



HB 2101

Support Reliable Energy for Arizonans

Fact Sheet

Reliable and affordable electricity is essential for life in Arizona – there’s really no question. The Electric Reliability Act (HB 2101) ensures that the State prioritizes energy reliability and consumer protection instead of allowing the same failed electric deregulated model that exists in other states to jeopardize Arizona’s proven standard in reliability, affordability, and customer protection. The resource planning challenges, volatile pricing and predatory practices in restructured states should be a warning to Arizonans, who narrowly escaped a similar fate after turning back from electric deregulation in the early 2000s. Now, Arizona can reinforce its proven system with public policy that promotes planning and investment in a reliable grid, with affordable rates, and consumer protection.

The Electric Reliability Act protects Arizonans and the grid in three important ways:

1. Resets public policy to prioritize reliability and affordability through long-term planning and investments in the grid.

- Reestablishes a public policy that recognizes electricity as an essential public service and the need for infrastructure planning and investments to ensure reliable and affordable electric service that is provided at constitutionally required just and reasonable rates. [Sec. 15]
- Repeals the defunct 1998 electric deregulation law that could be used to jeopardize the delivery of an essential public service, expose customers to predatory marketing and threaten Arizona’s continued steady economic growth. [Sec. 6, Sec. 8, Sec. 13, and Sec. 16]

Electric deregulation has proven far more problematic than traditional regulation. Deregulation in Montana caused the local utility to shed its generation assets, and after prices rose and energy capacity evaporated, Montana reversed course – and ratepayers are still footing the bill for the “deregulation debacle.”¹ The Attorneys General in Illinois and Massachusetts have sought to protect residential customers from the effects of competition in their states, including higher prices and predatory practices.² In New York, the New York Public Utility Commission concluded in 2016 that customers had paid competitive providers \$820 million more for electric and gas service than they would have paid their incumbent

¹ Szpaller, Keila. Daily Montanan, April 20, 2021. “Colstrip bill reminds many of energy deregulation debacle.” Article can be accessed here: [Colstrip bill reminds many of energy deregulation 'debacle' – Daily Montanan](#)

² Press Release: AG Healey Calls for Shut Down of Individual Residential Competitive Supply Industry to Protect Electric Customers, March 29, 2018 (<https://www.mass.gov/news/ag-healey-calls-for-shut-down-of-individual-residential-competitive-supply-industry-to-protect>); <http://www.energychoicematters.com/stories/20181119aa.html>





utilities.³ In Texas, deregulation has discouraged reliability investments and allowed energy reserves to dwindle to the point that its grid suffered catastrophic failure when Texans needed it the most last winter.

Arizona should learn from the mistakes of other states by protecting residents and small businesses and endorsing energy policy that preserves reliable, affordable electric service.

2. Prevents predatory marketing practices common in deregulated states and expands consumer protection.

In the traditional utility structure, there is no room for predatory marketers because utilities focus on customer service, not customer acquisition. This bill maintains the Arizona-based regulatory structure that has served Arizona customers well for more than 100 years. With an obligation to serve customers in the defined service area, the utilities focus on expanding customer options to manage their energy use and meet their lifestyle needs, not providing deceptive incentives just to get them to sign on the dotted line.

- Requires public power entities to establish an Ombudsman’s office to investigate complaints about customer service. [Sec. 7]
- Requires public power entities to establish policies against:
 - Deceptive, unfair or abusive business practices
 - Intrusive or abusive marketing practices
 - Deceptive or untrue advertising practices [Sec. 7]
- Requires contractors used by utilities for in-home services to be licensed and follow applicable codes. [Sec. 7]
- Protects confidential customer information and trade secrets. [Sec. 7]
- Grants a city or town that operates a public power entity the ability to create a structure to address customer service and consumer protection issues. [Sec. 7]
- Enables all persons, even those who are not public power customers, to challenge ratemaking decisions by the Arizona-based governing body and provides clarity that the grounds on which the courts can overturn are that the governing body’s decision was unlawful, not supported by substantial evidence or that the governing body abused its discretion. [Sec. 10, Sec. 11 and Sec. 12]



