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## SUMMARY KEYWORDS

Arizona Corporation Commission, utility rates, pipeline safety, corporate records, securities division, renewable energy, solar power, rate increases, public input, election year, energy policy, water utilities, environmental impact, voter education, commission candidates

## SPEAKERS

Rene Lopez, Rachel Walden, Nicole Cox, NPR promo, Lea Marquez Peterson, Lou Gum, Doug Clark, Joshua Polacheck, Christopher Conover, Steve Jess, Zac Ziegler, Ylenia Aguilar, Jonathon Hill

R

Rachel Walden 00:03

Welcome to The Buzz. I'm Christopher Conover, this week the race to be a state utility regulator. Our Your Vote 2024 election coverage continues this week with a down ballot race that can have serious consequences for Arizonans' bank accounts. Three of the five seats on the Arizona Corporation Commission are on the ballot. The body oversees a variety of duties, but most people know it as the group that sets the rates that utility companies can charge. Voters will have a choice to fill those seats with a field that includes three Republicans, three Democrats and two Green Party candidates. The Republican field is incumbent Leah Marquez Peterson, Rene Lopez and Rachel Walden. The Democrats running are Ylenia Aguilar, Jonathon Hill and Joshua Polacheck. The Green Party candidates are Mike Cease and Dr Nina Luxenberg. Rather than spending a short amount of time talking to each candidate, we're going to take a look at what the Corporation Commission does and offer analysis on the race this week. We start today's show with Doug Clark. He's the Executive Director of the commission and oversees the work of its staff. We started our conversation with a quick breakdown of everything the commission does beyond regulating the state's utility monopolies,

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Doug Clark 01:34

people are often overlooking the fact that the commission has a corporations division that works with all the LLCs and corporations in the state of Arizona. They make all their filings with that that organization. We also have a securities division, and that division actually tracks roughly 256,000 individuals. That are licensed to sell securities and investment products here in the state of Arizona. And as you can understand, that organization is critical, because as Arizona is one of the leading retirement areas here in the United States, many fraudulent people want to come here and take advantage of the people here in Arizona, those people who came here to retire. The Safety Division keeps track of pipelines. There's a lot of high pressure gas and other types of pipelines that run through Arizona. Our job is to make sure that they're being operated as according to federal rules, and our folks are out inspecting them on a daily

basis, as well as railroads. Then we have our hearing division and our docket division, and while they aren't well understood by the general public, they're a critical part of what happens here at the commission. They hear all the cases. Some hearings last a day. Some hearings last two or three weeks. They write the recommended order that the commissioners will review and approve and or amend. The hearing division plays a critical part in everything that happens here at the commission, including the securities division, because if someone is found to be operating in a fraudulent manner, the hearing division would hear that case and write a recommendation for the commissioners to vote on.

R

Rachel Walden 03:39

You mentioned so many things that people may not be aware of, for example, pipelines and electric transmissions. Things people don't think about is that mainly you're looking at safety and maintenance?

D

Doug Clark 03:59

For the safety division, they would be looking absolutely at safety and maintenance of those specific areas, and if there is a pipeline rupture or an event that takes place that creates a hazardous situation, our safety division would investigate that accident or that happening, and then they would come back and also make a recommendation, in conjunction with our legal department, to the commissioners in the event that they have found a company not operating at the level that they should be, then that recommendation would go to the commissioners, and in some cases, significant fines can be levied against companies that are found to be negligent. And usually negligence is associated with lack of maintenance or checking or review of that pipeline or that situation. It would also apply to railroads. In the event that a railroad had an accident, we would review that and if they weren't properly managing that situation, we could, after the investigation, implement a fine or some other type of judgment against that organization or that railroad.

R

Rachel Walden 05:30

You mentioned also dealing with corporations, which may surprise people, even though it's right there in your name, Arizona Corporation Commission, for us here at AZPM, we use those documents all the time. We use them on our recent water podcast Tapped looking at who was buying up land and things like that in rural Arizona. So corporate records are important to us, but to the average person. Why are corporate records important?

