

Protecting Consumers and Small Businesses from “Deregulation” in Arizona

AZ POWER CONSUMERS
COALITION



Headlines Speak for Themselves



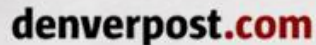
Shocking Electricity Prices
Follow Deregulation



Customers, workers lose
in utility deregulation



Report: Electricity Deregulation
has Cost Texans \$10.4 Billion



The failure of electricity
deregulation



Electricity Deregulation:
High cost, unmet promises



Electricity deregulation is
zapping Md. Industry



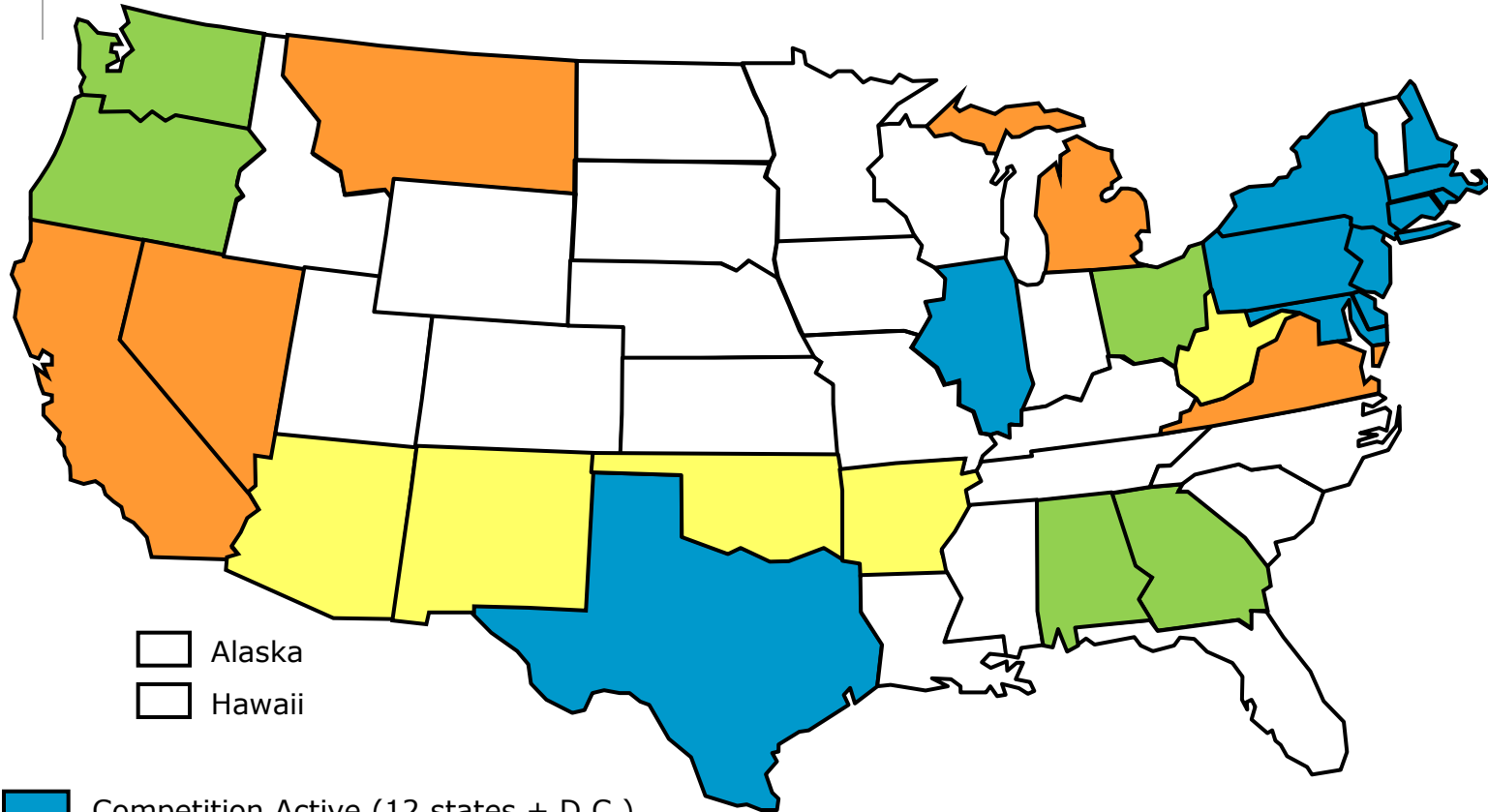
Arizona Today

- Electric utilities regulated by Arizona Corporation Commission or an elected governing board
- Cost of service model means rates must be justified, profits are limited
- Current model keeps prices stable, system reliable
- Arizona took steps toward “deregulation” or actually “re-regulation” in the 1990s before elected leaders wisely changed course
- “Deregulated” states have higher electric rates, less reliability, and more customer complaints





Deregulation is Limited in the U.S.



Alaska
Hawaii

- Competition Active (12 states + D.C.)
- Competition Approved then Repealed; No Customer Access (5 states)
- Competition Approved then Repealed; Limited Customer Access (5 states)
- Competition Allowed for Specific Customers, Customer Classes, or Utilities (5 states)
- No Competition at any time (23 states)



Deregulation Hurts Consumers and Small Businesses

- New merchant energy companies typically operate like hedge funds
- Providers “cherry pick” large consumers like Wal-Mart who negotiate special low rates
