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COMMENTARY: Water infrastructure needs are getting buried by misinformation campaign

By *svadmin*
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Submitted by Bill Garfield, President, Arizona Water Company

It is a mystery why the Residential Utility Consumer Office (RUCO) has chosen to mislead the public about how the Arizona Corporation Commission is encouraging new investment to upgrade the state's aging water infrastructure. As a result, our customers are getting the wrong impression about their water bills, and the future of water infrastructure investments across the state is being jeopardized.

Replacing aging and failing water infrastructure is critical to making sure that 1) your water is safe to drink, 2) there are no water outages, and 3) there is plenty of water and water pressure for firefighting purposes. The Commission, led by Commissioner Susan Bitter Smith, invested in an 18-month public process with all the stakeholders in order to find a solution. The System Improvement Benefits (SIB) surcharge is the result. There is no question that the Commission was trying to solve a very serious problem for the state with the SIB.

Something similar to the SIB is now being used in 13 other states and has proven effective. It has the added benefit of reducing "rate shock" to customers because it allows costs to be passed along gradually, instead of hitting them all at once with major bill increases.

Unique to Arizona, however, is an efficiency credit to customers that reflects some of the lower costs that will result from the SIB. The credit is about four cents per average customer.

Contrary to RUCO's scare tactics, there will be no doubling of water bills, no double collections, and no $3.00 charge added to water bills. In July, the Commission will consider whether to approve Arizona Water Company's SIB surcharge for critical water supply infrastructure improvements already completed and benefitting customers.

If approved, customers will see 82 cents per month added to the average bill. That's less than three cents per day per family.

The Commission should be applauded for its leadership in taking action to head off the state's pending water infrastructure crisis. The U.S. Environmental Protection Agency has said that Arizona needs to invest $7.5 billion over the next 20 years to replace old pipes, pumps and treatment systems.

But RUCO's misinformation campaign is going on the road. They have already held two public meetings, one in Bisbee and one in Sierra Vista. Next week they plan to do it again in Apache Junction. Unfortunately, the misinformation they are feeding the public is confusing, not enlightening.

The people of Arizona deserve water supply systems that deliver water that is safe to drink, that they can rely on, and that will supply plenty of water to fight fires. Thanks to the Commission's efforts we now have a way to do that. RUCO seems bent on destroying that mechanism, and their reasons, whether political or otherwise, aren't at all clear.

We urge all Arizonans to support the Commission's work to solve this very serious water infrastructure problem, and we call on RUCO to stop misinforming the public about what is really at stake.

By Bill Garfield, *President, Arizona Water Company*

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Commission candidates debate solar taxes


Ryan Randazzo, The Republic | azcentral.com *8:16 p.m. MST June 28, 2014*

(Photo: azcentral)

Candidates for the Arizona Corporation Commission are spending more time debating where their political support is coming from than the utility policies they would pursue if elected.

The five-member commission that regulates utilities, securities, pipelines and railroad crossings in the state has two open seats this year.

Candidates Lucy Mason and Vernon Parker are running as a team in the Republican primary. They have been endorsed by a solar-industry group that frequently has business matters decided by the commission.

Mason and Parker have accused their competitors, Tom Forese and Doug Little, of receiving support from Arizona Public Service Co. A political independent-expenditure committee called Arizona 2014 supports Forese and Little. APS has not responded to questions regarding support of the committee, and utility officials have said they will not guarantee the company will stand on the sidelines of the election.

The winners in the Republican primary in August will face Democrats Sandra Kennedy and Jim Holway in the November general election.

During a televised debate Wednesday, the Republicans struggled to put distance between themselves, agreeing in general that protecting utility ratepayers is paramount to the job and highlighting their respective qualifications.

However, they split widely when asked about property taxes on rooftop solar.

State law exempts rooftop solar panels from taxes. Up until last year, the companies that provide rooftop-leasing options for solar interpreted the law as exempting their products, but the state Department of Revenue reviewed the law and disagreed.