D

Doug Clark 06:00

Well, they're they're critically important because as people attempt to do business here in Arizona, it's important that we understand and the general public be able to review and inspect. If you're being approached to purchase a product or do business with a company, it would be wise to come to the corporation commission and run a check and make sure that all of their paperwork is up to date and that they filed with us as they're required to. So you know, you're dealing with a legitimate organization. Lots of people can come to Arizona and claim that

they're a valid company to do business here, but unless they filed their paperwork and incorporated or created an LLC, you don't know whether you're dealing with a person of integrity or a person who came to Arizona just to make a quick buck. So the goal here is to make sure that there's a paper trail and an understanding of who you're doing business with, and are they in good standing at that moment in time?

R Rachel Walden 07:04

You're the executive director of the corporation commission. There's a huge staff at the Corporation Commission. Sounds like that does a ton of work over a whole lot of different areas, but then there are the elected commissioners. How much does the staff work with the elected commissioners, and how hard is it to stay out of the politics of elections?

D Doug Clark 07:28

The staff in general do not work on a daily basis with the commissioners. The staff report to me. I manage the staff. We work together to make sure we're meeting the goals and objectives of the organization. The elected officials, they help set the direction of the commission. There's no doubt about that. Each one of them received a million or so votes, and they represent the people of Arizona from an elected perspective, and they they're here to make sure we're doing the business of the people, but in essence, that that gets transferred from the electeds through me down to manage the staff of the organization. And I don't, I don't know if I said earlier. We do have eight divisions, the most public facing divisions I talked to you about early in this, but we also have a legal staff. We have an administrative staff, and we have an informational technology staff, and those folks operate a great deal behind the scenes while legal you will hear from time to time and and they'll make recommendations to the commissioners during open meetings and on various legal matters, but they're not necessarily the face of the commission.

R Rachel Walden 08:53

I know, as I was coming upstairs to do this interview, one of our staff pointed out to me a post on Twitter or X that the commission had just reposted that came from the Goldwater Institute talking about solar power, and they were honestly a little surprised, because Goldwater has never been apolitical. So how do determinations like that get made again? Because you have your professional staff and your elected officials, and we're in an election year.

D Doug Clark 09:30

On that particular posting, that goes through our Pio office, and when they find information that they think the general public would find helpful, they post that information, and generally speaking, that information tends to be validated by the organization that published it. We we do that quite regularly

R Rachel Walden 09:57

Rachel Walden 09:57

As the the public is interacting, and they may not even know they're interacting with the Corporation Commission, because, as you and I have talked about, it's so big and does so many things. What's the best way for the public to interact with the Corporation Commission? Find out what you all do if you all can help them on a particular issue, or maybe it's another group that can help them?

D

Doug Clark 10:25

I appreciate that question. That's a very good question. We are currently rebuilding our website, and when I arrived, one of our goals was to increase the ease of which individuals could access the commission and provide their input and their insights into any subject matter that the commission had under our purview. With a clunky website, it's more difficult for the general public to access and provide information to the commission. For the first time in history, you will be able to utilize the website in a language that is your first language. Let's say you speak Spanish. You can go to that website now, click on a button and have the website transferred into Spanish. Once you're there, you can write comments to individual commissioners. You can write comments or concerns to the utilities division, the securities division, the pipeline safety division. You can write it to the hearing division through the docketing system. So we are a very publicly available organization, and sometimes it's intimidating to access or talk to organizations that are as big as us and does so many various items and things. So I highly recommend people going to our website and reviewing their options of communicating with us. That the issue is, do you know? Do you know where that website is? So we are working very hard to make it more attractive, easier to use, multilingual, and we're promoting it more and more so people understand that this is a very transparent organization,

R

Rachel Walden 12:23

all right. Well, thanks for spending some time with us and hopefully removing some of the mystery about the ACC for our listeners,

D

Doug Clark 12:32

hey, I really appreciate your time. We have 250 employees that are dedicated to the people of Arizona, an opportunity to talk about them and brag about them is is very welcome, and I appreciate everything you you're doing.

