Asleep at the Switch: How the ACC is Letting Utilities Fleece Ratepayers

SIERRA CLUB

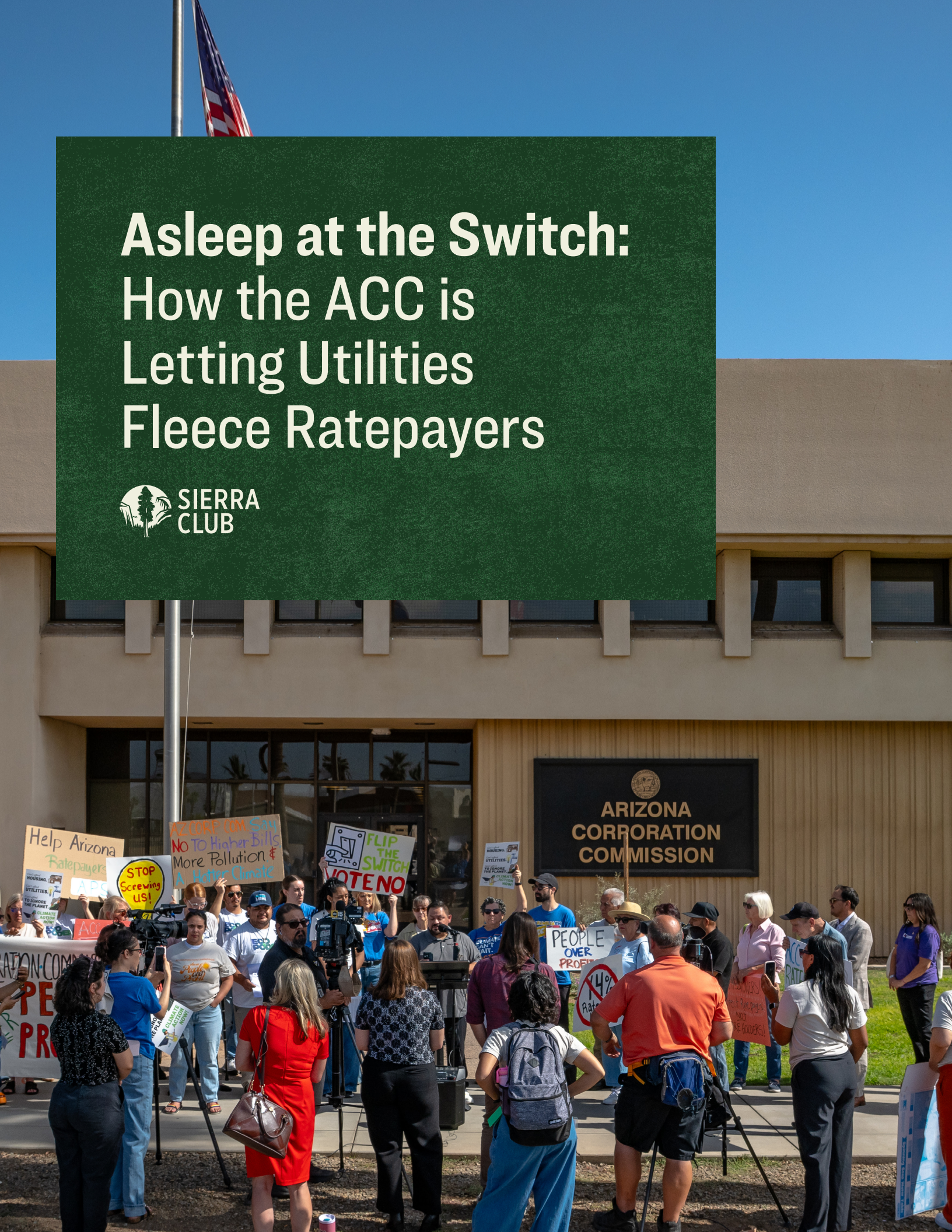


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Introduction

It can be hard to imagine that a five-person commission can dictate the future of Arizona's energy landscape, but that is exactly the case. The Arizona Corporation Commission (ACC) has the power to regulate public utilities, set rates for service, and ensure reliability. It's an incredibly important job and one that impacts every Arizonan in some way, despite how little its role is recognized. What Arizonans do notice, however, are the rising costs of their utility bills. Behind those increases is the Commission, whose job is to act as a check on monopoly utilities to protect customers. But over the past several years, the ACC has done the opposite, siding with utilities at the expense of ratepayers, and making decisions that result in significant rate increases and threaten our air, our drinking water, and Arizona families' health.