The DOR issued an interpretation that will have the leasing companies, or more likely their customers, paying property taxes starting next year.

Forese and Little defended the tax; APS has weighed in on the debate by noting the company pays property taxes on its own solar installations.

"On one side there are folks that say it is a new tax," Forese said. "On the other side there are folks that say these are taxes that should have been paid (by the solar companies)."

"APS has been tremendously supportive of solar," Little said.

Parker and Mason attended a recent rally opposing the taxes. The rally was organized by a group called Tell Utilities Solar Won't Be Killed (TUSK), which has been at odds with APS for the past year.

The group also recently sent an e-mail soliciting $5 donations for Parker's and Mason's campaigns, which are funded by Citizens Clean Elections Commission.

The 2010 Citizens United Supreme Court case opened the door for corporate spending on independent expenditures in elections so long as the spending is not coordinated with the candidate's campaign.

Parker and Mason both said they did not ask for help from TUSK and would prefer the group and all others that have business before the commission abstain from making independent expenditures during the election.

They also both said that they would base their decisions as commissioners on what is best for utility customers, regardless of who spends money to support their campaigns.

Parker and Mason also have accused APS of making independent expenditures to help Forese and Little, and the utility has not rebutted that accusation. APS officials also said they might not continue the company's tradition of staying out of the elections.

Little, questioned after the debate, said he was unaware of any independent expenditures on his campaign by APS. A group called Arizona 2014 has been soliciting for Forese and Little, and the group's organizer has not disclosed where the group gets its funding.

Little said he would not request the company stay out of the race. He said making such expenditures was within the company's rights thanks to the Citizens United decision.

"Why would I ask someone to not exercise their First Amendment rights?" Little said.

Arizona Corporation Commission Chairman Bob Stump came out against such spending last year when an *Arizona Republic* investigation revealed that money from APS and Southwest Gas went to a political committee that helped his campaign in the 2012 elections.

Stump said that although it is within a company's constitutional rights to spend money on its preferred candidates, it gives the appearance of impropriety when regulated companies that will have their electricity prices determined by the commission spend money on the elections. He also said it is inappropriate for TUSK to support its preferred candidates because the solar companies have financial issues decided directly by the commissioners.

Little declined to comment on whether such participation was appropriate for utilities. When asked about it, Little simply turned his back on a reporter and walked away from the conversation.

His running partner, Forese, said the candidates are avoiding any coordination with APS.

"Whether I ask them to (be involved in the campaign) or ask them not to, I believe that would be coordination," Forese said.

The two teams also split on the topic of net metering, the arrangement where utility customers with solar panels get credit for the excess electricity they send to the power grid. The credit they accumulate during the day helps offset the power they use at night when the sun sets.

APS tried last year to alter the net-metering arrangement by increasing the monthly bills of those customers by $50 to $100, saying the solar customers didn't pay their fair share of maintaining the electric grid.

"How do we make sure everyone pays their fair share to maintain the grid," Little said during the debate, echoing the sentiment APS espoused during last year's net-metering hearings.

Parker, in turn, echoed the sentiment espoused by TUSK and the solar industry in that debate, supporting net metering.

"It's the law in 43 states," Parker said. "For the viewer, a simple way to describe it, it's like rollback minutes on your cellphone."

Corporation Commission candidates

The commission consists of five statewide elected officials who oversee regulated utilities such as Arizona Public Service Co., Tucson Electric Power Co. and Southwest Gas Corp. The officials also regulate securities, corporations and railroad crossings. The job pays $79,500 annually.

Two seats are open for election this year. Four Republicans and two Democrats are vying for them.

• **Republican Tom Forese**, an educational-software executive and state representative. Chairman of the Commerce Committee.

• **Republican Doug Little**, a retired software-industry executive and current gun-range operator.

• **Republican Vernon Parker**, an attorney and former mayor of Paradise Valley.