R

Rachel Walden 12:47

That was Arizona Corporation Commission Executive Director Doug Clark, interviewing all of the commission candidates can be quite the task. But Lou Gum did just that. He's the news director at NPR member station KAWC in Yuma, and the host of Arizona Edition, which aired those interviews. We started our conversation talking about common topics in all of the interviews.

L

Lou Gum 13:13

The thing that came up consistently across all eight interviews was the concern that Arizonans have no idea what the ACC is or what it does. And that came up every conversation as a sort of a learning curve for everyone in the state. And I admitted that learning curve in talking to them and said, you know, this comes up every election season. I feel like I learn a little bit more about this commission every time it comes up. And that was across the board.

R

Rachel Walden 13:41

So were there any topics they wanted to avoid? Kind of the flip of the first question.

L

Lou Gum 13:46

I will say, across the board, everyone was really open and friendly, and no topics were kind of off limits or kind of poo pood. I would say that Republicans like to talk a lot about the Californication of Arizona energy policy or utility policy in general, and didn't like to talk so much about solar. I will say that I felt like there was a, 'oh, let's just get past this solar conversation. That's not as big a deal as it used to be.' For Democrats, I would say I don't think there was anything that they wanted to avoid. In fact, I think they were very hungry to talk a lot about the commission and its 10 year state under Republican control.

R

Rachel Walden 14:24

You know, talking about those solar issues and electric issues, we've seen a bunch of news outlets recently reporting on the Salt River Project, which is not regulated by the Corporation Commission, because it's technically an irrigation district, but has electric rates that are notably lower than the regulated utilities, particularly APS. Meanwhile, Republicans in this race are touting a Wallethub study that says Arizona's utility rates are low. Did you hear a lot of talk about rates needing to go down much?

L

Lou Gum 15:02

It did not come up at all with Republicans, I will say, No one across the board said there was a way to lower rates. They did say that they thought that the process was fair and that they'd done their best. In particular, Leah Marquez Peterson, who's the only incumbent of the three Republicans, said that she thought that they'd done a good job of balancing rate payers impacts versus financial health of the corporations. Democrats, on the other hand, obviously disagree. They want a more diversified portfolio. They think that rates can go down. Joshua Polacheck In particular, mentions Nevada, which opened generation capacity about 10 years ago, opened up where they could get their energy from, and in particular, electricity, and says that's a model today that's worked out for them, and claims basically that the Republicans are resistant to a model like that. In general, I would say Republicans don't see a path to lowering rates. With one caveat, the 350 plus small water companies that manage water utilities across the state came up, and Republicans seem to think that that's an area ripe for consolidation. They think companies should buy each other up. And Democrats say that a lot of those companies are from out of state, but they see that as one area where some of those rate

increases for those smaller companies have been sort of very high because these smaller companies just don't have the capacity to afford some of the things that they need to do if their pump goes down or the infrastructure goes down. So there is a possibility those rates could go down if that group of companies were to consolidate in some way, but that's the only way that lower rates came up at all.

R

Rachel Walden 16:37

You mentioned earlier that the Republicans that you talked to kind of dodged the solar question as much as they could, but that's a huge issue here. And of course, I'm sure the Democrats were pushing the green energy side of things, and we see here, Tucson Electric is adding more and more green energy into the grid. Surprised that the Republicans tried to walk around that?

L

Lou Gum 17:02

Not really. Their position seems to be that the companies are doing fine on their own, that they don't need a mandate from the ACC. They don't need any pushing from the ACC to do it. In fact, the only time that SRP came up was with Rene Lopez, who touted their something like 17 or 18% using renewables to generate power, and he said they got there on their own. He touts APS getting to close to 20%, again saying they did that on their own. They're very resistant to any subsidized energy production, and solar falls squarely into that for them.

R

Rachel Walden 17:36

We've been talking about utilities. You mentioned water, we've talked about electricity, but the ACC does a lot more. And all the candidates said people don't understand what the ACC does. Did they talk about anything besides utility regulation?