I.B.E.W. 266
 I.B.E.W. 387
 I.B.E.W. 570
 I.B.E.W. 640
 I.B.E.W. 769
 I.B.E.W. 1116
 Boilermakers 627

³ Matyi, Bob, “New York Launches formal review of competitive energy markets,” Platts, Dec. 6, 2016. <https://www.spglobal.com/platts/en/market-insights/latest-news/electric-power/120616-new-york-launches-formal-review-of-competitive-energy-markets>

3. Ensures stable, affordable rates are protected from unpredictable volatility. [Sec. 15]

- Arizona’s system provides stability by ensuring that rates are just and reasonable, as the Constitution requires, and not volatile and pegged to daily market fluctuations. Traditional utility planning features investments in capacity that insulate customers from power outages and price volatility.
- In contrast, deregulation can lead to a lack of planning and investment in grid infrastructure, threatening the stability of an essential public service and exposing customers to volatile pricing.
- During the Texas winter crisis, customers experienced unfathomable spikes in their energy bills. One customer was reportedly billed over \$16,000 because of a single storm event last spring – 70x his normal bill!⁴ And one electric cooperative was forced into bankruptcy because of the \$1.8 billion bill it received from the Texas grid operator.⁵ Those costs are ultimately borne by the customers.
- In contrast to the experience of Texans, Arizona’s customers get the best of both worlds today. Through the utilities’ planning and investment practices, energy capacity is developed in advance to serve customers at affordable costs, while utilities also buy and sell on the open market when the market allows to keep costs down for customers.

4. Considers the needs of retail consumers and potential future generation or transmission options. [Sec. 13]

- Provides that Salt River Project will develop and offer a buy-through option by January 1, 2024 so long as it does not shift costs to other customers or jeopardize reliability.
- Allows public power entities to continue to explore regional markets that have the potential to benefit customers from a larger footprint and more robust resource mix.

Arizona has had two decades to see how deregulation or “market restructuring” over-promises and threatens economic stability. The 2000-2001 Enron market manipulation scandal caused California’s deregulation experiment to collapse, and the Arizona courts ultimately invalidated the Arizona Corporation Commission’s deregulation rules. Current and previously deregulated states are often short on energy capacity, and when their systems are

⁴ McDonnell Nieto Del Rio, Giulia, Nicholas Bogel-Burroughs and Ivan Penn. *The New York Times*, March 1, 2021. “His Lights Stayed on During Texas’ Storm. Now He Owes \$16,752.” Article can be accessed here: <https://www.nytimes.com/2021/02/20/us/texas-storm-electric-bills.html>

⁵ Diaz, Jaclyn. National Public Radio, March 1, 2021. “Texas Energy Co-Op Files for Bankruptcy After Storm, High Bill.” Article can be accessed here: [Texas Energy Co-Op Files For Bankruptcy After Storm, High Bill: NPR](#)



stressed by heat or cold, they fail their customers and suffer disastrous ripple effects on families and businesses.

All the while, those systems cost customers more both during the crisis as well as over time. The *Wall Street Journal* reported that since 2004, Texas retail electric customers paid \$28 billion more for electricity than they would have in a traditional system.⁶ That does not include the \$127+ billion in economic losses from the single event of the winter crisis.

Arizona is thriving based on a strong grid that protects customers. Please support the Electric Reliability Act.

⁶ McGinty, Tom and Scott Patterson. *The Wall Street Journal*, February 24, 2021. "Texas Electric Bills Were \$28 Billion Higher Under Deregulation." Article can be accessed here: <https://www.wsj.com/articles/texas-electric-bills-were-28-billion-higher-under-deregulation-11614162780>