Rather than acting in the best interest of customers, the ACC has fast-tracked utility projects and side-stepped established processes in its effort to prioritize utility profits over people. Sierra Club's Grand Canyon Chapter and other public-interest groups have been closely monitoring the impact of these decisions.

Dollars and No Sense:

The ACC is increasing bills and costs for Arizona Ratepayers

This summer, Arizonans experienced some of the highest bills[1] in the country, at around $300 per month, with annual bills up 35% over the past 5 years. Despite this staggering and steadily increasing trend, the ACC has done little to combat this pattern, instead continuing to take actions that result in climbing electric bills.

From its refusal to implement efficiency programs that would limit costs, to its consistent rubber-stamping of rate increases, the ACC is helping utilities see strong profits, while trying to cut out ratepayer participation. It has:

- Approved a 9% rate increase for Tucson Electric Power (TEP) in 2023[2]
- Approved an 8% rate increase for Arizona Public Service (APS) in 2024[3]
- Created a new policy[4] allowing utilities to propose annual rate increases without full public engagement or stakeholder input.

It is currently considering:

- A new 14% rate increase for APS,[5] which if approved, would increase the average residential utility bill by $240 annually.
- A new 14% rate increase for TEP,[6] which would mean a median cost increase of about $16 per month, or $196 per year for most residential ratepayers.
- Mechanisms that would allow both APS and TEP to increase rates every year with minimal public engagement or stakeholder input.

All of these decisions deeply impact Arizonans who are already stretched thin trying to make ends meet. Families on fixed incomes are especially hit hard with rising rates. More than 2,500 Arizonans have submitted public comments to the Commission opposing these rate increases and the mechanisms that would streamline rate increases. These comments make clear that electricity, and especially air-conditioning, are a survival necessity in a state like Arizona, where residents experience a disproportionate impact[7] when it comes to heat-related deaths.

And yet, the Commission has done everything in its power to penalize affordable, clean energy. Just this past June, Arizona's Appeals Court sided[8] with Attorney General Kris Mayes to overturn the Commission's hastily approved solar surcharge that would have enabled APS to penalize residential customers with rooftop solar with a special surcharge.

Public Comments

I am a mother of 3, I am a long time customer of APS and I work full time. Every month is harder and harder to get by as costs go up across the board. We have to rely on food banks, buy only what's necessary and only buy second hand clothing to stretch what we have. The last few months as we try to survive, utility bills continue to go up. It swallows whatever we have left. We don't have a choice in Arizona, air conditioning is not a luxury. With another rate increase I don't know how my family will be able to afford our bills, it's impossible.

- Charity

I am an APS customer, retired, and a board member of the Sun City Homeowners Association. Sun City is a retirement community and many of our residents rely on fixed incomes. They plan and budget carefully. Residents can't keep up with significant increases to their utility bills in a short time. We know electricity is not optional here. The impact is immediate and real people have to make tough choices. They begin to cut back on other necessities. More than 4k of our residents oppose this increase; it's a strong concern in our communities.

- Carla

I am an APS customer in Surprise AZ. Both my husband and I are on fixed incomes. He needs several medical machines plugged in, and we live in a one-bedroom apartment because he's ill and we still have to watch what we plug in to reduce our energy consumption. I have to decide what to pay for (medication) and what to eat. We can't take much more. How much money does APS and shareholders need?

- Phyllis

A Commission Full of Hot Air:

The ACC's Gas Rush Leaves Arizonans Paying the Price

Arizona is in the bullseye of planned gas power plant developments, ranking as a state with some of the most[9] planned gas generation in the country thanks in part to the rapid development of new energy-guzzling data centers. Independent studies have found[10] that 1 in 5 deaths worldwide are due to fossil-fuel pollution. Yet instead of capitalizing on lower-cost alternatives that don't lock in fossil gas or degrade the environment and Arizona's livability, over the last four years, the ACC has approved six new gas-fired plants representing over 3,000 megawatts of new fossil-fuel generation, as well as gas conversions of existing coal plants totaling nearly 2,000 MW. In the same breath, the ACC has eliminated some measures that would limit gas plant water consumption and reduce their noise exposure. The ACC is readily enabling a gas rush that keeps customers in a toxic and volatile commitment to fossil fuels.

The Commission has approved:
Project Baccara | 700 MW: Approved in 2026 to specifically supply electricity to a data center, sited near residential neighborhoods and schools and despite the concerns of many in the community regarding its impact on their air and water, plus the added noise and lighting right near residential communities.

Eagle Eye Gas Plant | 700 MW: A 17-turbine gas plant in La Paz County that was approved in October 2026.