L

Lou Gum 17:54

I'd say that the Green Party candidates Nina Luxenberg and Mike cease were very focused on the investment strategies of Arizona utility companies, and in particular, monies they say flows to support Israel. They all talk about the different things that the Commission does, securities fraud, if a new company needs to form, setting service size for different water companies, especially the smaller ones, setting service areas, but not a lot of talk about how those other things actually impact Arizonans. Yeah, a lot of focus on energy and energy policy, not a lot of focus on what those other things are that the Corporation Commission does. But they all did say that they thought that people should pay more attention to what comes before the commission, both Republicans and Democrats saying that there's just not a lot of input from the community on some of the rate cases that come before them, or any of the cases that come before them. Leah Marquez Peterson in particular, mentioned that she'd like to hear more from small businesses to talk about the impacts that rate cases might have on them, and she says she just doesn't hear a lot from them. She did say that she was surprised, and she's been in office close to five years now I believe, she was surprised how often she hears from lobbyists

and lobbying groups who want to pitch her their ideas, and she thought going in she'd hear more from regular people, as the ACC is supposed to be sort of the check against large monopolies in the state.

R

Rachel Walden 19:18

All right. Well, thanks for spending some time with us, and thanks for sitting down with the candidates.

L

Lou Gum 19:23

No problem. It was interesting to talk to all of them. And I think the other interesting thing that came up from all of them is how important this commission is, and how important this election year is for the future of this commission. As you know, it's been under a four one, Republican majority for a while. Before that, it was a three, two. It's been under Republican control for 10 years. The Democrats certainly say it's time for that to change, but the Republicans also say that it's important that people pay more attention to what's going on, and that this vote will set policy for years to come.

R

Rachel Walden 19:55

That was Lou Gum, the news director at KAWC. You can hear. Interviews we mentioned on the station's website, or search for Arizona Edition wherever you get your podcasts, we'll also have a link on our website. You are listening to The Buzz. After the break, we take a look at the Corporation Commission candidate debate. Stay with us.

N

NPR promo 20:19

The candidates for November are set. I know Donald Trump's tight between now and Election Day. We are not going back a campaign season unfolding faster. Kamala Harris is not getting a promotion than any in recent history. Make America Great Again. Follow it all with new episodes every weekday on the NPR politics podcast.

R

Rachel Walden 20:43

Welcome back to The Buzz. I'm Christopher Conover. We're looking at the race for open seats on the Arizona Corporation Commission this week. Last month, the Arizona Clean Elections Commission hosted a debate between the major party candidates for the Corporation Commission. It left off the Green Party candidates because they received less than 1% of all ballots cast in the primary. AZPM's Fact Check Arizona podcast recently did an episode featuring claims made in that debate. We'll now bring you an excerpt of that episode. The first voice we'll hear is Democratic candidate Joshua Polacheck, followed by Fact Check Arizona's two most familiar voices, AZPM's Steve Jess and Zac Ziegler.

**J** Joshua Polacheck 21:31

And under the current Republican majority on the commission, they have not seen a rate increase that they didn't embrace wholeheartedly. We need to make sure that we return the Corporation Commission to its constitutional duty of ensuring that you, the voters, get affordable, reliable and safe public services. And that is not happening under the current majority. We know that every single time that they've had an opportunity to protect the citizens of Arizona, they have instead sided with the out-of-state corporations.

**S** Steve Jess 22:04

Zac, we heard a bit about raises in utility rates earlier when fact-checking a presidential candidate. Has this Corporation Commission hiked rates as radically Mr. Polacheck says?

**Z** Zac Ziegler 22:15

So, the current Corporation Commission is 4-1 Republican. It did approve all three rate cases it saw, but that's unsurprising. Utilities were dealing with inflation in materials, fuel prices and labor costs through those years, and companies are guaranteed to make a profit, though that number isn't etched in stone. Let's talk about the process of getting a rate changed for some context. A company asks for a rate change, which is usually based on its Return on Equity, the amount of profit it is allowed to return to shareholders. Its request goes to staff, which reviews it and the data to back up the claim. It then goes through comment and hearings for interested parties and the public. Then it goes to a hearing before an administrative judge, who works with staff to offer up a Recommended Opinion and Order, and then it goes before the Commissioners. So, in the first case, TEP asked for a return of 9.75%, the recommendation came back at 9.4%, Commissioners voted last year for a 9.55% return for investors .