• **Republican Lucy Mason**, former architectural illustrator and small-business woman. A state representative. Former chairwoman of Energy and Water Committee. Former Prescott Councilwoman.

• **Democrat Jim Holway**, a board member of the organization that runs the Central Arizona Project canal system, director of the Western Lands and Communities program through the Sonoran Institute. Former professor at Arizona State University and assistant director of Arizona Department of Water Resources.

• **Democrat Sandra Kennedy**, former business owner. Served in state Legislature and Senate, and served one term as Corporation Commissioner from 2008 to 2012.

Learn more about the candidates, and other political races, at azvotes.azcentral.com/build.do (http://azvotes.azcentral.com/build.do).

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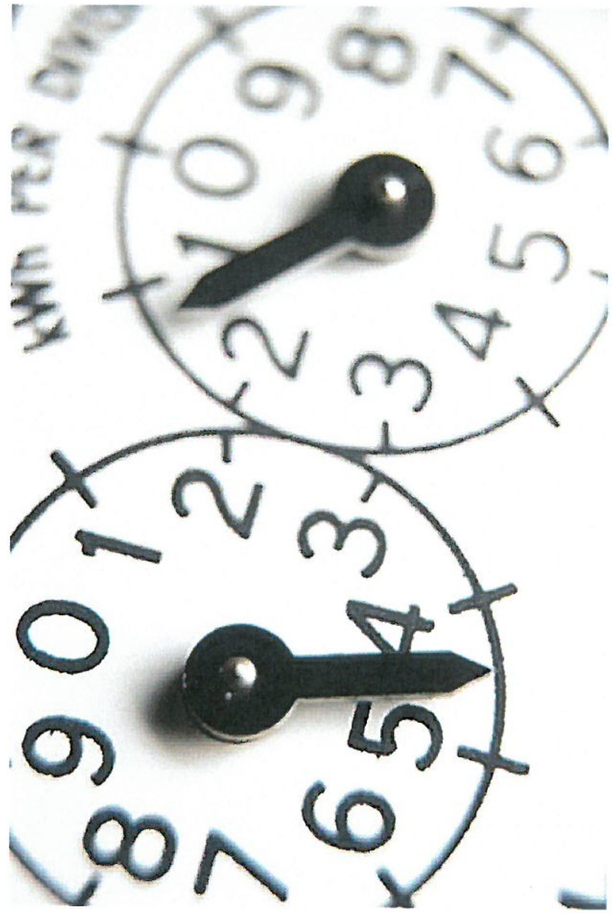
SC CAN provides help with utility bills

STAFF REPORT | Posted: Saturday, June 28, 2014 6:30 am



Electric meter

The Sun City Community Assistance Network has been chosen as one of the administrators for the Arizona Public Service Crisis Bill Assistance Program.

The program provides up to $400, one time per year, to APS customers experiencing an extraordinary financial crisis.

The cause of the crisis could be a sudden loss of income, unexpected expense (car or home repair, an accident) or health and safety issues (medical emergency, electricity for a breathing machine, air conditioning because there is a senior in the house), SC CAN officials stated in a release.

The APS customer may not have verifiable income greater than 200 percent of the federal poverty level.

For example, according to SC CAN, a single-person household cannot have a monthly income greater than $1,945, and a two-person household income cannot exceed $2,622.

In order to participate, residents will need to provide the most recent APS utility bill.

The program will begin July 7.

In another financial assistance program, low-income condo residents, both owners and renters, may be eligible for rebate checks from EPCOR Water.

Each qualified condo resident receives a check for $26.28 twice each year in May and November. Currently, there are 236 condo residents enrolled in the program, according to SC CAN.

EPCOR Water, Southwest Gas and Arizona Public Service have programs that give low-income residents a discount on their utility bills.

Until a few years ago, condo residents were excluded from the EPCOR Water program because the water bill was paid by the condo association not by the resident, officials said, but the Sun City Community Assistance Network "brought this inequity to the attention of the Arizona Corporation Commission.

