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Before the Subcommittee on Energy

"AI and the Grid: Meeting Growing Power Demand While Protecting Ratepayers"

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Chairman Latta, Vice Chairman Weber, Ranking Member Castor and members of the Energy Subcommittee:

Thank you for this opportunity to testify before the subcommittee today as it discusses bills related to meeting the growing power demand while protecting ratepayers. My name is Nick Myers. I currently serve as Chairman of the Arizona Corporation Commission. I am one of five statewide elected commissioners, whose constitutional responsibility is to regulate and set just and reasonable rates for private electric, gas, water, and wastewater utilities throughout Arizona. The views I am sharing this morning are my own.

Growing Power Demand

As you are fully aware, our nation is experiencing an unprecedent growth in demand for electricity. A significant part of that growth in demand is being driven by artificial intelligence, data centers, and advanced manufacturing. From my perspective, these are positive developments. They represent investment, innovation, economic growth, and perhaps most importantly, a strengthening of our national security.

The Arizona Commission recently held a large load workshop (E-00000A-25-0069). During the workshop, Arizona Public Service (APS) explained that its 2025 peak load was 8.6 GW and its current committed load is an additional 4.5 GW. However, its uncommitted load opportunity is a staggering 19 GW, the vast majority from large load customers. Salt River Project (SRP) presented that of its over 8.5 GW peak demand in 2025, only 12% was from Large Business Customers; however, it projects that by 2035 its peak demand may reach over 14 GW with Large Business Customers comprising more than 39% of that demand.

From a regulatory standpoint, the issue is not whether this growth should happen. I think we are probably all in agreement that it should. In fact, this could be considered a pivotal moment in history: the digital revolution. How we structure the growth so that it remains sustainable and fair for all customers, while also putting downward pressure on residential rates wherever possible is critical.

Arizona's Guiding Principle: Growth Pays for Growth

The principle we in Arizona have relied on to handle large load customers is straightforward: Growth needs to pay for itself. As I speak with commissioners from across the country, this approach appears to be gaining national consensus. That means when large loads come onto the system, the infrastructure required to serve them needs to be funded by those loads. Not partially, and not over time in a way that shifts risk to other ratepayers, but fully, with real financial commitments backed by financial security instruments such as letters of credit.

During our recent large load workshop, our utilities discussed the challenges they face with adding large load customers, including stranded cost risk and risk of cost shift to residential and small business customers. However, the utilities were confident that through the use of high-load tariffs and flexible energy service agreements, these challenges can be overcome. Utilities proposed the following solutions: 1) increased minimum bill threshold to 75%-80% demand and energy; 2) extended contract terms; 3) financial guarantees, like letters of credit, surety bonds, parent guarantees or other approved instruments; 4) early termination fees; 5) full tariff rates plus direct assignment of dedicated generation costs; 6) contribution in aid of construction (CIAC) for necessary transmission and substation infrastructure; and 7) direct assignment of transmission and distribution facilities.

Energy service agreements layered on top of high-load tariffs with the provisions listed above create a regulatory framework that can support growth and at the same time protect ratepayers.

H.R. _____, Load Forecasting Enhancement Act

Load forecasting is critical for planning purposes and for protecting ratepayers from over- or under-investment. Yet, with the addition of large load customers, like data centers, accurately forecasting load is proving to be more difficult. At our recent large load workshop, APS identified forecasting and load ramp challenges as one of three characteristics of "large high load factor customers" and "poorly forecasted ramping schedules" as one of four key challenges. Similarly, SRP included historical struggles to provide accurate load ramps as one of five major challenges with "large business customers."

The Load Forecasting Enhancement Act moves in the right direction by emphasizing transparency and coordination. The bill is relevant to Arizona's rapid and uncertain load growth profile. Publishing a report that identifies best practices for electric load forecasting that enhance the reliability and affordability of electric service to customers in the various established regions can help inform utilities and state regulators across the country. I would only add that new PURPA standards should preserve flexibility and avoid duplicative processes, while advancing national best practices.