- Residential customers and small businesses left “holding the bag,” paying higher costs
- Residential customers face numerous competing options, but none offer the savings realized by large customers





Deregulation is NOT the same as “competition”

- Provider service contracts vary by terms and lengths, termination fees, and other fine print – often luring customers with incentive offers – making it difficult for consumers to compare service offerings
- Customer service complaints in deregulated states are very high
- Arizona customers already can choose from a variety of innovative programs and pricing options

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Deregulation was a disaster in other states

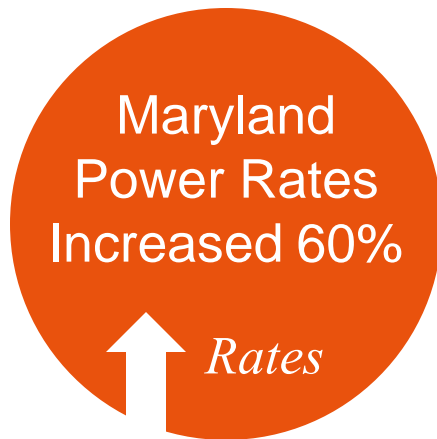
When they tried deregulation
in California it was a complete
disaster

- Power shortages
- Blackouts
- Out of control pricing
- ENRON and other companies
manipulated the market to
increase costs for power so
they could make more money



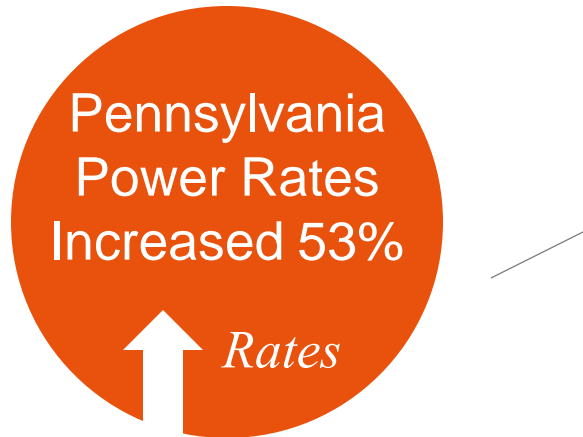


Deregulation was a disaster in other states



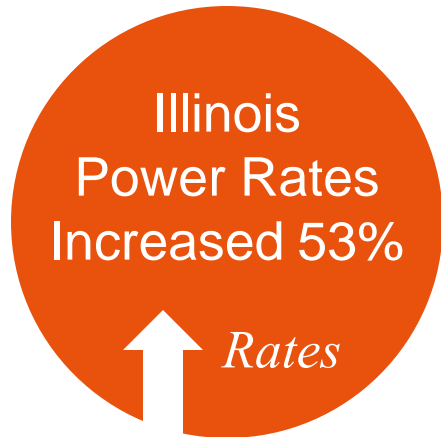


Deregulation was a disaster in other states





Deregulation was a disaster in other states





Deregulation was a disaster in other states





Deregulation was a disaster in other states



For the second year in a row, Texas faces the prospects of blackouts since adequate generation is no longer being built in spite of dramatically rising electricity prices

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*"Texas power retailers face tight supply, higher \$5,000 price cap," Reuters. June 4, 2013.



