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VIA PUBLIC DOCKETS E-01345A-22-0297, E-01345A-21-0056, E-01345A-22-0144 AND E-00000A-25-0069

Chairman Nick Myers
Vice Chair Rachel Walden
Commissioner Lea Márquez Peterson
Commissioner Kevin Thompson
Commissioner René Lopez

Arizona Corporation Commission
1300 W. Washington St.
Phoenix, AZ 85007

Re: Please investigate whether Arizona Public Service Company customers subsidized rates for large energy users.

Chairman Myers and fellow Commissioners:

On behalf of the State of Arizona, I am writing to respectfully request that you swiftly and publicly investigate whether Arizona Public Service Company's ("APS") Power Supply Adjustment ("PSA") mechanism has facilitated a nearly \$600 million cost shift from large energy users to other customers in recent years.

My request stems from recent 12News reporting on analysis submitted by Mr. Abhay Padgaonkar in multiple Commission dockets on October 2, 2026.¹ Mr. Padgaonkar contends that, between 2023 and 2025, \$587 million of costs attributable to a handful of large energy users may have been allocated to the

¹ Joe Dana, *Analysis: APS Customers Paid \$587 Million for Data Center Sector Growth. APS Denies Claim.*, 12News (Oct. 5, 2026), <https://tinyurl.com/yxfc7j8d>; Abhay Padgaonkar, *Mission Accomplished? Arizona's Untested "Growth Pays for Growth" Claim: Large-Load Growth, Cost Causation, and the Missing Evidentiary Record* (White Paper, Version 1.0, Oct. 2026), <https://tinyurl.com/bdzxcb9u>.

rest of APS' customers.² This, if true, is a textbook cost shift—and a sizable one at that. For context, APS is seeking a \$608.7 million annual rate increase in its current rate case.³

This reporting implicates the Commission's core constitutional responsibility. The Arizona Constitution tasks the Commission with ensuring that rates charged by APS are just and reasonable.⁴ Cost causation—ensuring that the utility customers that cause costs pay for them—“is highly relevant to setting just and reasonable rates.”⁵ The reporting also contrasts with APS' claim during a January 2026 legislative committee meeting that “Residential customers are not subsidizing data centers[.]”⁶

The Commission should not just take APS' word for it. The Commission has the authority to revisit its past decisions and to investigate these claims.⁷ Fully vetting these claims will require APS' underlying billing and PSA records.⁸ A full cost of service study may be required.⁹ Where necessary, the Commission can and should order APS to provide that information.¹⁰

APS and Commission Executive Director Clark have both publicly disputed Mr. Padgaonkar's conclusions.¹¹ APS contends that the “misleading” study “oversimplifies” the PSA.¹² If that is the case, APS should show the Commission and its ratepayers, using the underlying records and calculations,

2 Dana, *supra* note 1.

3 Arizona Public Service Company's Initial Post-Hearing Brief at 1:26–28, In re Application of Ariz. Pub. Serv. Co., Docket No. E-01345A-25-0105 (Ariz. Corp. Comm'n Aug. 27, 2026), <https://tinyurl.com/ympfaj3c>.

4 Ariz. Const. art. 15, § 3.

5 *See Sun City Home Owners Ass'n v. Ariz. Corp. Comm'n*, 252 Ariz. 1, 8, ¶ 30 (2021).

6 Ariz. Pub. Serv. Co., *Data Centers: Opportunities, Risks, and APS's Strategic Approach* slide 8 (Jan. 29, 2026) (presentation to the Ariz. House Comm. on Artificial Intelligence & Innovation), <https://tinyurl.com/2rwnn9fa>.

7 A.R.S. §§ 40-252, 40-241(A).

8 Padgaonkar, *supra* note 1, at 4.

9 *Id.*

10 *See* A.R.S. § 40-241(A).

11 Alaina Mencinger, *Democratic Candidates Seek Probe of Data Centers' Impact on APS Bills*, Ariz. Republic (Oct. 8, 2026), <https://tinyurl.com/448aue84>.

12 *Id.*

why Mr. Padgaonkar is incorrect.

It is important that the Commission publicly and expeditiously investigate this alleged cost shift. Allowing these cost shift concerns to linger will undermine public confidence in the Commission's and APS' pledges that growth should pay for growth.¹³ It may also erode public support for continued data center development in Arizona. Understandably, people already struggling with their energy bills do not want to subsidize data centers and other large energy users.

Sincerely,



Kris Mayes
Attorney General
State of Arizona

¹³ Ariz. Pub. Serv. Co., *APS Pledge for Responsible Energy Growth*, APS, <https://tinyurl.com/mtuz46ct> (last visited Oct. 8, 2026); Mencinger, *supra* note 11.