H.R. _____, Affordable Innovation for the Grid Act

Technologies that improve grid visibility, optimize operations, and better utilize existing infrastructure can help reduce costs and improve reliability. The proposals focused on innovation and advanced transmission technologies support these outcomes. Generally, having FERC, NERC and DOE collaborate to study technologies that enhance capacity, reliable operation, and

operational efficiency of the bulk-power system will help strengthen our national grid and provide valuable insight to both utilities and regulators.

H.R. _____, Advanced Transmission Technology to Reduce Rates Act

I am supportive of efforts that help utilities and regulators identify and evaluate advanced transmission technologies, as well as best practices for wildfire mitigation. A DOE clearinghouse that provides project information, funding opportunities, and analyses of costs and benefits of using advanced transmission technologies could be helpful. A clearinghouse is low-risk and high-value for utilities and state regulators. Likewise, DOE establishing best practices to reduce the risk of wildfire ignition could be helpful, provided all these efforts remain focused on voluntary adoption and practical implementation support.

H.R. _____, Ratepayer Protection Act

The proposed Ratepayer Protection Act, which ensures that large load customers are responsible for the full, incremental cost of the systems required to serve them, aligns with what we are doing in Arizona and what I'm seeing across the country. The bill defines a large-load customer at 100MW, which raises an issue we are dealing with in Arizona. How should we define large load customers? At our recent workshop, there was an agreement that 50MW would be a large load, but what about the 20MW customer that is the proverbial "straw that broke the camel's back" and requires substation upgrades, potential reconductoring, and new transformers? In that scenario, perhaps that customer should fall into the large load category as well. We are finding that whether a customer is a large load is often context specific.

H.R. 6336 Fair Allocation of Interstate Rates Act (Rep. Fedorchak)

The Fair Allocation of Interstate Rates Act reinforces a key ratemaking principle that costs should follow the entities that cause them and that states should not be required to absorb costs

tied to policies they did not adopt. Over the past few years, I have been involved in the development of Southwest Power Pool's Markets+, a day-ahead and real-time energy market. While the tariff was being developed, I served on the Green House Gas Task Force. The most important principle unifying the states involved was that ratepayers should not have to pay for energy policies adopted in other states. Each state should bear the costs of its own policies.

However, it should be noted that strict consent requirements could complicate interregional planning in the West, where reliability, congestion, and resilience benefits often extend beyond a single policy objective. In other words, reliability-driven projects with regional benefits should not be unintentionally constrained.

In addition, in the West, the grid is heavily intertwined with non-jurisdictional entities, such as Bonneville Power Administration (BPA), Salt River Project (SRP), and Western Area Power Administration (WAPA). This reality creates a level of complexity that broad, uniform federal approaches do not always account for. Therefore, maintaining clear boundaries around cost allocation and preserving the role of states in those decisions is paramount. States need to be involved if the system is to function properly and costs allocated correctly. In the Phoenix metro area, the service territories of SRP and Arizona Public Service (APS) are intertwined. To say that costs can be fully separated is unrealistic.

There is also an important legal and regulatory principle at play in these discussions. The managerial interference doctrine has long recognized that regulators should not attempt to control day-to-day activities and management of utilities, so long as those decisions are prudent. As we consider federal policies and standards, it is important to maintain that balance and allow utilities the flexibility to determine the most effective way to meet system needs.

H.R. 6633 High-Capacity Grid Act (Rep. Fedorchak)

On the transmission side, there is a strong push to expand capacity, which is understandable. The High-Capacity Grid Act focuses on improving efficiency with advanced conductors. Those are a useful tool, but perhaps not a universal solution. While advanced conductors increase line ratings, they may not necessarily improve system reliability and could shift bottlenecks from one area to the next. In many cases, substations, transformers, and interconnection facilities are the actual limiting constraints.

In some circumstances, the use of advanced conductors may also trigger additional upgrades that are more expensive and more time-intensive than the transmission improvements themselves, and those costs are often embedded in broader system upgrades that all ratepayers are ultimately responsible for. While I support the use of advanced conductors, it is important to provide sufficient flexibility so that full system impacts can be taken into account, possibly including the use of other grid enhancing technologies. A flexible approach to incentivize the cost-effective use of advanced conductors may help ensure that investments deliver the intended benefits without unintended consequences. Also, periodic updates to what is the "best-available transmission conductor" are needed to maintain technological neutrality.