50 Biggest Power Users in Texas have come out against market changes that will lead to increased wholesale prices. Generators say that increases are needed if the fast growing Texas is to avert looming shortages and rolling blackouts.



Grid Operator predicts rolling blackouts

-August 8, 2013

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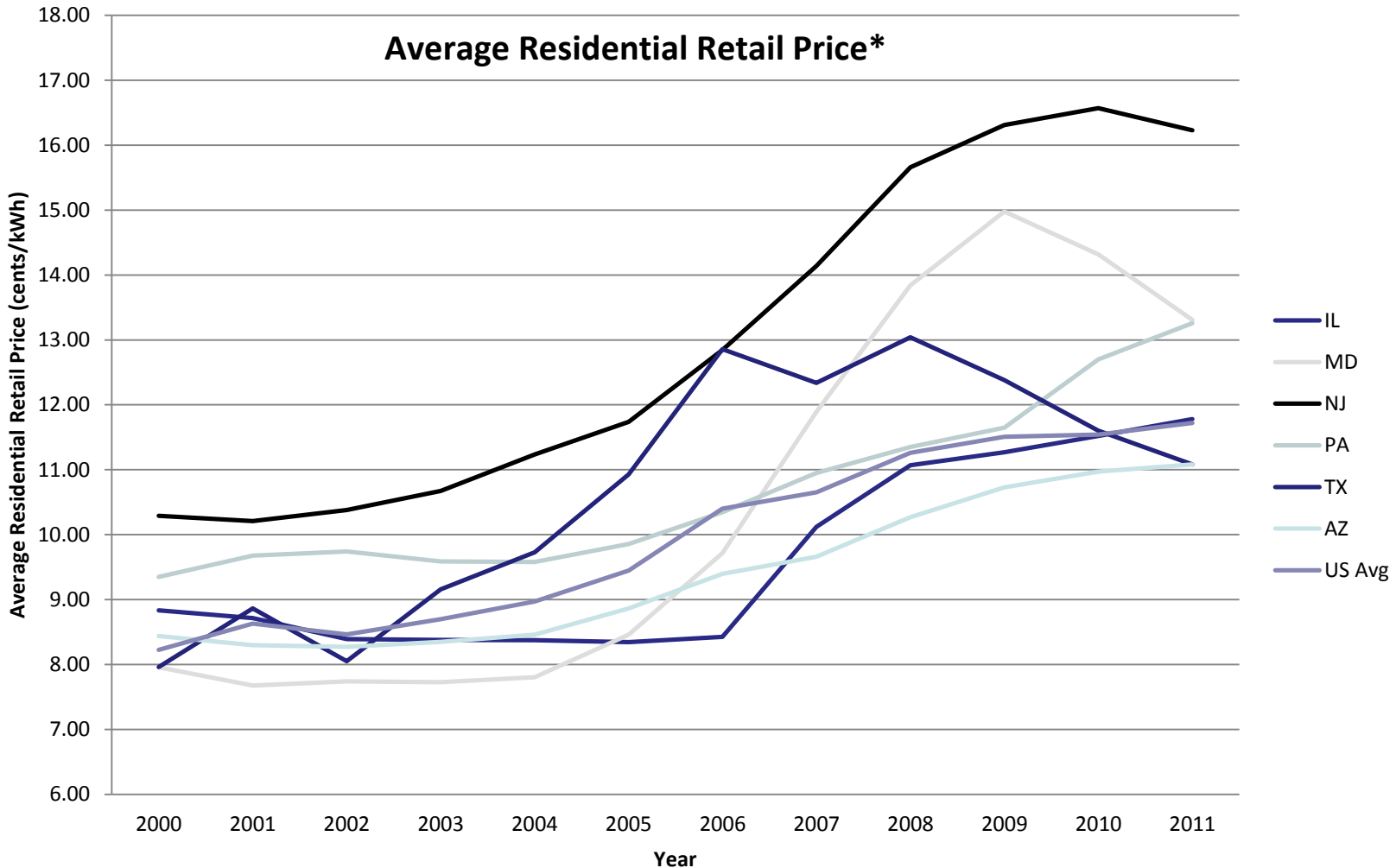