Project Bella | 480 MW: Approved in 2024 despite significant concern[11] regarding air pollution and water scarcity. The ACC also deleted mitigation measures recommended by the Arizona Power Plant and Transmission Line Siting Committee, including to limit water consumption and reduce noise exposure.

Black Mountain Expansion | 200 MW: Allowed to move forward in 2024 without obtaining a certificate of environmental compatibility when the ACC illegally[12] created a loophole allowing large new gas plants to avoid environmental review. Sierra Club is suing[13] to overturn the ACC's illegal attempt to exempt new gas plants from environmental review.

Redhawk Gas Plant Expansion | 397 MW: Approved in the fall of 2024, this project includes construction of eight new methane gas-fired generating turbines in Maricopa County, a county that is consistently ranked as having some of the worst air quality in the country.[14]

Coolidge Expansion Project | 575 MW: Approved in 2023, it is a 12-unit gas plant in Pinal County near the historic Black community of Randolph.

In addition to these new gas plants, the Commission has voted to allow the coal-fired 812 MW **Coronado Generating Station** and 1,050 MW **Springerville Generating Station** (Units 1, 2, and 4) to convert to gas generation. While ending coal-fired operations is an important first step for the state, the Commission approved the conversions without holding evidentiary hearings where the public could learn more about the impacts from the conversions, and without conducting a thorough evaluation of cleaner alternatives, locking in decades of fossil fuel pollution and costs.

The financial consequences of this gas rush could be significant. A recent report released by Synapse Energy Economics and the Sierra Club, "**Passing the Buck:** How APS's Gas Rush Risks Ratepayer Dollars," found that APS's planned gas expansion could increase residential electricity bills by more than $112 annually. Worse, under current rules, APS customers bear 100% of the fuel costs above the amounts already reflected in rates, leaving families exposed to volatile gas prices while the utility faces little incentive to manage those risks. The ACC is allowing utilities to deepen their dependence on fossil gas while leaving customers to foot the bill.

Putting a Target on Clean Energy

Arizonans widely support[15] a transition from fossil fuels to 100% clean energy by 2050, and are strongly in favor of public officials taking action to mitigate global warming. The ACC has recently eliminated renewable energy programs and programs that require utilities to conserve energy and lower electric bills. The commission also cut incentives to invest in energy efficiency programs. The Commission's harmful decision to repeal these popular, common-sense programs ignores what most Arizonans want

In July of 2026, the ACC took a final vote to eliminate Arizona's Electric Efficiency Standards (EES), finalizing a repeal process that it started in 2025 and garnered 1,891 public comments urging the Commission to keep the cost-saving standards because the EES had been a resounding success. From 2010 to 2023, the EES achieved more than 7,100 GWhs of energy savings annually,[16] which is enough electricity to power almost one million homes per year. The standards saved consumers significant amounts of money, and helped reduce pollution and water use. The EES required utility companies to offer cost-effective programs that help Arizonans conserve energy and lower electric bills.

But the ACC proceeded anyway. By deleting the EES, utilities have less incentive to invest in energy efficiency programs that have proven to save ratepayers money, and may also lead utilities to build expensive new generation infrastructure that could have been avoided with efficiency. An Economic Impact Statement (EIS)[17] prepared by the Commission's own consultant found that ACC's decision is likely to result in higher energy consumption and long-term utility bill increases.

The vote to repeal the EES is only the ACC's latest action. In March, the Commission also voted to repeal Arizona's Renewable Energy Standard and Tariff (REST), which supported the development of clean, affordable energy sources like solar and wind, which are among the lowest-cost power sources in Arizona that would bring clean energy jobs and investment to the state. A 2020 analysis indicated that the REST had led to "more than $1.5 billion and $469 million in gross benefits for the public and customers of Arizona Public Service (APS) and Tucson Electric Power (TEP), respectively."[18]

Ironically, The ACC framed these programs as harmful to the economy and jobs. In reality, the Commission's termination of efficiency and renewable energy standards will hurt[19] Arizona's economy and cost jobs.

Ethical Failures and Accountability Gaps

Despite the ACC being an agency established to uphold rules and regulations, some members of the Commission have been circumventing them.

In 2023, a consumer advocate filed an ethics complaint[20] against Commissioner Kevin Thomson who privately met with utility stockholders and Wall Street investors like J.P. Morgan, BofA, and Guggenheim. An ethics complaint was filed, citing Rule 5.2 of the Commission's Code of Ethics: "A Commissioner shall not knowingly communicate with any person, representing an industry or public service corporation whose interests will be affected by commission decisions, and whose intent is to influence any decision, legislation, policy, or rulemaking unless that person has registered as a lobbyist." Then, the ACC held closed-door meetings about the complaint, voting not to pursue[21] the matter further.

