

State Room Arizona 011: Dr. Ralph Heap | Energy, Affordability & Arizona's Future

Podcast Transcription | Article-Style Transcript

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Full Article-Style Transcript

Introduction: Energy Costs and the Corporation Commission

Scot Mussi: Hi, welcome to The State Room, the podcast dedicated to covering the key issues and events that will define the future of Arizona. I'm your host, Scot Mussi. Today on The State Room, we're going to be talking about energy policy, the green scam, and the need to provide reliable, affordable power for Arizona ratepayers.

Scot Mussi: This is a debate that is often confusing to voters, largely because everybody has a stake in the process. Utility companies, the green-energy industry, interest groups, and nonprofits funded by the utilities and green-energy industry all claim that their plans will provide reliable and affordable power. It often sounds the same, so you have to look under the hood to find out what they are really proposing.

Scot Mussi: Arizona is now going through a series of rate increases unlike anything we have seen in decades, with another slate of double-digit rate hikes being considered at the Arizona Corporation Commission. In reality, these increases are tied to the green-energy commitments and green-scam policies adopted here in Arizona.

Scot Mussi: Joining us today is Dr. Ralph Heap, a state representative from Legislative District 10. Ralph is a fourth-generation Arizonan, a surgeon, and now a candidate for the Arizona Corporation Commission. Ralph, thank you for joining us today in The State Room.

Dr. Ralph Heap: It is good to be here. Thanks a lot.

Scot Mussi: You are now running for the Corporation Commission, the body that regulates Arizona's largest public utilities. You have been in the race for a little over a year. Has it been everything you dreamed it would be? What have you seen on the campaign trail, and what are you hearing from ratepayers and voters?

Dr. Ralph Heap: Campaigning is good in many ways because you meet some of the best people in the legislative districts, people who really care about and love the country. I have been a little surprised that people are more aware of these energy issues than I expected.

Dr. Ralph Heap: It is now commonly understood that the Green New Deal is not benefiting people. Voters are concerned about it, and they are beginning to connect the rate increases being demanded with green-energy policy. The left has traditionally tried to sell the idea that solar and other green energy are the cheapest sources, but people on the campaign trail increasingly realize that green energy is expensive and connected to these rate increases.

Historic Rate Increases and the Cost of Green Energy

Scot Mussi: These increases are not isolated to one electric utility. They are occurring across the state. This year, Arizona's two largest public utilities are seeking double-digit rate hikes, and there have been several other increases over the last few years. It is good that people are connecting those increases to energy policy and to the Corporation Commission that regulates the utilities.

Dr. Ralph Heap: When I look back at the history of rate increases in Arizona, I cannot find any four-year period with increases anywhere near what we have seen recently. This period is an outlier, and it correlates closely with the shift toward Green New Deal policies over the last four or five years.

Dr. Ralph Heap: If you look at blue states around the country, the more green-energy penetration they have, the more people pay. California is roughly fifty-four percent green and pays about twice what we pay for electricity. Europeans are paying three or four times what we pay. Many people there cannot even afford air conditioning because they have too much dependence on solar and wind.

Scot Mussi: When we talk about the Green New Deal, net zero, and similar terms, what do they mean specifically in Arizona? What has been pushed here over the last several years, and how has it affected energy prices?

Dr. Ralph Heap: I was stunned because, as recently as 2018, the utilities in Arizona were campaigning against Green New Deal mandates. Then the Biden administration made enormous amounts of federal money available, and the utilities decided to go green because that is how they could generate the most profit.

Dr. Ralph Heap: The shift was announced around 2020 and then effectively rubber-stamped by the Corporation Commission in 2023. The ultimate goal is net zero, meaning no carbon, no natural gas, and no coal, with the system relying largely on wind, solar, and batteries. At the time, they were not even seriously pushing nuclear power as an option. That is a major concern, and it correlates with rising rates.

Utility Climate Commitments and Ratepayer Interests

Scot Mussi: About eight years ago, a ballot initiative backed by Tom Steyer and Green New Deal activists attempted to place renewable-energy mandates in the Arizona Constitution. Voters overwhelmingly rejected it, roughly seventy to thirty. Soon afterward, however, the utilities imposed climate commitments on themselves and adopted their own mandates without the government forcing them to do it. That began even before the Biden administration's federal spending package.

Scot Mussi: Should utilities be able to adopt their own climate commitments in this way?

Dr. Ralph Heap: The problem is that the commitments they adopted are not in the interest of ratepayers. Ideally, the Corporation Commission is supposed to look out for ratepayers and make sure they receive low rates and reliable energy. The current commission seems to have abandoned that responsibility.

Dr. Ralph Heap: I recently saw a national article about the massive profits utilities are earning across the country at the same time they are imposing major rate increases. APS was among the top utilities for both profits and rate increases. Going green is clearly beneficial to the utilities, but they have forgotten the ratepayers and chosen profits over reliability and affordability. That is unacceptable.