"Ultimately this resulted in the current program which is funded by EPCOR Water, administered by Sun City CAN and approved by ACC," SC CAN officials stated in a release.

The requirements for this program are:

• Be a condo resident in either Sun City or Youngtown.

• Not claimed as a dependent on someone else's tax return.

• Annual income less than $17,505 for a single person and $23,595 for a two-person household.

Those who think they may be eligible for either program can call Sun City CAN at 623-933-7530 from 8 a.m. to noon Monday through Friday and request an application form.

From the Phoenix Business Journal
:http://www.bizjournals.com/phoenix/blog/techflash/2014/06/southwestern-utilities-launch-renewable-website.html

Jun 27, 2014, 10:30am MST

Southwestern utilities launch renewable website

Staff *Phoenix Business Journal*

A website with near real-time data for renewable energy resources from across the desert Southwest was launched June 18 by the member utility companies of the Southwest Variable Energy Resources Initiative.

SVERI has part- nered with the University of Ari- zona to collect, display and analyze Kondziolka generator output and electric customer load data from participating companies. Those participants include Arizona Electric Power Cooperative, Arizona Public Service Co., Salt River Project and Tucson Electric Power Co.

"Challenges being faced in the Pacific Northwest and California in integrating renewable generation drove the creation of this investigatory effort," Robert Kondziolka, SRP's director of transmission and generation operations and the cur- rent chair of the management committee for SVERI, said in a prepared statement.

"Our objective is to collectively determine if and when the integration of renewable resources into our respective systems may create operational challenges, and to identify the most appropriate tools to address this challenge," he said.

SVERI was formed in 2012 to evaluate the penetration, locations and operating characteristics of variable energy resources within the Southwest during the next 20 years.

Click here for the public access data portal.

E&E PUBLISHING, LLC

UTILITIES:

Mo. experience epitomizes quandary for nuclear projects

Jeffrey Tomich, E&E reporter

EnergyWire: Friday, June 27, 2014

Years after Missouri's largest utility set out to pursue a license for a second reactor in the state, hundreds of pages of data submitted to the federal regulators continue to idly collect dust.

The Nuclear Regulatory Commission's review of Ameren Missouri's submission is one of seven construction and operating license applications that have been formally withdrawn or suspended amid the Fukushima Daiichi disaster in Japan, the Great Recession and a shale gas revolution that's upended energy markets.

As much as any state, Missouri epitomizes the challenge facing the U.S. nuclear industry in its efforts to jump-start development of new reactors. There's already a nuclear plant operating in the state, and there's strong political support for an expansion of nuclear capacity. Missouri will eventually need to replace aging coal plants that power most homes in the state. And there's a university system with two research reactors to help train a new generation of workers.

For all the check marks in one column of the nuclear development ledger, though, there's a big X on the other: how to finance what would be the most expensive capital project in the state's history in an era of cheap gas, increasing energy efficiency and renewable energy penetration, and flat-lining demand growth.

While there are five reactors under construction in the Southeast, and that region more than any other holds potential for future development, the future of nuclear power in states like Missouri is murky at best, even with steps taken by the Obama administration to clamp down on greenhouse emissions greenhouse from the power sector.

Julien Dumoulin-Smith, a utility analyst at UBS, told a recent industry conference that he's skeptical of new nuclear capacity being added anytime soon.

"The capital is abundant out there," he said. "But at the same time, you've got to align the capital with the risk profile. If you're not providing a very meaningful long-term revenue certainty coupled with a real underlying commitment by regulators at all levels that this will not be a stranded asset, the fact is it's not going to happen."

Dumoulin-Smith said market and regulatory constructs today encourage high variable-cost, low capital-cost solutions like natural gas or demand response. Nuclear energy is at the other end of the spectrum.

It's a point that the nuclear industry doesn't argue.

"That's the world that we live in today," said Paul Genoa, the Nuclear Energy Institute's senior director of policy development. "My job is to change that world because it's not sustainable."

