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Shareholders Revolt Against Dark Money

An Arizona utility's campaign spending draws pro-solar activists.

David Purcell | May 14, 2015

On May 20, Pinnacle West Capital, the holding company that owns Arizona's largest utility, will host its annual meeting at the Heard Museum in central Phoenix. Shareholders will elect directors and approve executive compensation packages. They'll also vote on a less routine proposal: a requirement that Pinnacle West disclose contributions to nonprofit advocacy groups that can raise and spend unlimited amounts of money in elections without identifying donors.

"Investors don't understand how these activities are helping the company and would like more transparency of what they are doing and how they are spending shareholder dollars that appear to undermine renewable energy policy in the state," says Amelia Timbers, an energy program manager for **As You Sow**, a shareholder advocacy group focused on social issues. **As You Sow** wrote the proposal on behalf of Calvert Investment Management and First Affirmative Financial Network, two socially conscious investment funds that own or advise clients who own Pinnacle West shares.

The shareholder revolt grew out of a bruising election last November for two open seats on the Arizona Corporation Commission, which regulates utilities in the state. Candidates who were considered friendly to the fast-growing solar industry were defeated after two nonprofits, Save Our Future Now and the Arizona Free Enterprise Club, spent \$2.3 million on ads and mailings against them. Pro-solar activists say the nonprofits were funded by Pinnacle West and its power company, Arizona Public Service (APS). "We support candidates and causes of either party that are pro-business and supportive of a sustainable energy future for Arizona," says Pinnacle West spokesman Alan Bunnell. "We don't discuss individual contributions."

In 2013, APS reported to the Corporation Commission that it spent \$3.7 million supporting a regulatory change that would have increased the monthly bill for customers, including payments to outside groups on ads and other communications. The commission settled on just a \$5 a month increase. The campaign drew the attention of First Affirmative and Calvert, setting the current shareholder proposal in motion, says Timbers, of **As You Sow**.



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Solar advocates say utilities across the country are seeking to limit the market for rooftop solar panels, which allow homeowners to generate their own power and sometimes sell the excess back to the grid. Installations have climbed more than 50 percent annually during the last three years. Utilities say customers with solar panels don't pay their fair share to maintain the power grid, because in certain states they can use credits from their surplus power to avoid most of their electric bill, and that forces nonsolar customers to pay higher bills.

One group that received funding from APS in 2013 is the Virginia-based 60 Plus Association. The group positions itself as a conservative alternative to AARP. In addition to antisolar activity in Arizona, the organization has spent money in Alabama. Its national spokesman, singer Pat Boone, recorded campaign robocalls supporting the opponent of a Republican member of the Alabama Public Service Commission who suggested conducting a full review before allowing Alabama Power to raise rates. Alabama Power spokesman Michael Sznajderman says the utility doesn't spend money on public service commission campaigns, but has supported trade groups that may have been involved in funding nonprofits that ran attacks in that race.

In Louisiana, 60 Plus supported a proposal before the state's public service commission to limit solar installations. Americans for Prosperity, an advocacy group backed by conservative activists Charles and David Koch, also campaigned for the restrictions. "It's really politicized it," says Jeffrey Cantin, president of the Gulf States Renewable Energy Industries Association. "It hasn't helped our conversation about what's good for Louisiana."

Since the Supreme Court's 2010 Citizens United decision loosened restrictions on political spending, traditional influence peddling has been paired with costly campaigns designed to shift public opinion on a variety of issues, including energy. In Michigan, a group called Citizens for Michigan's Energy Future bought airtime to combat a proposed increase in the amount of so-called clean energy power from renewable sources like solar and wind—power that utilities are required to buy.

Utilities engage in outside spending to their own detriment, says Stephen Smith, executive director of the Southern Alliance for Clean Energy. The group is pushing for a constitutional amendment lifting barriers to solar power in Florida, where Americans for Prosperity and other nonprofits are opposing the changes. The outside groups, Smith says, are "out there using bumper sticker slogans and their big megaphones and their wallets. They are polluting the debate. It ends up being a big food fight."

The shareholder initiative in Arizona is supported by Ken Clark, a Democrat who won a seat in the state legislature in November. During the campaign, Clark, who supports expanding solar power, grew frustrated by the influence of pro-utility interests in the race. "I didn't know how to deal with these guys," he says. "I remember thinking over the holidays, OK, why don't we just organize shareholders?"

Clark says his fight with APS is about more than opening up the market for solar energy. "You get some small water company somewhere that's buying up rights to water in a state that's going to have water problems," he says. "They could spend \$20,000 or \$50,000 to overwhelm a water district board. Or a community college board or a fire district board—anything that's elected—and they don't have to disclose."

Pinnacle West's board of directors has recommended voting against the **As You Sow** proposal. The company says it complies with laws governing the disclosure of political contributions, board members wrote in a proxy statement. "Political interaction is important to shareholder value," the board wrote. "While the proponent claims that lobbying exposes our Company to risks, we believe that the failure to engage in critical public policy developments that impact our business would represent a far greater risk to shareholders' interests."

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