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July 24, 2025

Arizona Corporation Commission
1200 West Washington St.
Phoenix, AZ 85007

RE: Docket E-00000A-25-0069; Data Center Risk to Ratepayers and Utilities

Dear Commissioners,

Thank you for opening this docket. The issue of cost spillover between rate classes because of stranded data center costs is significant. Through its research on costs and cost recovery from ratepayers, Underground Arizona has had to become intimately familiar with Arizona's electricity and legal system and how costs are recovered. We also have a substantial background in institutional investment in energy assets.

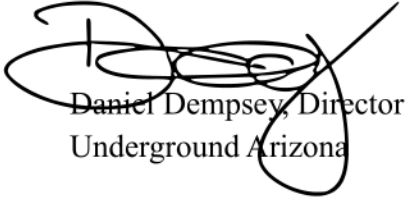
APS, SRP, and others raise excellent points about cost spillover when allocated capacity goes unused in any given period. APS's approach of a separate rate class is excellent. However, while this may help intra-day spillover from unallocated generation, we think an equally if not larger risk to ratepayers is long-term stranded costs.

Data centers have a useful life of 10-15 years. What high technology are we using from 20+ years ago? However, new generation and transmission infrastructure has a lifespan of 40+ years. If these costs are not recovered in the 10-15 years that the data centers operate, upfront, or through some sort of third-party surety bond (the shell companies that own the data centers making guarantees isn't meaningful), the data centers failing or using far less capacity than allocated means these costs are a ticking time bomb for all other ratepayers.

This risk must be addressed upfront in a real way. Otherwise, data center failures will result in massive rate increases to ratepayers or perhaps even the insolvency of the utilities. Ratepayers and utilities should not be gambling on a bubble. The investors in these data centers should be taking on all of the risk and if they refuse to do so then they also do not believe in their own long-term financial viability and are merely engaging in regulatory arbitrage, taking advantage of the spread between the life of data center assets and utility assets—and the gullibility of utilities and regulators.

We support your efforts to protect the public with meaningful and enforceable policy regarding utility risk-taking that is highly likely to harm utilities and ratepayers.

Sincerely,

A handwritten signature in black ink, appearing to read 'Dempsey', is written over the printed name. The signature is stylized with a large loop and a long horizontal stroke.

Daniel Dempsey, Director
Underground Arizona