EPA rules give a small boost

U.S. EPA's proposed rule to limit carbon emissions from existing power plants is a positive for the nuclear industry, as evidenced by the bump that nuclear generators got on Wall Street immediately after the proposal was announced June 2.

But while the proposed rule seems to throw a lifeline to some existing nuclear plants that are struggling to make a profit, the rule alone doesn't do much to stimulate new development.

Missouri, in fact, can meet the carbon intensity targets laid out in EPA's proposed rule almost a decade ahead of schedule simply by continuing down the path it's already on, according to an analysis by the Natural Resources Defense Council. Missouri's renewable portfolio standard requires that 15 percent of generation from investor-owned utilities come from wind, solar and other renewable fuels by 2021, and energy efficiency programs.

While significant coal plant retirement could also leave a need for new baseload generation in years to come, a point that St. Louis-based Ameren raised years ago in its long-range integrated resource plans submitted to state regulators, it's unclear how best to plug the void. In its 2011 integrated resource plan, Ameren

This image from 2008 shows what Ameren Missouri's Callaway nuclear plant site would have looked like if a new full-scale plant was built next to the existing 1,190-megawatt unit. The utility applied to regulators in 2008 for a license to build and operate two new 800 MW reactors, but the following year it asked to suspend the review of its application. Photo courtesy of the Nuclear Regulatory Commission

outlined a scenario where it could replace one of its big four coal-fired baseload plants with energy efficiency and demand response.

In another scenario, the company would use a combination of natural gas and nuclear.

The possible need for new baseload generation years in the future and the potential for regulation of greenhouse gases is what propelled Ameren to seek a license for a second nuclear plant adjacent to its 1,190-megawatt Callaway nuclear plant in central Missouri.

To be sure, Ameren has never committed to building another reactor. The utility, which serves 1.2 million customers, has steadfastly maintained that it was pursuing a license to maintain the option. But utility executives have also been clear that they are bullish on nuclear power and its attributes.

Financing roadblocks

The journey that started in 2007 has been nothing short of an odyssey -- a winding journey that began with a partnership with Areva and EDF to license a 1,600 MW nuclear project. Efforts were suspended when the company failed twice to get legislation passed that would allow construction work in progress (CWIP) financing.

CWIP financing is currently prohibited in the state -- a throwback to massive cost overruns involved with construction of the original Callaway nuclear plant in the 1970s.

Ameren recalibrated its nuclear strategy two years ago and partnered with nuclear industry giant Westinghouse when the Department of Energy made available $452 million in grant funding to help commercialize a new generation of small modular reactors.

With slowing electricity demand growth following the recession, the challenge of financing a large new reactor -- the cost of which would rival the utility's market capitalization -- made the SMR opportunity seem like a perfect fit.

Missouri Gov. Jay Nixon (D) personally championed efforts to win SMR funding as a possible pathway to establishing a new manufacturing industry in the state and kicked off the campaign with a news conference on the lawn of the governor's mansion.

But those efforts came to a screeching halt in December when DOE denied the Westinghouse application in favor of a proposal by NuScale.

With that, Ameren was shut off from both pathways that have been used to develop new nuclear generation in the U.S. -- CWIP financing and DOE funding.

Utility officials declined an interview to discuss the potential for nuclear development, instead reissuing a statement from months earlier.

"Ameren Missouri is considering alternatives as we continue to focus on maintaining all generation options for a cleaner energy portfolio to meet Missouri's energy needs in the future," the statement said.

Those alternatives are expected to become clearer this fall when the company submits its triennial long-range plan for generation to state regulators.

The state, too, will also spend the next year developing a comprehensive energy plan -- a process that's expected to include an evaluation of the electricity sector.

Nixon, in a news conference after signing an executive order last week to start the process of developing a state plan, believes small reactors can still be part of the state's energy mix in years to come.

"If that industry moves forward, I think we could still be a centerpiece," Nixon said last week.

