

July 17, 2025

Docket Control
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, AZ 85007

Re: In the Matter of the Commission's Inquiry into Natural Gas Infrastructure and Storage. Docket No. G-00000A-25-0029

Vice Chairman Myers,

We, the undersigned organizations, appreciate the opportunity to respond to your letter requesting stakeholder comment on natural gas pipeline and storage infrastructure expansion in the State of Arizona. For decades, natural gas has contributed to a resilient and balanced energy system that has supported the overall prosperity of the state. We are pleased that the Arizona Corporation Commission has taken this opportunity to further explore the state's natural gas infrastructure needs to ensure Arizona's residents and businesses continue to have access to reliable and affordable energy.

Natural Gas Plays a Critical Role in the Success of Arizona's Energy System

Energy failure, like the demand-driven summer brownouts in California or the winter grid collapse in Texas, aren't just inconveniences, they can threaten lives, business productivity and have long lasting reputational impacts on a state. Arizona has avoided these types of negative outcomes by embracing sound energy policy and a balanced resource portfolio that prominently features natural gas. In 2023, natural gas was used to generate 46%¹ of Arizona's electricity, up from 27%² in 2013, making it the largest generation resource for the state's electric utility providers. In that same period, the number of customers utilizing the pipeline system for direct-use natural gas service grew by 207,570³.

The quick ramping capabilities of natural gas power plants have been vital in promoting the reliability of the electric grid in Arizona. Natural gas generation supports the growing deployment of intermittent renewable energy sources and ensures that utilities can meet peak demand during the summer months when the grid experiences the highest stress. Arizona's natural gas pipeline network provides the state with a resilient energy system that complements the electric system. In addition to supporting home comfort, distribution pipelines play an important role in fueling the success of Arizona's business community, including job creators involved in aerospace and defense, hospitality, agribusiness, restaurants, the electric vehicle supply chain and semiconductor manufacturing.

Natural gas also serves as a cost-effective energy resource for businesses and residential customers. Due to advances in exploration and production capabilities in the United States, natural gas prices have decreased dramatically since 2008. These lower fuel costs are directly benefiting electricity and gas ratepayers now and will continue to do so in the future. For example, during the development of their 2023 Integrated Resource Plan, Tucson Electric Power (TEP) analyzed resource portfolios with and without natural gas generation. The analysis indicated that the portfolio that included new natural gas generation was approximately \$355 million lower on a net present value basis compared to the portfolio

¹ <https://www.eia.gov/state/print.php?sid=AZ>

² https://www.energy.gov/sites/prod/files/2016/09/f33/AZ_Energy%20Sector%20Risk%20Profile.pdf

³ https://www.eia.gov/dnav/ng/ng_cons_num_a_EPG0_VN3_Count_a.htm

excluding new natural gas generation⁴. The natural gas pipeline system also provides real cost savings for direct-use customers. Homes that use natural gas for heating, cooking and clothes drying save approximately \$1,132 per year on their overall utility bills⁵. Nationwide, commercial and industrial customers have saved over \$500 billion in energy costs over the last decade by using natural gas to support their business operations⁶.

Energy Demand is Increasing in Arizona

In the coming years, energy demand is projected to skyrocket due to population and economic growth, transportation electrification and the increasing need for data centers and AI technology. Illustrating this dynamic, the state's largest gas utility, Southwest Gas Corporation (Southwest Gas), anticipates a 9% increase in total annual throughput from 2025 to 2030⁷. The state's largest electric utilities, Arizona Public Service (APS), Salt River Project (SRP) and TEP project their peak demand to increase by 40% (2031)⁸, 25% (2030)⁹, 17.5% (2038)¹⁰, respectively. Not only is demand surging, but utilities are facing changing consumption patterns, placing more importance on dispatchable generation that can meet growing 24/7 need.

We commend the Commission for making sound policy decisions over the last two years that will ensure Arizona has the necessary gas resources and infrastructure in the short to medium term. This includes the approval of new gas generation projects such as SRP's Coolidge Generating Station expansion (575 MW), the expansion of APS' Sundance (90 MW) and Redhawk (400 MW) Power Plants and Pinal County Energy Center LLC's new Project Bella Power Plant (480 MW). Furthermore, we appreciate the Commission's decision in 2023 to reject proposals that would have restricted access to natural gas for residential, commercial, and industrial uses.

Keeping pace with demand will be critical to Arizona's ability to support existing businesses and attract national and international economic development projects to the state. Maintaining adequate natural gas resources and infrastructure will ensure our energy system remains a competitive advantage for our business climate, particularly when compared to other high-growth states such as Texas.