**S** Steve Jess 23:28

So that one went above the recommendation but less than what the company wanted. How about the other two?

**Z** Zac Ziegler 23:34

Not dissimilar, UNSE asked for 10.25%. Recommendation was 9.6%. Commissioners voted early this year for 9.75%.

**S** Steve Jess 23:45

Again, the commission split the difference between the company's ask and the staff's recommendation.

**Z** Zac Ziedler 23:51



—AC Ziegler 24:12

Then comes APS. Asked for 10.25% also. Recommendation was 9.55%, and the commissioners this year agreed with the recommendation. So, this commission isn't giving the companies everything they want, but they aren't going lower than the recommendation. Now, in the two cases we have from the previous commission, they once went with the recommendation and then went more than a third of a percentage point lower than the recommendation. That last case was against APS, and actually resulted in an estimated drop in the average bill.

S

Steve Jess 24:27

That last case was one that another Republican candidate mentioned during the debate. Here's Republican Rene Lopez.

R

Rene Lopez 24:34

They removed out of APS' case over \$200 million dollars of stuff that did not belong on the backs of the ratepayers. That's what we can do. That's what we can parse out and make sure that the balance between a funded and fully functional utility is not making profits and unduly off of the backs of the ratepayers.

S

Steve Jess 24:54

So is that number right and how common are cases of rates dropping?

Z

Zac Ziegler 24:58

Mr Lopez is right-ish, APS wanted to make its revenue requirement \$3.32 billion, they got \$3.16, so his rounding was generous. As for rate drops, they do happen, though not as often as going up. We did have one rate drop this year, it involved Southwest Gas, whose service area reaches into 8 counties. It zeroed-out a surcharge, which would result in an average drop of \$7 a month for its customers, though that number is based on usage, so it will vary a lot throughout the year. I'm guessing most customers aren't saving much since we're still in triple-digit heat! I know my showers are turned all the way to cold and they've cooled from way too hot to hotter than I'd like.

S

Steve Jess 25:50

And air conditioning certainly doesn't run on natural gas.

Z

Zac Ziegler 25:54

No, I don't even have to call my dad or my brother, who both work in the HVAC industry, for expert opinions, I can tell you, it does not

S

Steve Jess 26:02

Well, let's turn to something that is often the talk of Corporation Commission debates that also has to do with the sun that brings that heat, solar power. Here's Democrat Johnathon Hill.

J

Johnathon Hill 26:13

"We are the sunshine capital of the entire country. There is no reason why Arizona should not be running entirely on solar. When you looked at states like Nevada, they have implemented solar in a very responsible way. I agree with Mr Lopez the California has made some mistakes in their implementation of renewable energy, but we can learn from those mistakes and we can prevent them from happening here in Arizona."

S

Steve Jess 26:37

There's a strong statement in there. Could Arizona run entirely on solar?

Z

Zac Ziegler 26:41

We'd need a lot of panels. The US Energy Information Administration says Arizona is a top-5 solar power state with 6,100 megawatts of solar. But, that's only about 10% of what we generate. To run the state on just solar, we'd need about nine times more than what we currently have, because about a tenth of our state's electricity is exported. Plus we'd need battery storage because solar is really at its peak for on-average six-and-a-half hours a day in Arizona.

S

Steve Jess 27:14

And that gets us to something that another candidate, Republican Rachel Walden had to say.

R

Rachel Walden 27:19

We get something like solar it's it's lost its peak by 4:00 p.m. so when when energy is at its lowest demand, that's when solar is at its highest. When energy is at its highest demand, solar is at its lowest.

S

Steve Jess 27:31

That's obviously wrong. Solar is by definition at its lowest once it's dark, and peak demand isn't at night. When is peak solar production and when is peak demand?