In 2026, Commissioner Thompson[22] disclosed that his consulting business has a data center client, and while that client in particular doesn't



Photo: Jill McNamara

operate out of Arizona, other clientele may present conflicts[23] of interest.

In response to the death of an elderly woman due to extreme heat after her power was shut off in 2024, Arizona Corporation Commission Vice-Chair Nick Myers blamed the woman's family[24] for her death after the family member shared that APS shutoffs played a role in their loss, and that Commissioners weren't blameless for their lack of utility regulation.

We have seen the ACC consistently enable utilities in its efforts to limit transparency and accountability. It has ignored community concerns regarding projects, instead rubber stamping them against the wishes of constituents and contrary to requirements in statute for a certificate of environmental compatibility. Commissioners have even accepted thousands of dollars[25] in donations from utility executives and lobbyists.

The ACC writes its own rules, as was made clear in its 2024 approval of the Black Mountain gas plant expansion when it created an illegal loophole[26] to allow new gas-fired plants to avoid environmental review – reversing the earlier finding by the independent Arizona Power Plant and Line Siting Committee that the proposed 200-MW facility must undergo environmental review.

Shareholders Pocket Higher Profits;[27] Customers Shoulder the Load

Utilities are regulated monopolies, and as such, are paid to provide reliable service. But it's impossible to ignore that their financial interests are often at odds with what makes the most sense for its customers. The resources that are least costly aren't necessarily more profitable for the utility. When utilities spend on capital costs like building new power plants and adding or fixing equipment, they get to charge customers for those costs, along with loan costs and a considerable rate of return that shareholders pocket. Gas plants and coal plants generally require greater ongoing capital costs than do solar and wind, so utilities love making expenditures that they can get approved by the commission and then put into customer rates plus a tidy profit.

What this looks like in real life:

In 2024, half of the annual cash incentive for Pinnacle West's CEO (Pinnacle West is the parent company of Arizona Public Service.) depended on its earnings, while half of the incentive for other top executives depended on APS earnings. Both companies received the

maximum earnings score under the incentive plan. Pinnacle West attributed those results largely to extreme summer weather, higher-than-expected electricity use and customer growth, and a favorable rate-case outcome.[28] Former APS CEO Jeffrey Guldner subsequently received a $2.38 million annual incentive and nearly $11 million in total compensation.[29]

Pinnacle West's incentive program included measures labeled "customer affordability," but those measures tracked whether the company stayed within its operating and capital budgets — not the affordability of ratepayer bills, household energy burdens, or disconnections. Its long-term executive awards were based 40% on earnings per share, 40% on shareholder returns, and 20% on clean-energy deployment.[30]

Utilities, as businesses, answer to their shareholders. It is up to the ACC as regulators, then, to answer to the Arizonans they represent. It must scrutinize utility proposals, approving only investments that are necessary and cost-effective, and balance shareholder interests against ratepayer affordability, ensuring that rates are "just and reasonable."[31] Yet the decisions documented throughout this report suggest that the Commission has repeatedly protected utility investment.

The ACC Should Do its Job!

The Arizona Corporation Commission plays a critical role in holding monopoly utilities in check. It wields a significant amount of power – some of it conveyed by the Arizona Constitution – and has a tremendous impact on Arizonans' energy landscape, our families' health, and how much families and businesses will pay on their bills.

But commissioners sadly seem to have abdicated their duty to Arizonans, taking contributions from and meeting with utility executives and lobbyists, cheerleading for the gas industry and treating consumers' wellbeing with contempt.

We want to see the ACC do its job – to serve the best interests of Arizonans, to prioritize ratepayers instead of utilities, to hold utilities accountable, to enforce utility climate commitments, and to ensure utilities follow the appropriate processes instead of letting utilities fast-track rate increases with limited transparency or public comment opportunities.

Arizona's livelihood depends on it.

