships under the ESA program would immediately lose their scholarships if the initiative passed. Over 20,000 kids. You have 100,000 in the program. Over 20,000 right off the bat kicked out of the program, losing their scholarships. Are you surprised at this point? You would think they would even care a little bit about these kids and these families, that they would want to harm so many. Twenty thousand is a lot of families. Does that number shock you at all?

Aimee Yentes: This is my shocked face, Scot. No, I am not shocked. I think that is exactly it. They do not throw these initiatives together without knowing exactly what they do. Maybe I am being charitable here, but they probably do think that they know what is best for these kids. Their parents chose to utilize this program to give them a different option of schooling that was suited to their kids. But it is the classic case of, "I know better. I know what is better for those kids."

Scot Mussi: I almost get the sense they have contempt for these families. How dare you choose something else besides going to the district school?

Aimee Yentes: Trust the experts. It is funny because a couple sessions ago at the legislature, there was a teacher who testified in front of a committee, and it might have been on an ESA bill or something else, but that was her comment: "We have degrees. We have master's degrees. We are so educated. What do the parents have?" There definitely is kind of an elitist mentality that comes with it. It is like, "We are the educated class. We know what is best. We are the experts. Just trust us, and it will all go better."

Scot Mussi: Some of the other crazy things from this measure: again, I am surprised they did not even consider grandfathering these kids. They could say, "We are not going to disrupt you. We are going to make sure you are able to maintain in the program." Nope, none of that. It is basically, too bad, you are out. There is language in there that shifts the burden. Right now, if this is America, if government or somebody accuses you of wrongdoing, the government has to prove that you are the one in the wrong. You are innocent until proven guilty. This flips it around and says parents need to prove that they are innocent, that they did not do anything wrong in the program. Provisions like that, to me, scream hubris, that they have contempt for the people in this program. One of the provisions says some families have been allotted money under the program. A lot of disabled children have been allotted money under the program. One of the provisions eliminates those funds that they currently have in their scholarship account. They are taking money from disabled kids and saying, "We are going to defund these accounts for these disabled kids that are currently using scholarships for their education." Everything about it tells me it is all about, we have to get these kids back in district schools. We know best.

Aimee Yentes: In a lot of ways, it is similar to every political fight. It is power and money. The more they can concentrate into their district schools and cut off competition, that gives them a monopoly on education. I think that is the point.

Light Rail in the West Valley

Scot Mussi: Lastly, you mentioned money. One of the biggest boondoggles that we have fought for years and years here at the Free Enterprise Club is light rail. When you talk about epic wastes of money, it is hard to come up with ones bigger than light rail. One of the pet peeves I have always had with light rail is not only is it insanely expensive - I think, maybe the numbers have gone up, but just a couple years ago it was over $300 million a mile - but it is also incredibly damaging. You go in there, you are destroying small businesses, destroying entire communities. It is like the worst of everything you can possibly imagine in one government program. Yet it never goes away. It just seems like there is this constituency that continues to want to push it. The last couple years, we were fighting light rail because they wanted to build it around the Capitol. They wanted to extend it over there. It became part of the Prop 400 fight that was on the ballot a couple years ago. As part of that, the legislature said, "We are going to do a prohibition on putting it near the Capitol. We do not want it within 500 feet." With that, a lot of people were hoping that would be the end of light rail because that was the last main plan they had in the system. That got in there. It got passed by voters at the Capitol. Yet light rail does not seem to be dead. It seems to be coming back to life. Aimee, what is going on? What is the latest with this newest proposal to put light rail in the West Valley?