Arizona Has Low Electricity Rates

- Residential rates in Arizona are below the national average
- Of the 16 states with the highest electricity rates in the country, 13 are deregulated markets
- Average rates show residential rates in deregulated states are 26% higher than those in regulated states
- While prices continue to increase in all states, price increases in restructured states have tended to increase at a faster pace than in traditionally regulated states



Arizona Has Stable Prices

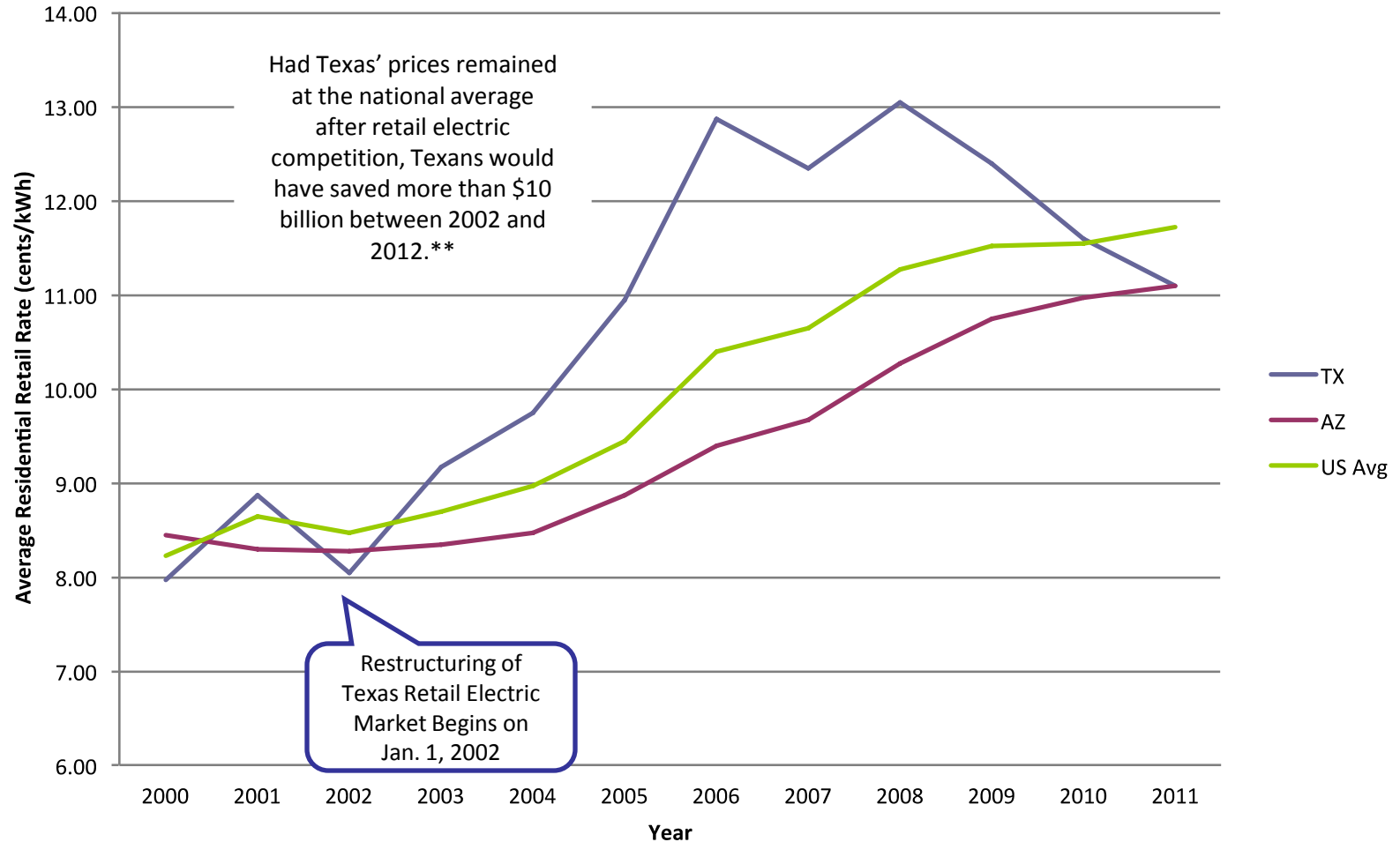


*Energy Information Administration, Electric Sales, Revenue and Price, Table 4. Average retail price for bundled and unbundled consumers by sector, Census Division, and State 2011 (Release Date: September 27, 2012)



Arizona Has Stable Prices

Average Residential Retail Rate*



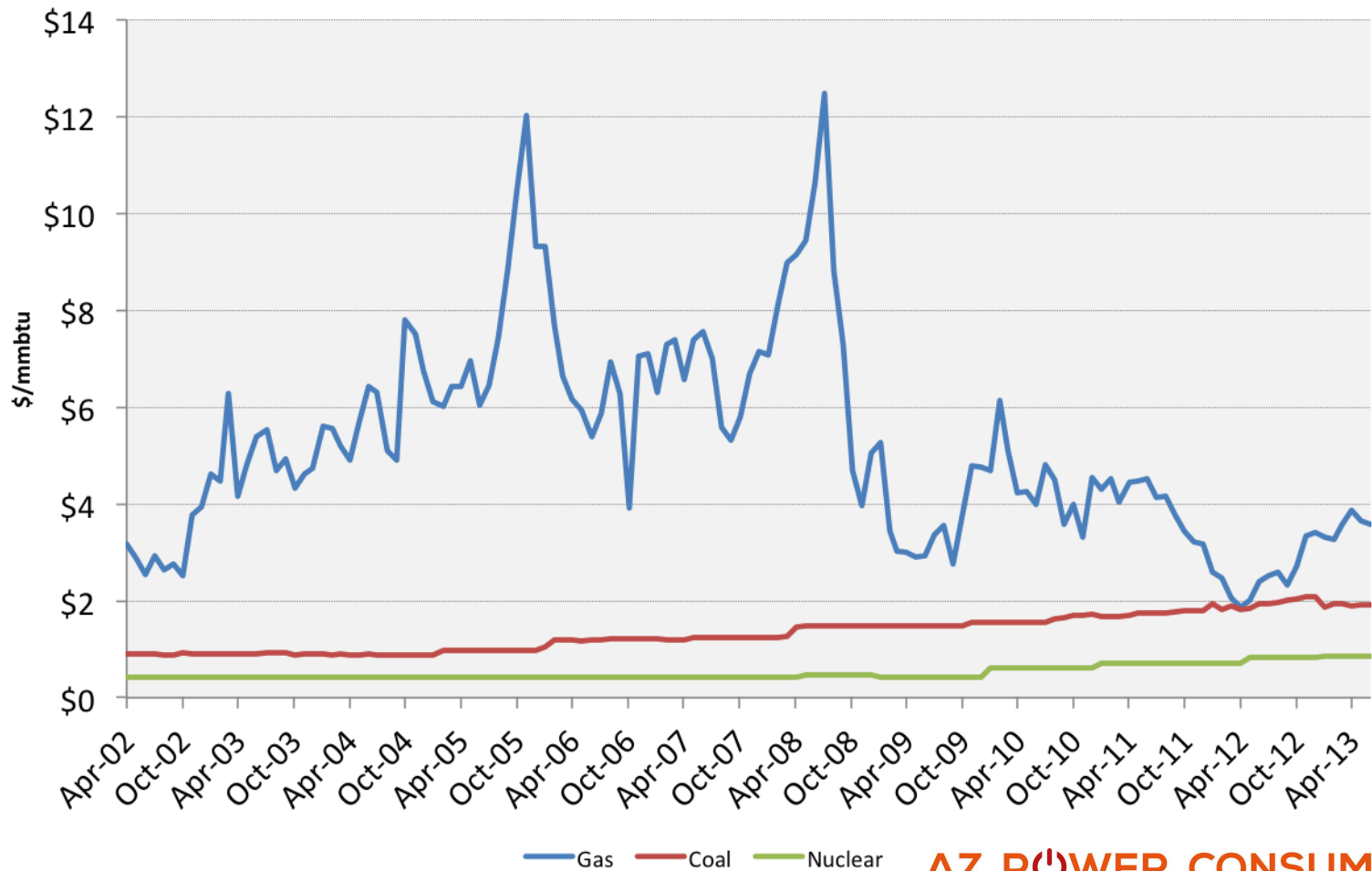
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** Texas Coalition for Affordable Power, Deregulated Electricity in Texas, A History of Retail Competition (December 2012)