Scot Mussi: These green-energy commitments mean huge amounts of wind, solar, and battery storage. Arizona's two largest utilities currently plan for more than ninety percent of their new projects to be wind, solar, or battery storage. They are discussing some natural gas, which is welcome, but not enough to change the overall mix in a meaningful way.

Scot Mussi: Utilities earn their money through cost recovery and a return on the capital facilities they build. Is that why these projects can be so profitable?

Dr. Ralph Heap: Yes. People often think utilities make their money by selling electricity, but their profits come from a return on equity on the projects they build. If they have to build three solar fields to replace one coal plant, that can mean three times the capital investment and much greater profits. It is very lucrative for them.

Dr. Ralph Heap: Driving around the state, it is discouraging to see the number of solar fields and wind turbines being installed. Some of the proposed projects are also environmentally damaging.

Scot Mussi: Calling all of it green is itself misleading. One proposed project between Springerville and Show Low would place 700-foot wind turbines across one of the most beautiful parts of Arizona. They kill birds and bats, affect the soil and wildlife, and are opposed by many of the people who live there.

The Trump Energy Agenda and Reforming the Commission

Scot Mussi: The Trump administration has been remarkable on this issue. Until recently, the political consensus among insiders was that fossil fuels had to be eliminated and the country would inevitably go fully net zero. President Trump called it the green scam and seemed to snap people out of that trance. We are talking again about reliable, dispatchable power that operates twenty-four hours a day, seven days a week, all year long.

Scot Mussi: From the perspective of the Corporation Commission and state government, how can Arizona work with the Trump administration to get its energy policy back on track?

Dr. Ralph Heap: There are certain things the commission can and cannot do. I hope we elect Andy Biggs as Governor and retain control of the Legislature because a Republican commission, Governor, and Legislature could work together on proposals that require more dispatchable, reliable energy.

Dr. Ralph Heap: The Corporation Commission itself needs an overhaul. Its process is difficult, secretive, and Byzantine. I would like to see more openness so the public can understand how rate cases work, why decisions are made, and how people can offer input. The current system is structured to the advantage of utilities and makes the rate process difficult for ordinary people to understand.

Scot Mussi: What role should the Commission play in shaping energy policy through the utilities' resource plans? Current plans show that more than ninety percent of new generation over the next fifteen years would be green energy. That is what is currently on the books and what the Commission has accepted.

Dr. Ralph Heap: The major mistake the current Commission made was accepting those resource plans. APS brought its fifteen-year plan in 2023. It was essentially net zero, with coal plants closing and the Green New Deal driving the mix. Commissioners did not have to simply accept that plan.

Dr. Ralph Heap: In 2017, the Commission sent a proposed resource plan back and told the utility to submit a different one. Commissioners can request modifications and impose stronger amendments. They have real authority and do not have to roll over. Instead, the 2023 plan was acknowledged and treated like a rubber stamp, which is how we reached this ninety-percent figure.

Dr. Ralph Heap: By 2028, APS is on track to have an energy mix similar to California's. California's system is neither reliable nor affordable, yet Arizona is modeling itself after it. President Trump's energy agenda is bringing sanity back, but Arizona also needs to make sure those improvements cannot simply be reversed by the next federal administration.

Reliable Energy: Coal, Natural Gas, and Nuclear

Scot Mussi: Supporters of green energy repeatedly say it is cheap, but after years of pursuing it in Arizona and even longer in California, rates keep moving in the opposite direction. Once you examine the full system, these energy mixes are not only more expensive but also less reliable than coal, natural gas, nuclear power, and other sources that can operate around the clock.

Dr. Ralph Heap: Coal has developed a bad reputation, but modern coal plants with modern scrubbers and environmental protections are much cleaner than people realize, approaching natural

gas in some respects. Coal also has an important reliability advantage: you can store the fuel on site and ramp up production when it is needed.

Dr. Ralph Heap: Natural gas is also important, but it depends on pipelines, and a pipeline problem can interrupt supply. Arizona needs a good mix of coal and natural gas, and it needs to move toward nuclear power as quickly as possible. Nuclear power could solve many of these reliability and affordability problems.

Scot Mussi: Defenders of the current Commission say it has taken steps against the green scam and supports all forms of energy, so the public should trust the current process. You do not agree with that assessment.

Dr. Ralph Heap: They say they support all forms of energy, but that is not what Arizona is actually building. We are closing coal plants, adding very little natural gas, and building solar fields, wind turbines, and battery facilities. We are not pursuing all sources. We are going in one direction: green energy.

Dr. Ralph Heap: When ninety percent of planned projects are green-energy projects, the system cannot work. Arizona is already in a hole, and the state has only a few years to turn it around. We could face serious energy shortages in the next three or four years.

Dr. Ralph Heap: Artificial intelligence and data centers require enormous amounts of energy. Arizona's power demand could double within four or five years, and the resources currently being planned will not cover that growth. We are in a dangerous position where shortages and continued price increases are likely unless policy changes.