Aimee Yentes: How long do we have? It is one of my favorite topics to rail against the blight rail. Unfortunately, that is not the case. Back in January, the City of Phoenix council voted to shut down what they called the CAPEX line, the line around the Capitol. They had been trying to decide if there were various routes that would work in that area. It looked like they tried to move it a block north, but of course they kept running into various property owners who were going to have opposition. Even the proponents always say, "This is so great. It is so popular." Then every time they want to propose a line, all the property owners start coming out and saying, "No, we do not want this along our block." It is one of those ideas that is nice next to somebody else's house. The City Council voted 7-2 to shut down the CAPEX line, and among that same vote, to basically reroute it to Indian School. We are talking about a 10-mile stretch. They have not gotten as far down the process of picking an actual route, somewhere around the 75th or 79th Avenue area in the West Valley. About a 10-mile stretch. In Maryvale, the terminus would be a transit center. That is a very, very busy corridor. Even if you are trying to pick a route where you are going to destroy as few properties as possible - which I never think is actually one of the goals, except to eliminate the political headache involved in doing that - Indian School is a really bad choice because we are talking about thousands of businesses along that corridor and tens of thousands, probably upward in some areas of 50,000 cars a day. It is a very heavily trafficked corridor. If you try and squeeze light rail, you are going to obliterate a couple lanes of traffic there, one each way at least.

Scot Mussi: Make no mistake, a two-lane road moves more people than light rail does. If you eliminate a couple lanes of traffic, you automatically have increased traffic congestion because you have made it so fewer people can move around.

Aimee Yentes: Absolutely. The term light rail itself is kind of a misnomer because people think maybe that has to do with how heavy it is, but light means low capacity. It just does not carry as many passengers as what you would consider high-capacity transit. That is what light rail really means. It means low capacity. They know they are not going to carry as many people. Maybe that is the goal. I do not know. Then of course you have businesses that service vehicular traffic on purpose, or gas stations and drive-throughs. It is just a horrible area for light rail in general. Anywhere is basically a horrible place for light rail in the Valley. The project itself would not start construction until like 2032, so you are talking a decade out in completion. It is in the infant stages as far as rolling this out as a planning process, but massive opposition already. They had business owners at that January meeting at the City of Phoenix, and Indian School was not even on the agenda. You had all these Indian School businesses showing up saying, "Please do not shut down CAPEX and push the pain toward us."

Scot Mussi: It seemed like they tried to keep it kind of quiet, and this has been an ongoing theme in everything we have ever seen with these light rail projects. They will propose these things quietly, usually put them in plans and maps that impact business owners who have no idea what is going on. Then they do not find out until the shovels and bulldozers are about to show up. Then the opposition comes, but by then it is too late because the project is already in motion and almost impossible to stop. This one seemed a little bit unique because business owners caught on at the very infant stage of the planning, which is not usually what happens.

Aimee Yentes: They figured it out. They were hearing rumblings. The next strategy is always, "Do not worry about it. We will make you whole. We will throw money your direction. We will put up a website," as if that is going to matter when you have shut down access points to your business and half the daily traffic on your corridor. It is just devastation. Everybody knows that basically the crime goes up around light rail. It is very lowly used. It takes you where you are not to where you do not want to go.

Scot Mussi: How much is this one going to cost? Like I mentioned before, I think they are like $300 million a mile. Is that what this one is going to cost, $300 million, a gajillion dollars?

Aimee Yentes: We have no idea. In a decade, they will give you the best cost. We do not know how much it is going to cost because we do not know exactly where the route is going to be at this point. We do not know what kind of obstacles and utilities they are going to have to move, or overpasses. We do not have any of that information yet. What they were going to do with the CAPEX and the I-10 extension were like a $3 billion combined project cost. We are talking billions of dollars, and every time they give us an estimation, we know they are going to blow through that number.

Scot Mussi: For perspective, many of the freeways currently being built in the Phoenix metro area, the Maricopa County area, are new four-lane or eight-lane total freeways being built for a third of the cost per mile of what light rail costs. A third. It is just insane.

Aimee Yentes: It is a lucrative business to be in.

Scot Mussi: Thank you, Aimee. This was great. Love being able to cover all these interesting topics and dive in. Thank you for joining us again in The State Room, where we cover all the key issues and events that help keep Arizona free. Thank you.