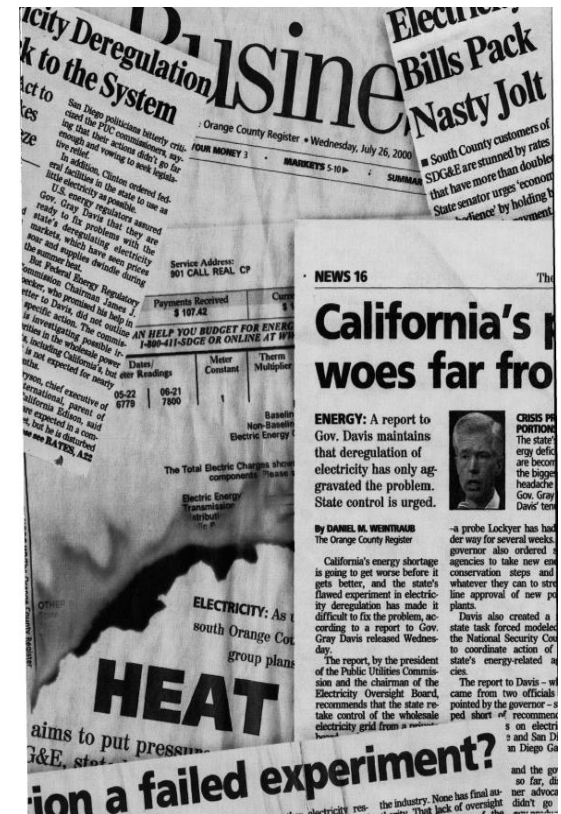


Protecting Consumers and Small Businesses from “Deregulation” in Arizona

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History of Deregulation in Arizona

- Electric utilities regulated by Arizona Corporation Commission or an elected governing board where rates must be justified, profits are limited
- Arizona took steps toward “deregulation” or actually “re-regulation” in the 1990s before elected leaders wisely changed course
- The issue was revisited earlier this year until the Arizona Corporation Commission closed the docket in September citing the challenges the issue faces with the Arizona Constitution
- Deregulation proponents have pledged that they will bring the issue back





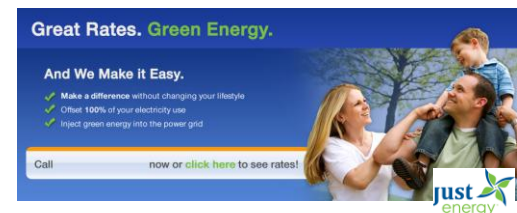
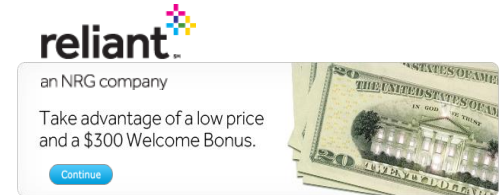
Deregulation is Unconstitutional in Arizona

- The Arizona Constitution requires that electricity rates must be set by the Arizona Corporation Commission or an elected governing board
- In Arizona, an Appeals Court judge ruled in 2004 that portions of deregulation, as it had been drafted were unconstitutional (Phelps Dodge Corp. vs. Arizona Electric Power Cooperative)
- Among the many provisions of deregulation that were problematic for the judge in that case were allowing the market, not regulators, to set the fair price for electricity, and requiring utilities to divest their power plants