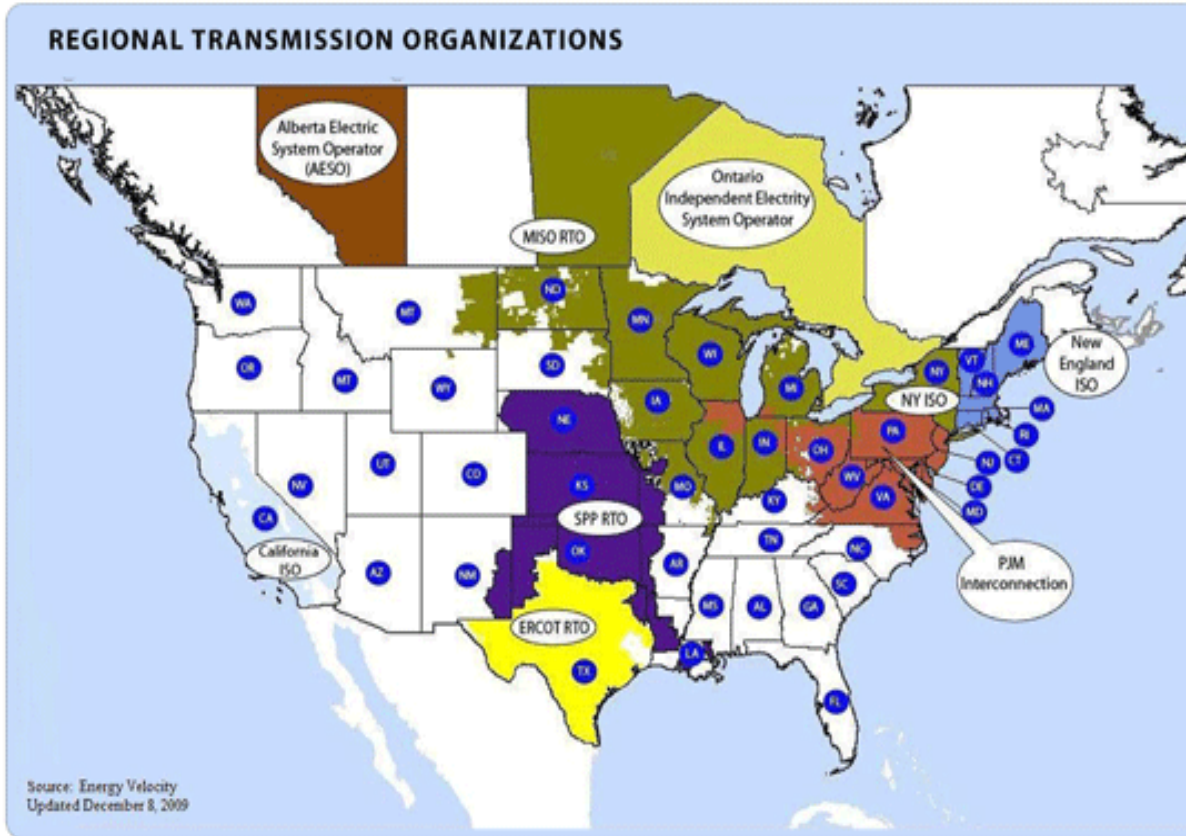
Diversity Offers Stability

Volatility of Gas, Coal, and Nuclear Costs





Restructuring Increases Federal Authority



- All areas that have restructured have a market operator such as an RTO or ISO
- The Arizona Independent Scheduling Administrator Association (AZ ISA) is not prepared to act as a market operator
- The RTO/ISO, **under FERC's jurisdiction**, would have exclusive control of many functions currently reserved to the utilities such as dispatch of generation facilities and transmission planning