Familiar tune

The obstacles in the way of a nuclear expansion in Missouri are common elsewhere and well-known to the industry.

But officials with NEI say the country faces real challenges even maintaining nuclear power's 20 percent share of electric generation.

In a presentation last week at the Midcontinent Independent System Operator's annual stakeholder meeting, NEI Vice President of Policy Development Richard Myers painted a sobering picture of the need for generating capacity 20 years from now given the age of the existing nuclear fleet. If all existing nuclear plants retired when they reach 60 years old -- and all of them will, he believes -- the U.S. will require 55 gigawatts of new nuclear capacity just to maintain current market share.

To get to 25 percent would require 86 GW. And doing that kind of large-scale build-out in a 15-year period, he said, would be "delusional."

The NEI concedes it would currently be difficult for a company to build new nuclear generation in restructured states, where the market dictates the price of electricity.

But it's more easily accomplished in traditional rate-regulated states in the Southeast and Midwest.

And in the Midwest, Missouri is one of the more promising markets, he said.

"In Missouri, it looks like building a handful of small reactors over time is a good solution," Genoa said. The state "could very easily take a page from the playbook of Georgia and South Carolina if it's the right choice for them."

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THE WALL STREET JOURNAL.

REVIEW & OUTLOOK

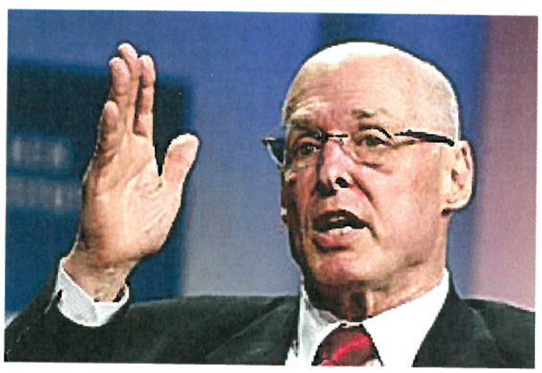
The Carbon Regulation Bubble

Hank Paulson endorses a carbon tax. But is he right this time?

June 29, 2014 6:36 p.m. ET

The climate change industry always needs a fresh angle, and the latest is that carbon emissions are an economic threat akin to mortgage-backed securities before the financial panic. The analogy comes from Hank Paulson —and if he has spotted a bubble this time, we guess one out of two is an improvement on zero out of one.

With the travelling billionaire wilburys of Tom Steyer and Michael Bloomberg, the former Treasury Secretary put out a 197-page study last week that predicts the costs of a warming catastrophe. Their "Risky Business" project is meant to awaken the green conscience of business leaders, and President Obama's endorsement was inevitable: Even George W. Bush's money man agrees . . .



Hank Paulson *Reuters*

The report reads like a prospectus, except with years of "investments" in fossil fuels returning damage across industries and regions. The authors estimate storms along the eastern seaboard and Gulf of Mexico will cost $2 billion to $3.5 billion more, while they also look at so-called "tail risks," or worst-case crises with a 1-in-100 chance of happening: New York City could be 6.8 feet underwater by century's end, crops could wither in heat waves by 42%, and so forth.

Mr. Paulson's particular contribution has been to summon the apparitions of the 2008 crash. He recently mused that his career in business and government taught him that "it is time to act before problems become too big to manage." The "climate bubble," as he puts it, is like the housing excesses that built up in the global financial markets and could lead to contagion.

CEOs might reasonably question Mr. Paulson's skills as a risk manager, given that as Treasury chief he went along with the Beltway flow and assured the public that Fannie and Freddie were in good shape until it was too late. And are there even amateur investors who are unaware that climate change is a matter of some political interest? Many public companies already embed a proxy cost of carbon when they invest and disclose material risks that climate change may or may not pose to their balance sheets.

"Risky Business" endorses a carbon tax, and that option really does share something with subprime loans and exotic financial instruments: Choosing to ration carbon today is a bet about the future—and one likely to end no better.

