

Proposition 127: Renewable Energy

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Proposition 127 would amend the state Constitution to require Arizona utilities to provide at least 50 percent of their electricity from renewable sources by 2030. Renewable sources under the proposal include wind, solar and certain forms of hydropower. Electricity derived from nuclear power or fossil fuels would not be counted in reaching the 50 percent goal. The standard now used by the Arizona Corporation Commission requires the utilities it regulates to get 15 percent of their energy from renewable sources by 2025.¹ The current requirement is 8 percent.

In addition, utilities would be mandated to increase their use of distributed renewable energy (energy locally generated and distributed from customers' premises) to 10 percent by 2030.

The committee sponsoring Proposition 127, "Clean Energy for a Healthy Arizona," is financed in large part by California billionaire Tom Steyer who has sponsored and is sponsoring similar efforts in other states. Heading up the opposition is a committee called "Arizonans for Affordable Electricity," which is backed by the state's utilities. Arizona Public Service (APS) and its parent company, Pinnacle West, have been especially active in opposition. Many in the business community and several other groups and institutions support the APS position.

Among those favoring the proposition are: the Arizona Public Health Association, Conservative Alliance for Solar Energy, Arizona Asthma Coalition, Sierra Club (Grand Canyon Chapter), Union of Concerned Scientists and former corporation commissioners Bill Mundell, Sandra Kennedy, Kris Mayes and Renz Jennings.

Those against include: East Valley Partnership, Goldwater Institute, Arizona Manufacturers Council, Arizona Farm Bureau, Arizona Tax Research Association, Arizona Hispanic Chamber

Understanding Arizona's Propositions

Arizona voters will be asked to pass judgment on five measures on the ballot in the November 2018 general election. Four propositions call for amendments to the Arizona Constitution.

Two propositions were placed on the ballot by the Legislature, two others through the initiative process and the remaining one via a signature-gathering campaign challenging legislation passed by the Legislature and signed into law by the governor.

As in past years, ASU Morrison Institute for Public Policy examined Arizona's propositions to offer voters independent and nonpartisan assessments based on relevant documents and views expressed by subject-matter specialists and those who support and oppose particular measures.

"Understanding Arizona's Propositions" will provide information on each ballot proposal, how each came about, what it would do if passed, and its likely impact.

of Commerce, Chicanos Por La Causa, the Arizona Free Enterprise Club, the Arizona Chamber of Commerce and Industry and chambers of commerce and mayors and councils from several Arizona cities.

Each side has poured several million dollars into the battle and each side cites various studies to support their arguments. They offer competing predictions on the initiatives' likely effects on consumer energy bills, the closing of existing plants, and employment.

APS contends that nuclear power, while not a renewable source, is a clean source of electricity and should have been included in reaching the 50 percent goal. The company shares in the ownership of the Palo Verde nuclear plant west of Phoenix.

Opponents argue that because the proposition excludes nuclear power as a renewable source, and because solar energy isn't produced during peak demand times (in the summer) and at night, utilities would be forced to build and maintain redundant non-renewable power plants to meet peak and nighttime demands. Combined with the expense of adding renewable plants to meet the new requirements, the result would be higher utility rates, opponents argue. Also, because the Palo Verde nuclear plant and the coal plants that generate the state's base load cannot be turned on and off when renewable power is being produced, to prevent too much energy going onto the grid, the nuclear and coal plants would have to be replaced with natural gas plants (which can be turned on and off) to generate base load.

As they see it, consumers at one time or another would be stuck with the bills for both constructing new plants and plant closures.

Studies cited on the web page of Arizonans for Affordable Electricity include one by economists at the Seidman Research Institute, which is the consultancy arm of W.P. Carey School of Business at Arizona State University. Those findings predict that Proposition 127 would force changes in APS' operations and capital investments that over a 40-year period would have a devastating negative impact regarding the cost of electricity, employment, the gross state product, personal income, and state and local revenues.²

The opposition group has put considerable emphasis on the effects of the proposition on energy rates – noting that Seidman estimates that the average residential consumer would be paying \$1,936 more by 2030.