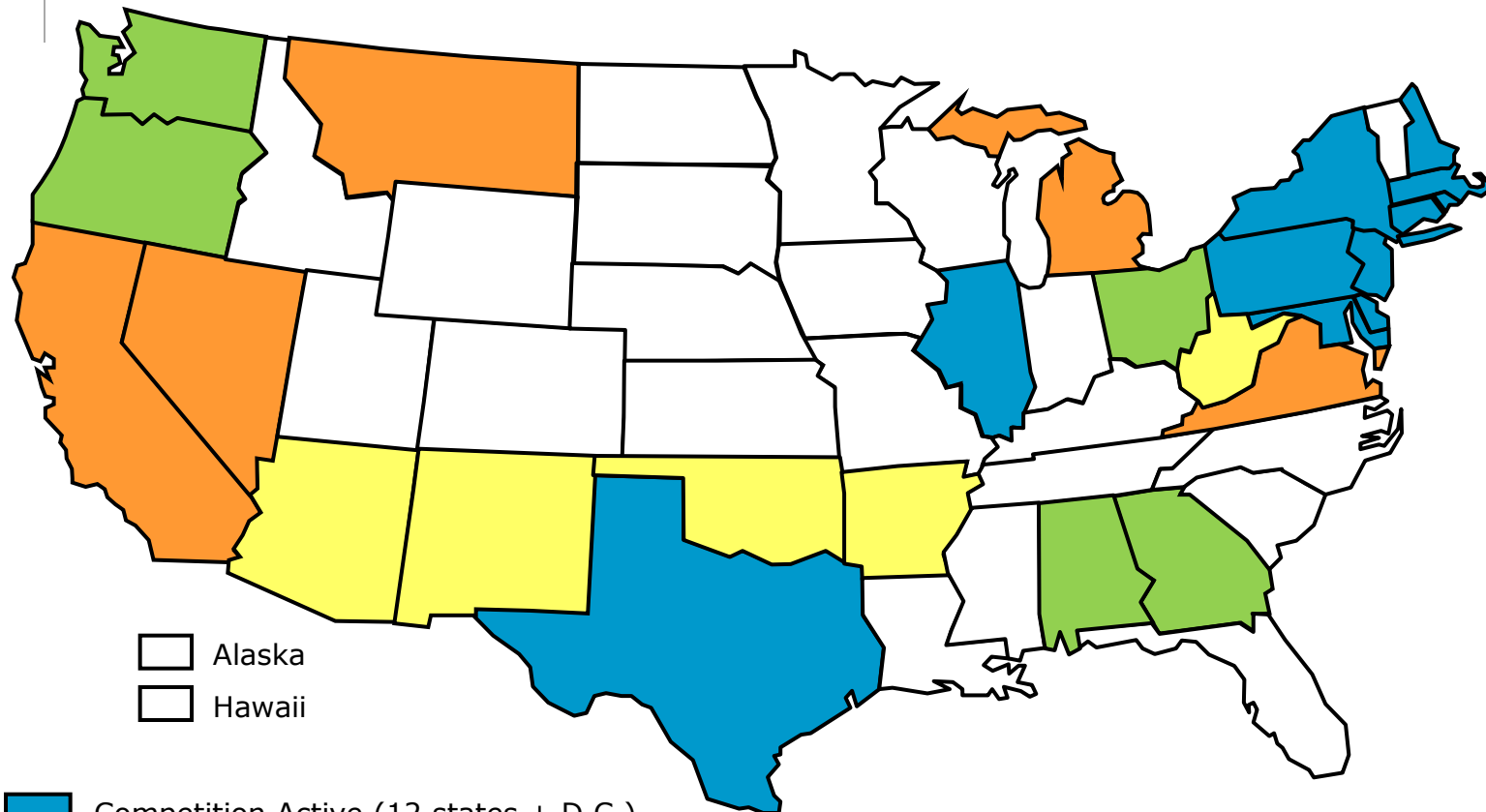
Deregulation is NOT the same as “competition”



- 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 is Limited in the U.S.