The world saw modest warming over the 20th century but temperatures have plateaued over the last 15 years or so, a pause the climate models did not predict and cannot explain. The climateers say the warming must be taking place deep in the ocean, which could be right but for which they have little evidence. There will always be inherent scientific uncertainty regarding a phenomenon as dynamic and complex as the Earth's climate, but the climateers admit to no uncertainty other than that the apocalypse might be worse.

As a business proposition, Mr. Paulson wants to gamble on new taxes and regulation to prevent even unlikely dangers—regardless of the costs and however minor the gains of U.S. decarbonization may turn out to be in practice. Yet China and the rest of the world will continue to rely on fossil fuels for decades as populations grow, economies expand and living standards rise.

Turning over the U.S. economy to the green central planners may expose the country to even greater climate harms, to the extent that their ministrations impede economic progress. A wealthier future society will be better able to adapt and mitigate harm over time if Mr. Paulson's side of the bet is right.

U.S. emissions have fallen to 1994 levels in large part because of the unconventional natural gas revolution, which burns cleaner than coal. That revolution might never have happened in a world of heavy carbon taxes. And the capital necessary to finance this and other innovation will be less available in a less prosperous country.

Speculators like Mr. Paulson are actually inflating a climate regulation bubble—and the real danger isn't that the problem is too big to manage. It's their supposed solution.

THE WALL STREET JOURNAL.

REVIEW & OUTLOOK

California's Cap-and-Trade Revolt

Liberal Democrats worry that carbon limits will hurt the poor.

June 27, 2014 6:32 p.m. ET

President Obama has mocked Republicans who oppose his climate agenda as flat-earthers. Perhaps he'll be more charitable to Democrats who are protesting California's cap-and-trade program as an undue burden on the poor.

Last week 16 Democratic Assembly Members—about 30% of their caucus—signed a letter urging California Air Resources Board chairwoman Mary Nichols to delay or redesign the state's cap-and-trade program. "We are concerned about the impact of the AB 32 cap-and-trade program on our constituents," they write, adding that "many of the areas we represent are still struggling with double digit unemployment."

Large manufacturers and power plants must now either purchase permits or cut their emissions to comply with a state-mandated cap, which over time will be ratcheted down. Starting next year, transportation fuel suppliers will also have to pony up for permits.

Assembly Democrats fear that applying cap and trade to fuels "will cause an immediate jump in prices at the pump." While estimates vary, "an increase of about fifteen cents per gallon is likely and a much larger jump is possible." Senate President Darrell Steinberg has warned that gas prices could shoot up by 40 cents per gallon..

California's gas prices, which typically run 40 to 50 cents above the national average, are already the highest in the continental U.S. due to the state's fuel blending requirements and taxes—which also top the other 49 states. The Boston Consulting Group predicted in 2012 that cap and trade and the state's carbon fuel standard would drive up gas prices between \$0.49 and \$1.83 per gallon by 2020. These green regulations are intended to raise the cost of gas to encourage people to drive less or buy electric cars.

But as the Assembly Democrats point out, cap and trade is "hurting the most vulnerable members of our communities." Most of the letter's 16 signatories represent heavily minority and low-income regions in Los Angeles, the Central Valley and Inland Empire. Nine are black or Latino.

As they explain, cap and trade's carbon permitting "was not intended to be a funding mechanism for massive, new State efforts at GHG [greenhouse gas] reductions." They don't identify any programs by name, but this year's budget appropriates \$250 million of the proceeds from carbon permit auctions, and 25% of all future revenues, for high-speed rail. The state budget analyst predicts the auctions will raise between $12 billion and $45 billion in revenue by 2020.

These Democrats are now echoing an argument that the California Chamber of Commerce makes in its lawsuit against the state's Air Resources Board. To wit, cap-and-trade revenues constitute an illegal tax.

It's nice to see some California liberals place the interest of their poor constituents over the party's rich, Tesla-driving friends. If only Governor Jerry Brown and President Obama would do the same.
