

Policy Responses and Customer Risk Protection

Regulatory attention in Arizona has increasingly focused on ensuring that the costs associated with large load growth are allocated in a manner consistent with cost causation principles. In 2025, the ACC initiated a proceeding to examine data center rate classifications and related policy questions, including protections for existing customers from cost shifts.⁸⁸

Utility rate design and interconnection policies are evolving in parallel. APS has proposed new rate structures for high-load-factor customers, including data centers, intended to better align revenues with cost of service and mitigate cross-subsidization. The company has also proposed significantly higher revenue requirements for its extra-high-load-factor class relative to residential customers and emphasized the use of long-term service agreements and minimum demand commitments.⁸⁹

SRP has implemented similar mechanisms through its own board-approved pricing process, including a Large Customer Integration Process as well as an updated E-67 commercial and industrial price plan, requiring upfront payment for infrastructure and minimum billing provisions tied to forecast demand (e.g., 80% minimum demand thresholds for ≥20 MW customers).⁹⁰ These approaches aim to reduce the risk that speculative or delayed projects result in stranded investments borne by existing customers.

Market Summary

Arizona's experience highlights a broader dynamic facing regulated utilities: large load growth can improve system utilization and support economic development, but also introduces planning uncertainty and the potential for cost misallocation. In contrast to competitive markets, where generators bear a greater share of market risk, Arizona's framework necessitates explicit regulatory and contractual mechanisms to assign risk appropriately.

The current policy trajectory suggests a shift toward more granular cost allocation for large load customers, particularly data centers, alongside increased use of contractual safeguards. The effectiveness of these measures will depend on the ACC's ability to balance economic development objectives with rate stability and equitable treatment of existing customers as the scale and pace of data center development continue to evolve.

⁸⁸ Arizona Corporation Commission, *ACC Opens Docket to Examine Data Center Development and Customer Protections* (Docket No. E-00000A-25-0069), April 2025. <https://edocket.azcc.gov/search/docket-search/item-detail/29509>

⁸⁹ Arizona Public Service (APS), *2025 General Rate Case Public Notice and Filing Materials*, 2025. <https://www.aps.com/en/Utility/Regulatory-and-Legal/Rate-case>

⁹⁰ Salt River Project (SRP), *Data Center Facts and Large Customer Integration Process Overview*, 2025. <https://www.srpnet.com/about/data-center-facts>