TEP

Five Things to Know About

Powering Data Centers

Large data centers can provide significant tax revenue for local schools and governments. They also bring significant energy needs. That's why TEP must conduct detailed system studies of potential data center projects to determine if they could be served without impacting reliability or affordability for our other customers.

If you've been following the local discussion, here are a few things we think you should know:

1. Reliability is front and center

Our agreement with a potential data center southeast of Tucson will supply up to 286 megawatts to the project, making it TEP's largest customer. The shift to air-cooling won't affect that maximum usage. While high demand might raise concerns about grid strain, it's our job to ensure reliable service. We plan ahead to meet new energy needs without impacting existing customers.

2. Energy for everyone

TEP does not pick and choose which customers to serve or determine whether projects move forward. As a regulated utility, we have an obligation to serve any customer in our area. Regulated utilities have no discretion to refuse service, unless such service is essentially impossible to provide or would compromise reliability for others.

3. Public oversight in plain view

Our proposed energy service agreement with this data center project was filed as a public record with the Arizona Corporation Commission. This body of five elected commissioners has a constitutional obligation to set just and reasonable rates and will review the contract to ensure it is reasonable and prudent.

4. Protecting energy affordability

Large customers pay rates that cover the cost of serving them. This project's steady, high energy use would more than cover its share of infrastructure costs. Since most service costs are fixed but recovered through usage-based charges, consistent consumption helps support affordability by spreading costs across more usage.

5. TEP's request for new rates in Fall 2026 is unrelated to data centers

TEP's rates reflect past costs, not future projects. Although our latest rate request coincided with public discussion of the data center, the two are unrelated. The proposed rates would recover $1.7 billion in grid upgrades since 2021. The 14% increase is actually below the 15% inflation rate over that period.