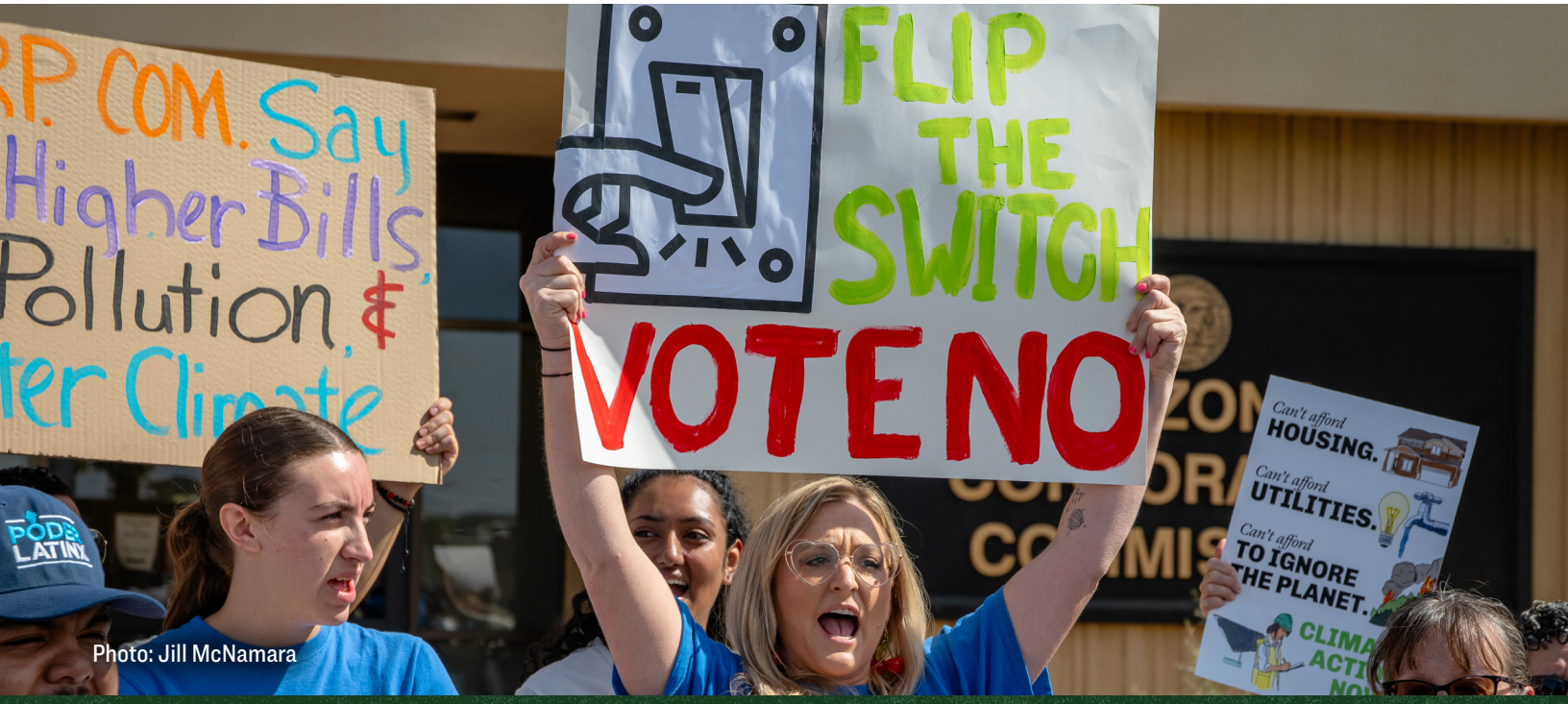


Photo: Jill McNamara

Endnotes

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16 See Docket No. E-00000U-18-0055, Tucson Electric Power Company and Arizona Public Service Company Annual Demand Side Management reports from 2010 to 2023.

17 Decision No. 81496, Ex. B, Memorandum from Jill Stevenson to Utilities Division, Economic, Small Business, and Consumer Impact Statement: Electric Energy Efficiency Standards (August 27, 2025)

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28 Pinnacle West Capital Corporation, 2025 Proxy Statement, pp. 73–76. The filing states that earnings constituted 50% of annual incentive opportunities, that both APS and Pinnacle West earnings achieved 200% of target, and that the results were driven primarily by weather and higher customer usage and growth. Elsewhere, the company states that a favorable rate-case outcome contributed to above-budget earnings. https://www.sec.gov/Archives/edgar/data/764622/000076462225000031/pnw-20250306.htm

29 Pinnacle West Capital Corporation, 2025 Proxy Statement, pp. 74 and 95. Guldner's annual incentive was $2,378,430, and his reported total 2024 compensation was $10,974,308. https://www.sec.gov/Archives/edgar/data/764622/000076462225000031/pnw-20250306.htm

30 Pinnacle West Capital Corporation, 2025 Proxy Statement, pp. 77–79. The shared-enterprise category labeled "Customer Affordability" consisted of Pinnacle West operating-and-maintenance and capital-budget measures. The statement that it did not directly measure household bills, energy burden, or disconnections is an inference from the disclosed metrics.

31 https://www.azleg.gov/viewDocument/?docName=https://www.azleg.gov/const/15/3.htm