Arizona's system is reliable and keeps prices stable

- Arizona residents already enjoy below-average energy costs
- Arizona's current system is constantly innovating – providing customers a great deal of choice and reliability, while keeping prices stable and low
- When it comes to long term energy innovation, we should count on the companies who are invested in Arizona and here to stay, not the hedge fund buyers looking to make a quick profit and move on





Support the Arizona Power Consumers Coalition

The Arizona Power Consumers Coalition is a coalition of individuals, community leaders, companies, and organizations dedicated to supporting competitive, reliable power options that offer choice and reduce the risks of power shortages, blackouts and out of control pricing. We support the following principles:

- Arizona should not support deregulation efforts which may increase power bills for average consumers and small business owners
- It is not fair for providers to cherry-pick the biggest purchasers of electricity and leave everyone else to pay higher prices
- Arizona's current system is reliable, competitive, and keeps prices stable
- Arizona's current system offers consumers choice in services, plans, and power sources
- When it comes to long term energy innovation, we should count on the companies who are invested in Arizona and here to stay



Our members include:

- Coalition Chairman: Jay Heiler
- Co-Chairs
 - Sylvia Allen, Navajo County Supervisor
 - Roc Arnett, East Valley Partnership
 - Lori Daniels, Former State Senator
 - Lisa James
 - Russ Jones, Former State Representative
 - Diane McCarthy, Former Arizona Corporation Commissioner
 - Steve Miller, Pinal County Supervisor
 - Ethan Orr, State Representative
 - Kim Owens, Dodie Londen Excellence in Public Service Series
 - David Tenney, Navajo County Supervisor
 - Phil Townsend, Former Yuma County Republican Party Chairman
 - Lisa Urias



Our members include:

- **Arizona Power Consumers Coalition supporters:**
- Agri-Business Council of Arizona, Arizona Association for Economic Development, Arizona Cattlemen’s Association, Arizona Charter Schools Association, Arizona Community Action Association, Arizona Investment Council, Arizona Municipal Power Users’ Association, Arizona Opportunities Industrialization Center, Arizona’s Generation & Transmission Cooperatives, APS, B. Bunch Company, Inc., Central Arizona Project Association, Chicanos Por La Causa, Inc., Children’s Action Alliance, Comite de Bienestar, Inc., Duncan Valley Electric Cooperative, East Valley Partnership, Esio Beverage Company, LLC, Glendale Chamber of Commerce, Graham County Electric Cooperative, Grand Canyon State Electric Cooperative Association, Greater Phoenix Economic Council, Greater Phoenix Leadership, Greater Phoenix Urban League, Irrigation & Electrical Districts’ Association of Arizona, Mohave Electric Cooperative, Mt. Graham Regional Medical Center, Navopache Electric Cooperative, New Life City Church, New Mexico Utility, Shareholders Alliance, North Scottsdale Chamber of Commerce, Roosevelt Row Community Development Corporation, Salt River Project, Scottsdale Chamber of Commerce, Scottsdale Healthcare, Society of St. Vincent de Paul – Phoenix Diocesan Council, Sulphur Springs Valley Electric Cooperative, Surprise Regional Chamber of Commerce, Trico Electric Cooperative, Inc., Tucson Electric Power/UNS Energy, United Dairymen of Arizona, Valle Del Sol, Valley Youth Theater, Water Resource Institute, Wellton-Mohawk Irrigation and Drainage District, Western Growers Association, WESTMARC, Wickenburg Chamber of Commerce...

Thank you!

Web Site: www.AZPowerConsumers.com

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