July 25, 2025

Kevin Thompson, Chair
Nick Myers, Vice Chair
Lea Márquez Peterson, Commissioner
Rachel Walden, Commissioner
Renè Lopez, Commissioner

Re: Arizona Corporation Commission Docket No. E-00000A-25-0069

Dear Commissioners,

As president and CEO of the Arizona Technology Council, I appreciate this opportunity to submit my comments for the Arizona Corporation Commission's review of data center energy needs. We thank Chair Thompson for leading this effort by opening this docket.

Serving as the state's premier trade association for science and technology companies, the Council's 750 member companies range from startups to Fortune 500 firms. Several of our member companies are data centers helping power Arizona's rapidly growing digital economy. The continued demand for cloud-based computing services and widespread integration of artificial intelligence into business operations is creating a growing need for data storage and processing made possible by the centers.

Demand for data center space in Arizona is not slowing down, with colocation leasing and preleasing activity growing exponentially annually. According to CBRE, the Phoenix market ranked fourth in North America in 2024 total data center inventory. The appeal was based on several factors, such as proximity to Southern California technology markets, an arid climate and low risk of natural disasters, favorable state tax incentives, cost advantages, and a robust fiber infrastructure.

Data centers are a pillar of Arizona's economy and major job creators for Arizona workers. Each project can require hundreds of construction professionals, including carpenters, electricians, pipefitters and HVAC technicians while a facility is being built. Once operational, the data center may employ 100 or more on-site employees and contractors with technical knowledge and skills across a variety of roles. A recent PwC report highlighted Arizona's data centers supported more than 81,000 jobs across the state in 2023. PwC also found each direct job in the U.S. data center industry supported more than six jobs elsewhere in the economy. In 2023, data centers contributed more than $863 million in state and local taxes and $25 billion to Arizona's GDP.

As you can imagine, these facilities have substantial energy needs. U.S. data center energy use is forecast to account for 6.7% to 12% total national electricity consumption by 2028. These entities understand a stable, diverse and predictable energy supply is essential to operating efficiently, expanding their operations and remaining competitive in the national marketplace.

Data center companies already have taken the initiative to overcome the challenge of finding the power to keep the facilities operating. In Arizona, many are moving toward 100% renewable energy portfolios. Furthermore, many data center companies are incorporating innovative cooling systems, including evaporative, adiabatic and dry air closed-loop systems and the use of recycled or reclaimed water to minimize water usage.

To continue supporting data centers, we recommend the Commission adopt an "all of the above" approach when determining the critical energy needs of data centers and leverage a well-reasoned rate design process for data center companies.

There are a variety of energy technologies that can meet electricity demands required by data centers. First, the Commission can continue supporting clean and renewable energy technologies such as solar and land-based wind to electrify data centers. Solar energy for data centers involves the installation of photovoltaic solar panels to capture sunlight and convert it to electricity while using a battery storage system to ensure excess energy generated during the day is used to power the centers at night.

Second, the Commission can seek to expand natural gas generation in Arizona as a transitional source of energy to meet the immediate needs of data centers. In other parts of the United States, utilities and developers are building gas generation facilities to serve specific data center sites. Natural gas is a dispatchable fuel source that can be switched off and on easily, can run at capacity factors exceeding 80%and can be ramped up within minutes to meet demand.

Third, the Commission can look to expand nuclear generation as another source of energy for data centers. Many states are supporting the creation of small modular reactors (SMRs) to meet data center energy demands. The Indiana General Assembly, for instance, is advancing legislation allowing utilities to recover early-stage SMR project planning costs. In Arizona, utilities APS, SRP and TEP announced in February they would collaborate to explore adding more nuclear power generation in the state.

Regardless of the approach, we believe the Commission should pursue a well-reasoned rate design process for companies and industries based on the following principles:

- **Open, accessible and transparent**
- **Non-discriminatory**
- **Evidence-based**
- **Reflects actual cost of service**
- **Limits cross-subsidization costs and ensures equitable distribution among those incurring them**

Data center-driven electricity demand growth is an opportunity to accelerate the build-out of clean energy solutions, improve demand flexibility and modernize our state's grid. We must also recognize data center companies are making significant, long-term investments in Arizona's energy infrastructure that will support residents for decades to come.

By crafting and adopting measured and thoughtful energy policies developed in collaboration with the data center industry, Arizona can remain a national standard-bearer and ensure continued economic growth while promoting responsible energy use and data center development.

Thank you for your consideration and we welcome further engagement on this critical topic.

Sincerely,

Steve

ARIZONA TECHNOLOGY COUNCIL & SCITECH INSTITUTE

Steven G. Zylstra
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