The “All of the Above” Talking Point

Scot Mussi: I have heard the phrase 'all of the above' for years, and it has never fully made sense to me. If one source hypothetically provided the cheapest and most reliable power, why would it matter if the system used that source almost exclusively? Sometimes 'all of the above' seems to be a talking point used to justify including expensive and unreliable wind and solar in the mix because the phrase sounds appealing.

Dr. Ralph Heap: My opponents use that phrase almost every time they speak, but Arizona is not actually getting all of the above. Under their leadership, we are moving almost entirely in one direction. That is the frustration.

Scot Mussi: We can consider every energy source, but the priority should be reliability and affordability. People often do not know what regulators and energy-industry officials mean when they say 'all of the above.' It sounds good, but it can hide the actual mix being approved.

Northern Arizona Projects and Solar Subsidies

Scot Mussi: Rancher Casey Murph has become one of the leading voices opposing massive wind and solar projects in northern Arizona, including projects in Apache and Navajo counties. Many are planned for state trust land, and Governor Katie Hobbs appears to be prioritizing and approving these facilities. Some of the projects require Corporation Commission review. What could the Commission do to require another look or stop projects that local communities oppose?

Dr. Ralph Heap: There are several things the Commission can do. Around Show Low, there are large wind projects and solar projects stretching toward Snowflake. An overwhelming share of local residents oppose them, and organized groups have come to the Commission, yet the projects continue moving forward.

Dr. Ralph Heap: I spoke with the chairman of the Apache County Board of Supervisors. Normally, county approval is part of the process, but developers are trying to bypass the county by arguing that the projects are on state or private land. As a commissioner, I would not allow them to bypass the

Board of Supervisors. People in the area should have a voice, and local approval provides another layer of protection.

Dr. Ralph Heap: Governor Hobbs has created a solar map identifying areas she considers suitable for solar and is prioritizing those projects. But solar is not truly cost-effective when all the subsidies are included. Last year, Arizona lost approximately \$179.2 million in tax revenue through solar tax incentives alone.

Scot Mussi: So Arizona provided roughly \$180 million in tax subsidies just for solar projects?

Dr. Ralph Heap: Yes, about \$180 million for the tax subsidy alone.

Scot Mussi: When all the costs are included, the claim that these projects are inexpensive falls apart. Most of these subsidies go to industrial-scale projects rather than homeowners placing panels on their roofs. They often benefit billion-dollar companies, including some foreign-owned corporations.

Dr. Ralph Heap: That is where the subsidies are going.

Lightning Round

Scot Mussi: Let's close with a few lightning-round questions. You just finished your final year in the Legislature. What will you miss about it?

Dr. Ralph Heap: Seeing how the sausage is made is not always a good thing. The Legislature has been eye-opening, and I will not miss everything about it. But it has been important to be involved in these issues, especially energy. I had no idea how bad the utility situation had become or what had happened to our power generation. It has been a valuable learning experience, and I have met many great people.

Scot Mussi: What is the most important race on the ballot besides your own?

Dr. Ralph Heap: The Governor's race. That is the key to everything. Andy Biggs would be a strong Governor. He is conservative and has a plan to change the direction of the state. We want Arizona to become more like Florida, and I believe that is his goal.

Scot Mussi: The likely Democratic nominees for Corporation Commission have said they want to eliminate fossil fuels and accelerate the green-energy agenda. Will you debate them if they agree to a debate?

Dr. Ralph Heap: I would love to debate them on that topic. It would be an easy debate for us.

Scot Mussi: Arizona's public utilities receive state-granted monopolies. Would you support more utility competition?

Dr. Ralph Heap: We need more competition in utilities. Some states have tried it with mixed results, so it has to be designed carefully. Small modular nuclear reactors could create new opportunities. A city or smaller power company might operate a reactor and sell power beyond its immediate area. That could increase supply and create meaningful competition.

Scot Mussi: Should heavy power users, such as data centers, be allowed to build and bring their own power?

Dr. Ralph Heap: Yes. We had a bill last year that did not quite make it through, but the concept is good. Large users could bring their own power and potentially generate excess electricity, which could help lower costs for ordinary ratepayers.

Closing: Why Ralph Heap Is Running

Scot Mussi: Final pitch: why should Arizonans vote for you for the Corporation Commission?

Dr. Ralph Heap: The most important thing is that I am for the ratepayers. The job of a Corporation Commissioner is to make sure Arizona has affordable, reliable energy. We want successful utilities, but ratepayers must remain the priority.

Dr. Ralph Heap: Energy is the foundation of our lifestyles and our standard of living. Arizona families and businesses need the energy required to maintain that standard of living, and protecting that would be my goal.

Scot Mussi: Ralph, thank you for joining us.

Dr. Ralph Heap: Thanks for having me. It was a pleasure to be here.

Scot Mussi: And to everyone watching, thank you again for joining us here in The State Room, where we will continue to cover the key issues and events that will keep Arizona free. See you again soon.