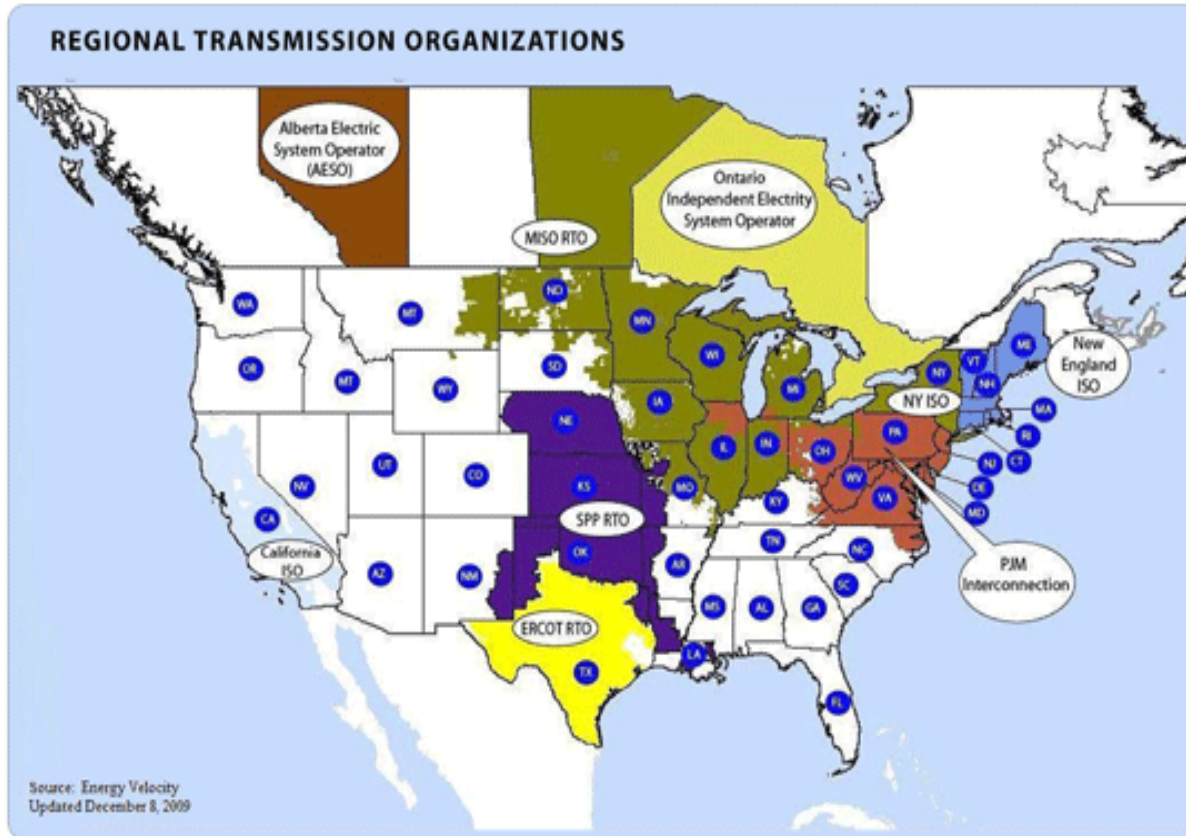
 Alaska
 Hawaii

-  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)

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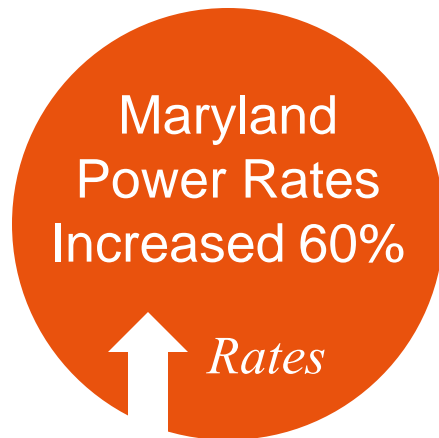
Deregulation Increases Federal Authority



- 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



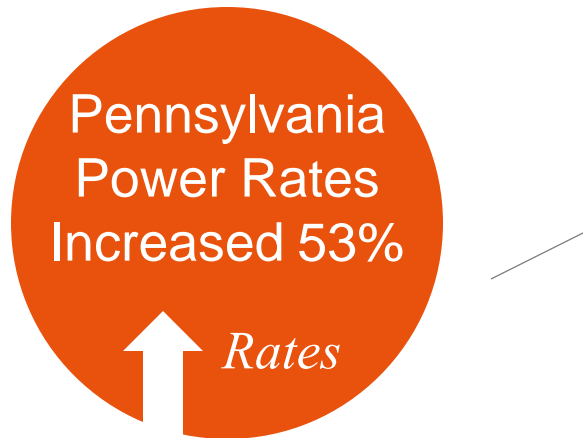
Deregulation continues to falter in other states