Z

Zac Ziedler 27:42

Zac Ziegler 28:51

So production really depends on the time of year. I pulled down data for last year from the National Renewable Energy Laboratory for midtown Tucson, and it showed that in the winter you are generating power from about 8am to 5pm with the highest peak between 10 and 3. If you go to a mid-summer day, that production can start as early as 6am and run until 7pm, but the peak is really from 9 to 4. So yes, solar does peak before 4pm, as Rachel Welden said. And most utilities charge a premium for peak usage hours starting at either 3 or 4 pm and lasting until 7pm. Those are their high-demand hours, so yes, things don't quite match up. Now, solar during the summer does still produce into those hours. So solar radiation is measured in watts per square meter. A mid-June day is in the 900s from until 4pm, but it tapers from there, 800s in the 4:00 hour, 700s into the 5:00, down even more in the 6:00 hour before dropping off to 0 in the 7:00 hour.

S

Steve Jess 28:59

So solar production doesn't go away at 4pm, it's just not where we need it to be.

Z

Zac Ziegler 29:06

Correct. Hence why utilities like Tucson Electric Power often add storage capacity when they add more solar to their portfolio.

S

Steve Jess 29:14

Well, let's get to a statement that factors into that idea that Democrat Ylenia Aguilar made on the debate stage.

Y

Ylenia Aguilar 29:21

Our main responsibility is to ensure that we are providing a safe, reliable grid and what does that look like and how do we get to the lowest cost possible for them, because this is what we're elected to do. So I do think that what Jonathon and and the rest of the panelists have mentioned, like, there is a responsibility and there is an all of the above approach but we have to do what costs less because that's what we're elected to do.

S

Steve Jess 29:44

So, Zac, what do the statutes say about the job of the Corporation Commissioners?

Z

Zac Ziegler 29:48

Well, the section of the state constitution that establishes the commission, article 15, uses the phrase "just and reasonable" to describe rates. The commission's website describes its job as trying "to balance the customers' interest in affordable and reliable utility service with the

utility's interest in earning a fair profit." And no part of the Arizona Revised Statutes that I could find mentioned safe and reliable specifically, though I'd guess voters would be pretty upset if power weren't. It seems to me then to be more of a statement of value or a philosophy than a recitation of law beyond that idea of "just and reasonable" rates.

**S** Steve Jess 30:36

One last quote to mention, this one from the race's lone incumbent, Republican Lea Marquez Peterson.

**L** Lea Marquez Peterson 30:45

I think that certainly the utilities in terms of the energy that they're bringing onto the grid can impact the ozone and the environmental impact. However, I think the biggest push towards what's bringing ozone into our air is really vehicles.

**S** Steve Jess 31:04

Zac, we hear a lot of concern about the environmental impact of producing our power. But how much of our air pollution is due to power generation?

**Z** Zac Ziegler 31:11

So I found a report from the Arizona Department of Transportation from about a year ago that lays out its Carbon Reduction Strategy. And most of the way through that report is a chart labeled "Arizona Carbon Emissions by Sector 2016-2021." Now, carbon dioxide and ozone are two different things, and Marquez Peterson referred to 'the ozone' and 'ozone' in that clip, so it's not 100% clear if she means the ozone layer or ground-level ozone pollution. The state Department of Environmental Quality says ground-level ozone forms from chemical reactions between certain pollutants and sunlight, and it points out that ozone is different from smog. But it says, the top causes are the same: cars, power plants, industry . . . That ADOT report shows the Electric Power Sector as being responsible for about 41% (41.3%) of emissions and Transportation for about 46% (46.3%). And if we're talking solely about vehicles on the road, they account for 81% of that sector's emissions. Doing the math on that, it means cars and trucks are responsible for 37.5% of carbon emissions in Arizona.

**S** Steve Jess 32:32

So, if we're talking strictly emissions, power plants still edge out automobiles, but there isn't solid information on specifically ozone.

**C** Christopher Conover 32:43

That was a portion of an episode of fact check Arizona. You can find it wherever you get your

podcasts. And that's The Buzz for this week. You can find all of our episodes online at [azpm.org](http://azpm.org) and subscribe to our show wherever you get your podcasts, just search for The Buzz Arizona. We're also on the NPR app. Zac Ziegler is our producer, and our music is by Enter the Haggis. I'm Christopher Conover, thanks for listening.



Nicole Cox 33:18

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