Proponents point out that APS paid for the Seidman research and other cited studies and contend that they are additionally suspect because they are based on utility-supplied data that has not been made available to others. They also cite studies by the Natural Resources Defense Council (NRDC) using different modeling techniques and information that directly conflict with the major findings of the Seidman research. They find, for example, that the proposition would lower energy bills for families and businesses by \$4.1 billion between 2020 and 2040 and would create some 16,000 jobs by 2030, as well as stimulate the economy.³

Estimations of this nature are difficult to make with any certainty. *Arizona Republic* columnist Robert Robb characterized any effort to determine the multiple effects of Proposition 127 some

30 or 40 years down the road as “a nutty endeavor” that has produced “a useless debate” among economists.⁴

Kris Mayes, a former corporation commissioner, has noted that the utilities made similar warnings of disaster back in 2006 when the 15 percent standard was adopted.⁵ Another observer has noted that the essential problem from the proponent’s point of view is the reluctance of old-guard utilities, especially those with a financial stake in and a longtime commitment to nuclear power to suddenly embrace a technology based on renewable energy.⁶

Proponents praise the measure for providing a way for the state to take advantage of its cleaner sources of energy, especially its abundance of sunshine, and to diversify the state’s energy supply, guard against pollution and, over all, boost the Arizona economy. Steyer argues: “While APS continues to prove they’ll stop at nothing to make its millions at the expense of Arizonans’ clean air and water, I am enthusiastically supporting the Clean Energy for a Healthy Arizona campaign to drive clean energy job growth and economic development.”⁷

Proponents argue there is especially good reason to close down coal power plants because of their carbon emissions and contribution to climate change. They have been less concerned about the danger posed by nuclear power plants and, indeed, have played down the effects of the proposition on nuclear power in the state – contending that APS has distorted the likelihood of shutting down the Palo Verde plant and of the ill-effects of its closing, should the proposition be adopted.

Changes in the sources of energy are occurring throughout the nation. Coal plants and nuclear plants are closing down for economic reasons – they are more costly than natural gas and other sources. Meanwhile, several states have increased requirements for switching to renewable resources.⁸ In fact there are likely to be short-term costs in changing directions but these could be offset by long-term gains.

One of the main arguments of opponents to Prop 127 is that a voter-protected renewable standard is bad policy because it impairs the state’s flexibility to respond to technological advances, rate increases and economic fluctuations.

At issue is the core question of which is better: Giving the Corporation Commission the discretion to make decisions regarding if and when the state will make greater use of renewable sources? Or, requiring the Corporation Commission through a constitutional amendment to act relatively quickly and more rigidly toward this end?

In this particular case, however, there is some doubt that the proposition will have much of an effect, at least immediately, even if voters approve it. In March 2018 state lawmakers, siding with APS, adopted a measure designed to avert any meaningful penalty for violating the energy standard established by the initiative. The law provides for a civil penalty and fine of \$100 to \$5,000. Proponents of the proposition vow to challenge HB 2005, the energy-standard penalty statute, in court on constitutional grounds in order to help ensure compliance.

¹ The Salt River Project and some other utilities are not regulated by the Arizona Corporation Commission.

² See: “No On 127,” <https://prop127facts.com/#toggle-id-6>. Proponents have placed emphasis on increases in electric rates. The Seidman studies referred are found in “The Economic Impact of the Clean Energy For A Healthy Arizona Economy,” Summary Report, March 19, 2018. <http://seidmaninstitute.com/project/aps/>; and an August 9, 2018 memorandum at <http://seidmaninstitute.com/wp-content/uploads/2018/09/Memorandum-080918.pdf>

³ See: “New Ad Again Shows We Can’t Trust Anything APS Says About Costs, September 10, 2018, <https://cleanhealthyaz.com/2018/09/10/new-ad-again-shows-we-cant-trust-anything-aps-says-about-costs/>; “New Cost Study: Renewable Energy Future Will Save Arizonans Over \$4 Billion by 2040,” June 14, 2018, <https://cleanhealthyaz.com/2018/06/14/new-cost-study-renewable-energy-future-will-save-arizonans-over-4-billion-by-2040/>; and “AZ’s Prop. 127 Would Create Thousands of Clean Energy Jobs, Energy Central Web Site,” blog by Dylan Sullivan, NRDC Expert, <https://www.energycentral.com/c/hr/azs-prop-127-would-create-thousands-clean-energy-jobs>

⁴ Robert Robb, “Proposition 127’s big gamble with state’s economy,” *Arizona Republic*, September 30, 2018.

⁵ “Backers of Increasing Arizona’s Renewable Energy to 50% File 480k Signatures,” *Energy Monitor Worldwide*, July 7, 2018.

⁶ Views of Wesley Herche, an energy researcher at Arizona State University, reported by [Elena Saavedra Buckley](#), “Arizona’s nuclear power caught in crossfire,” *High Country News* July 27, 2018.

⁷ “Tom Steyer Statement on Clean Energy for a Healthy Arizona Petition Efforts” 6.14.2018 <https://nextgenamerica.org/press/tom-steyer-statement-clean-energy-healthy-arizona-petition-efforts/>.

⁸ See, for example Martha T. Moore, “Nuclear Plant Closures Bring Economic Pain to Cities and Towns,” *Stateline*, September 5, 2018.

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