New Natural Gas Infrastructure is Necessary for Arizona

As a non-producing state, Arizona is dependent on pipeline infrastructure to transport natural gas to our utilities for use. Currently, our state's natural gas needs are being met by Transwestern Pipeline Company and El Paso Natural Gas Company. Unfortunately, firm transportation service on both existing pipelines is fully subscribed. To ensure Arizona can continue to realize the benefits that natural gas provides, a new interstate pipeline will be necessary. Our organizations stand in enthusiastic support of pipeline expansion and will be actively engaged with this Commission and other elected and community leaders to support the effort in Arizona if it is pursued.

Although pipeline infrastructure is a more urgent need for the state, our organizations also support the development of underground natural gas storage in Arizona. Constructing a large-scale facility, like El

⁴ docket.images.azcc.gov/E000042412.pdf?i=1750088100697

⁵ <https://playbook.aga.org/affordable>

⁶ <https://playbook.aga.org/affordable>

⁷ <https://docket.images.azcc.gov/E000044454.pdf?i=1750088100697>

⁸ <https://www.aps.com/en/About/Our->

[Company/Newsroom/Articles/APS_Customers_Set_New_Peak_Demand_Record](#)

⁹ [SRP Board Approves System Plan Strategies to Bring Customers Affordable, Reliable and Sustainable Power](#)

¹⁰ <https://docs.tep.com/wp-content/uploads/2023-TEP-IRP.pdf>

Paso Natural Gas Company's proposed Arizona Energy Storage project, would offer various benefits for the state. Because Arizona relies on out-of-state gas supplies, underground storage would enhance the resilience of the energy system by safeguarding the state against fuel shortages due to pipeline disruptions. Underground storage would also address seasonal demand and cost issues by enabling producers and utilities to inject gas during periods when usage and prices are lower and withdraw it when prices are higher during peak demand or when supply is constrained. We saw the cost saving potential of gas storage at a smaller scale during Winter Storm Uri in February of 2021. During that weather event, Southwest Gas vaporized and injected more than 10,000 dekatherms of stored gas from their above ground liquified natural gas facility into their distribution system saving customers \$1.5 million over two days¹¹.

Conclusion

On behalf of our organizations, we thank you for initiating this docket to explore the natural gas infrastructure needs of the State of Arizona. Natural gas has played a critical role supporting Arizona's success and we fully support efforts to secure new infrastructure that can help ensure the reliability and affordability of our state's energy system. We would welcome the opportunity to participate in a future workshop if our perspective would be valuable to you and your fellow Commissioners.

Sincerely,

Arizona Association of Realtors
Arizona Cattle Feeders Association
Arizona Chamber of Commerce and Industry
Arizona Farm and Ranch Group
Arizona Farm Bureau Federation
Arizona Lodging & Tourism Association
Arizona Manufacturers Council
Arizona Multihousing Association
Arizona Restaurant Association
Arizona Rock Product Association
Arizona Small Business Association
Associated General Contractors of America Arizona Chapter
Buckeye Chamber of Commerce
Bullhead Area Chamber
Coolidge Chamber of Commerce
East Valley Chambers of Commerce Alliance
 Apache Junction Chamber of Commerce
 Carefree Cave Creek Chamber of Commerce
 Chandler Chamber of Commerce
 Gilbert Chamber of Commerce
 Mesa Chamber of Commerce
 Queen Creek Chamber of Commerce
 Scottsdale Chamber of Commerce
 Tempe Chamber of Commerce
Fresh Produce Association
Greater Flagstaff Chamber of Commerce
Greater Phoenix Chamber of Commerce
Greater Phoenix Leadership

¹¹ <https://www.aga.org/wp-content/uploads/2022/04/Value-of-Storage-FINAL.pdf>

Greater Vail Area Chamber of Commerce
Green Valley Sahuarita Chamber of Commerce & Visitor Center
Homebuilders Association of Central Arizona
National Association of Industrial Office Properties (NAIOP) Arizona Chapter
National Federation of Independent Business (NFIB)
Northwest Valley Chamber of Commerce
West Valley Regional Chamber
PHX East Valley Partnership
Prescott Valley Chamber of Commerce
Sky Islands Regional Partnership (formerly Sierra Vista Area Chamber of Commerce)
Southern Arizona Home Builders Association
The Chamber of Southern Arizona
United Dairymen of Arizona
Valley Partnership
West Valley Regional Chamber