Baltimore Sun: Electricity market brings choices, deals — and scams
November 3, 2013



Deregulation continues to falter in other states



The Inquirer: Didn't pick electricity provider? Supplier may be picked for you
October 28, 2013



Deregulation continues to falter in other states



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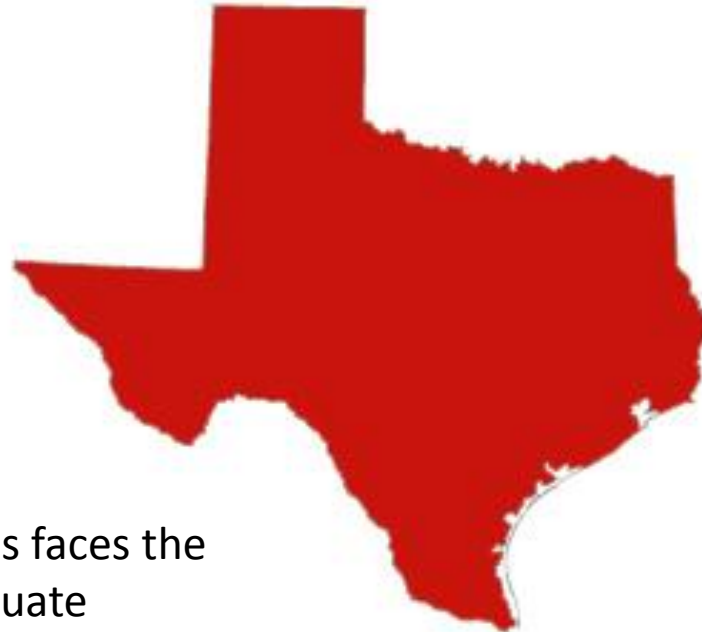


Deregulation continues to falter in other states

Austin American Statesman:

Debate over state's power reserves
raises more questions

October 8, 2013



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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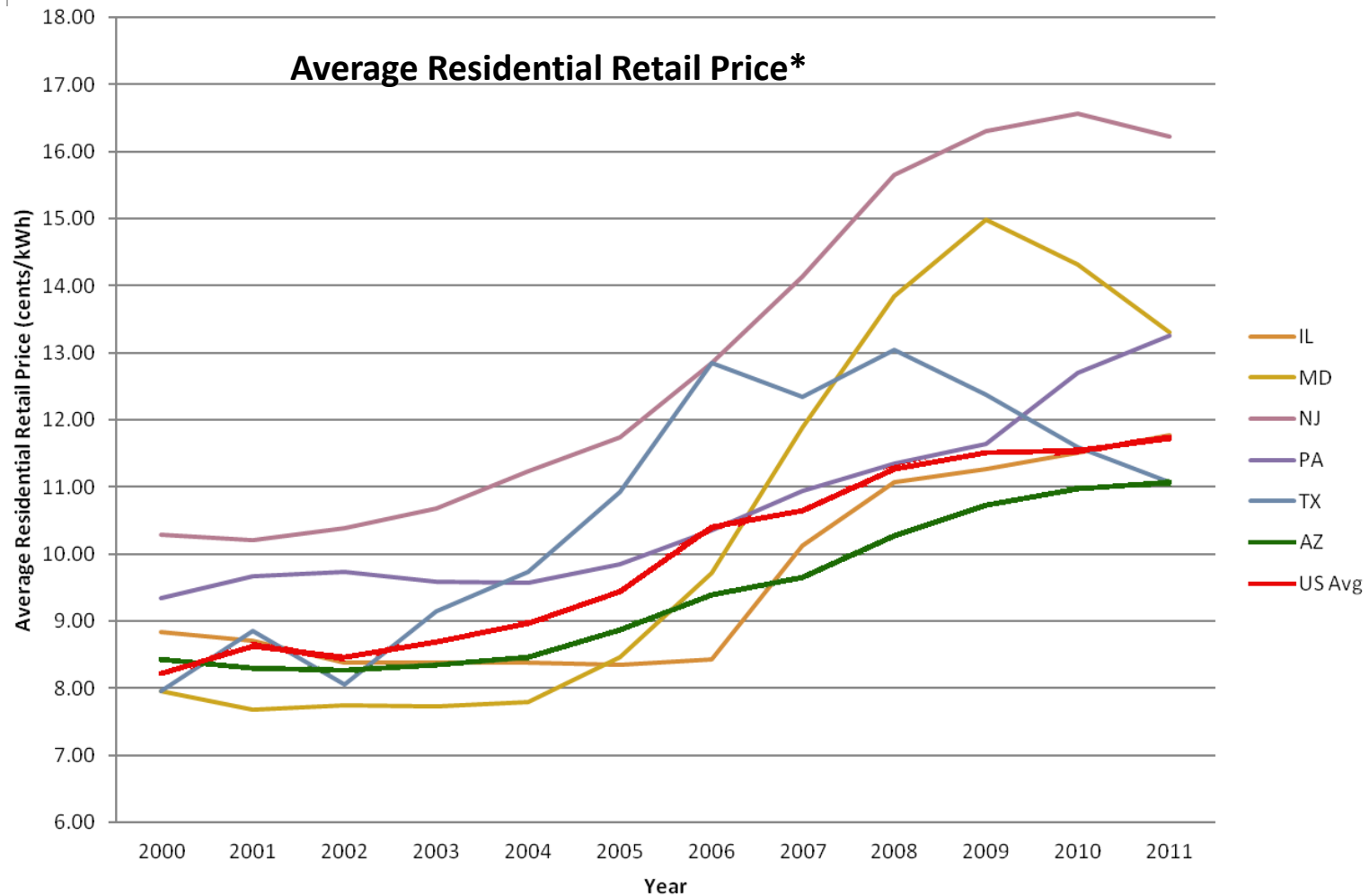
Arizona's system is reliable and keeps prices stable