H.R. 6529 Protecting Families from AI Data Center Energy Costs Act (Rep. Landsman)

The Protecting Families from AI Data Center Energy Costs Act highlights the importance of protecting residential and small commercial customers from increased costs associated with large loads. By requiring a FERC technical conference, it could help raise the national attention on this critical issue. As noted above, large load customers should provide firm commitment and financial security, and rate design should ensure no cost shifts to residential and small business

customers. Best practices should distinguish between speculative load interest and committed demand.

At the same time, various strategies and rate structures to protect ratepayers are already being implemented through state-level tariff design and regulatory oversight. Federal efforts in this area are most effective when they complement those structures rather than attempting to replace them. FERC-led technical coordination can promote consistent approaches so long as it respects state roles in retail rate design.

Conclusion

As these policies move forward, the key is maintaining alignment with a few core principles. First, costs of large load customers need to be assigned correctly to protect residential and small commercial customers. Second, commitments from large load customers need to be enforceable and backed by real financial assurance to prevent cost-shifts. Third, planning needs to reflect the full system, not just individual components. Finally, and perhaps most importantly, states need to retain the authority to implement solutions that reflect their specific circumstances and needs. Federal legislation should support these state efforts instead of replacing them. Maintaining these principles will help our nation meet the rising demand from large load customers with speed and efficiency, without compromising reliability and at the same time protecting residential and small commercial customers from those costs.

Summary of Testimony

Growing Power Demand

- Growth in demand driven by AI, data centers, and advanced manufacturing.
- Represents investment, innovation, economic growth, and stronger national security.
- Growth should be fair to all customers and put downward pressure on rates, if possible.

Arizona's Guiding Principle: Growth Pays for Growth

- Large load customers should pay for the infrastructure required to serve them and include financial commitments backed by financial security to protect ratepayers.
- Proposed solutions: 1) increased minimum bill threshold to 75%-80% demand and energy; 2) extended contract terms; 3) financial guarantees, like letters of credit, surety bonds, parent guarantees or other approved instruments; 4) early termination fees; 5) full tariff rates plus direct assignment of dedicated generation costs; 6) contribution in aid of construction (CIAC) for necessary transmission and substation infrastructure; and 7) direct assignment of transmission and distribution facilities.
- Large load tariffs with flexible energy service agreements can support growth and protect ratepayers.

H.R. _____, Load Forecasting Enhancement Act

- Identifying best practices for electric load forecasting can help inform utilities and state regulators across the country.
- New PURPA standards should preserve flexibility and avoid duplicative processes.

H.R. _____, Affordable Innovation for the Grid Act

- Having FERC, NERC and DOE collaborate to study technologies that enhance capacity, reliable operation, and operational efficiency of the bulk-power system will help strengthen our national grid and provide valuable insight to both utilities and regulators.

H.R. _____, Advanced Transmission Technology to Reduce Rates Act

- DOE clearinghouse with project information, funding opportunities, and analyses of costs/benefits could be helpful, provided adoption is voluntary.

H.R. _____, Ratepayer Protection Act

- Ensuring that large load customers pay incremental cost of the systems required to serve them aligns with what we are doing in Arizona and what is happening across the country.

H.R. 6336 Fair Allocation of Interstate Rates Act (Rep. Fedorchak)

- Agree that costs should follow the entities that cause them and states should not be required to absorb costs tied to policies they did not adopt.
- But, strict consent requirements should not constrain reliability-driven projects.

H.R. 6633 High-Capacity Grid Act (Rep. Fedorchak)

- Need flexible approach to incentivize the cost-effective use of advanced conductors to ensure that investments deliver the intended benefits without unintended consequences.

H.R. 6529 Protecting Families from AI Data Center Energy Costs Act (Rep. Landsman)

- FERC technical conference helps raise national attention on this critical issue.
- FERC efforts should complement and not replace state authority and efforts.

Conclusion

- States need to retain authority to implement solutions that reflect their specific circumstances and needs.
- Federal legislation should support state efforts instead of replacing them.