- 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





Arizona Has Stable Prices

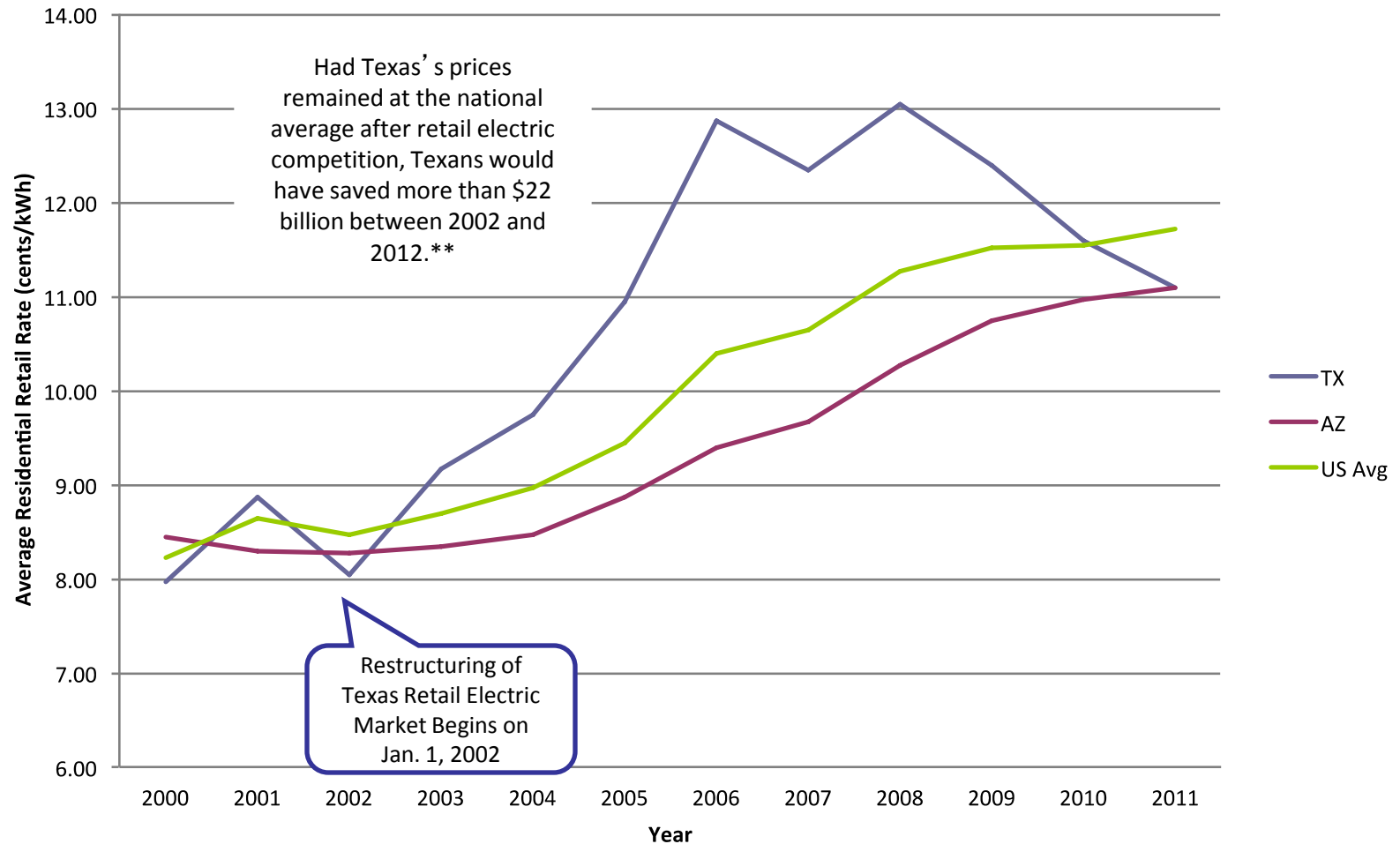


*Energy Information Administration, Electric Sales, Revenue and Price, Table 4. Average retail price for bundled and unbundled consumers by sector, Census Division, and State 2011 (Release Date: September 27, 2012)



Arizona Has Stable Prices

Average Residential Retail Rate*



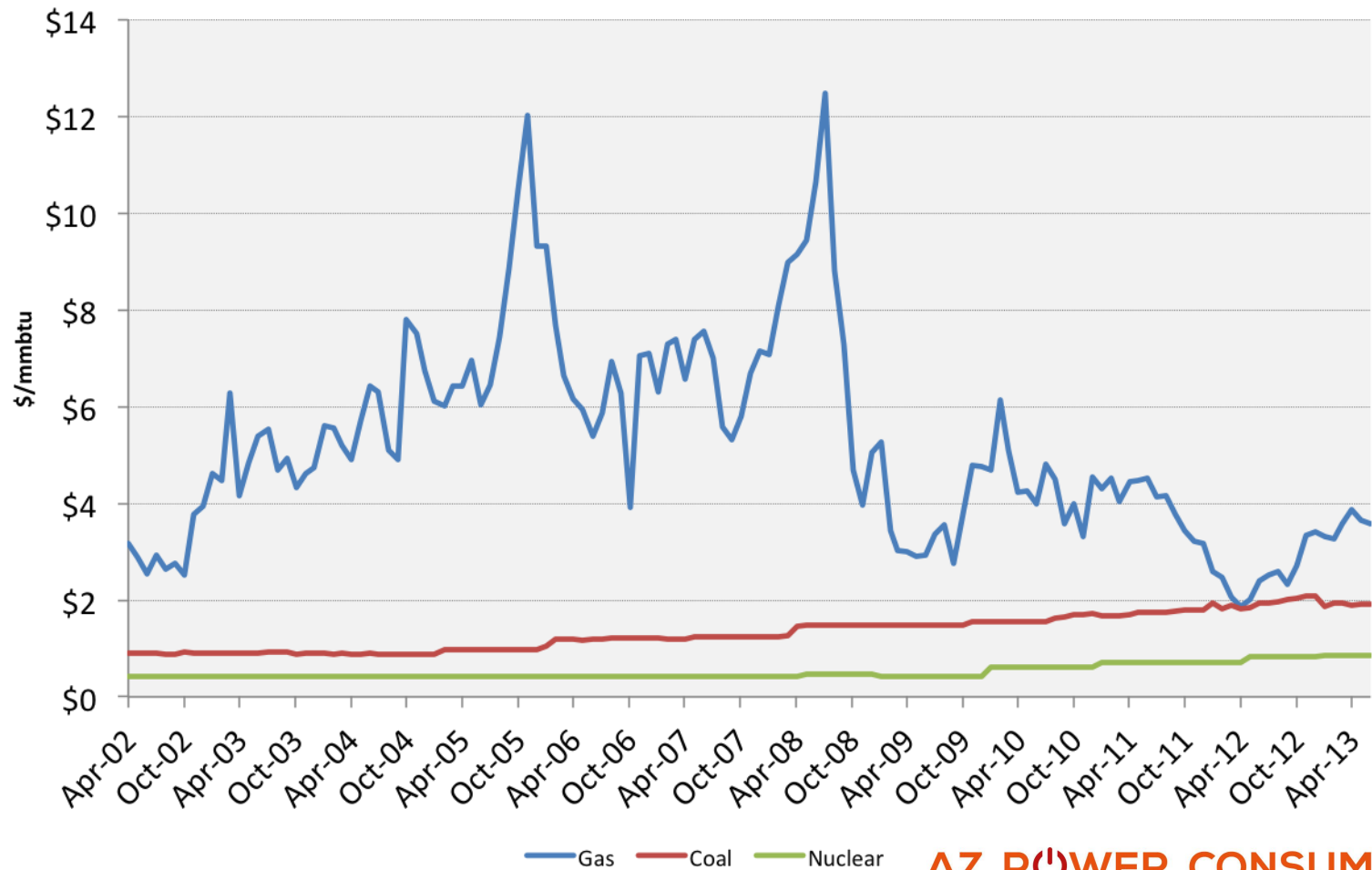
*Energy Information Administration, Electric Sales, Revenue and Price, Table 4. Average retail price for bundled and unbundled consumers by sector, Census Division, and State 2011 (Release Date: September 27, 2012)

** Texas Coalition for Affordable Power, Deregulated Electricity in Texas, A History of Retail Competition (December 2013)



Diversity Offers Stability

Volatility of Gas, Coal, and Nuclear Costs



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Arizona's system offers choice and high customer satisfaction

- Arizona's current utilities offer a number of competitive programs that provide consumers with a great deal of choice including time of use, amount of renewable energy used, flexible payment options, and other alternatives.
- Arizona's current utilities are at the top of the lists in customer satisfaction by J.D. Power providing reliable, affordable energy supplies.



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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:
 - County Supervisor Sylvia Allen
 - Roc Arnett, East Valley Partnership
 - Lisa Atkins, Greater Phoenix Leadership
 - Lori Daniels, Former State Senator
 - Lisa James
 - Russ Jones, Former State Representative
 - Diane McCarthy, Former Arizona Corporation Commissioner
 - County Supervisor Steve Miller
 - State Representative Ethan Orr
 - Kim Owens, Dodie Londen Excellence in Public Service Series
 - County Supervisor David Tenney
 - Phil Townsend, 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, Comité 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!

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Facebook: Facebook.com/AZPowerConsumers

Twitter: Twitter.com/AZ_Power_CC

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