



October 6, 2026

Arizona Corporation Commission,

RE: Docket E-01933A-25-0103 - Tucson Electric Power Rate Case

Consumer Reports (CR), the independent, nonprofit, and nonpartisan member organization, respectfully submits these comments to the Arizona Corporation Commission (the Commission) in opposition to Tucson Electric Power's (TEP) request for a 14% residential rate increase.

For 90 years, CR has used rigorous research, independent testing, and evidence-based advocacy to speak up for our nearly 5 million members when their voices are not being heard by companies, policymakers, or regulators. Right now our members are telling us they feel squeezed by rapidly rising energy costs, and believe utilities and regulators are not paying enough attention to the financial strain these increases are placing on households of all income levels.

Included with this letter is a petition signed by 680 TEP customers asking the Commission to reconsider TEP's excessive rate hike request. In addition we have included 19 testimonials from Consumer Reports members illustrating in their own words how their rising electricity bills are affecting their lives.

While many Arizona households are struggling with rising electricity costs, TEP has continued to report strong financial performance. According to research from the Energy and Policy Institute, \$0.17 of every dollar paid by TEP's residential customers becomes profit, contributing to shareholder earnings.¹ Between 2021 and 2025, TEP reported approximately \$1.3 billion in profits, and in 2025 alone it is estimated that Fortis Inc., the Canadian holding company that owns TEP, paid its CEOs over \$12m in total compensation.²

¹ <https://energyandpolicy.org/utilityprofittracker/>

² \$17.3m Canadian dollars reported by the Globe and Mail converted to US dollars at a rate of 1 CAD = 0.70 USD on October 4th 2026, <https://www.theglobeandmail.com/business/article-how-much-were-canadas-top-ceos-paid-in-2025-heres-the-full-breakdown/>

Consumer Reports recognizes that TEP must make investments to replace aging infrastructure, maintain reliability, and modernize the electric grid. As an investor-owned utility, however, TEP also has a fiduciary responsibility to maximize returns for its shareholders. This creates an inherent tension between the utility's financial incentives and the Commission's responsibility to ensure that rates remain just, reasonable, and in the public interest.

The Commission's careful oversight is essential to ensure that only necessary investments are recovered from ratepayers, and that residential customers are not required to bear costs that primarily benefit shareholders or large new customers. CR therefore respectfully asks the Commission to reduce, rather than increase TEP's authorized return on equity (ROE) and to scrutinize cost allocations to ensure that residential ratepayers are not being asked to contribute to infrastructure investments that would not have been made in the absence of anticipated data center load growth.

Return on Equity

Electricity is becoming unaffordable for many Americans at the same time that utility companies across the country are planning more than \$1 trillion in new capital investments.³ Rising capital expenditures, paired with generous authorized returns on equity, are key drivers in escalating customer bills and rising utility shareholder returns.

One of the most effective ways to protect customers during this period of unprecedented utility investment is to ensure that authorized returns on equity closely reflect the minimum return required to attract capital. Consumer Reports believes current market evidence generally supports a much lower ROE than currently authorized for TEP and most other utilities around the country.

Although financial models, expert testimony, and comparisons with authorized returns at other regulated utilities provide useful context, they should not outweigh objective market evidence. Current utility equity valuations strongly suggest that authorized returns across the industry far exceed the true market cost of equity.

TEP's parent company's stock currently trades at 1.6 times book value, indicating that new equity investors are willing to pay a significant premium for Fortis Inc. shares.⁴ This provides strong evidence that investors are willing to provide equity capital at lower

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<https://powerlines.org/utilities-are-planning-to-spend-1-4-trillion-on-capital-expenditures-through-2030-as-utility-bills-rise-study-finds/>

⁴ Fortis Inc's price/book ratio was 1.61 as of market close on October 4, 2026
<https://finance.yahoo.com/quote/FTS/key-statistics/>

anticipated returns than TEP's current and future projected authorized return on equity.⁵ Based on this evidence, APS should still be able to raise sufficient equity capital at a ROE much lower than the current authorized ROE without jeopardizing their credit rating.

As the utility sector enters an unprecedented period of capital investment, the Commission has an opportunity to better align TEP's authorized return on equity with current market conditions, reducing unnecessary costs borne by Arizona ratepayers now and into the future, while continuing to ensure reliable access to capital.

Cost Allocation and Data Centers

A Consumer Reports nationally representative [survey of 2,146 US adults in November 2025](#) found that 78% of Americans were least somewhat concerned that new data center development will increase their household electricity bills.

CR urges the Commission to carefully evaluate cost allocation in this rate case to ensure that residential ratepayers are not allocated any costs for infrastructure investments that would not have been made in the absence of anticipated data center load growth. Investments undertaken primarily to serve large-load customers should be recovered from those customers through transparent tariffs or negotiated agreements that adequately protect existing customers from grid upgrade costs and stranded asset risk. Likewise, residential customers should not be required to prepay for infrastructure intended to serve anticipated future data center demand that may never fully materialize.

Arizonans should not be required to directly or indirectly subsidize the electricity costs of some of the world's largest and most profitable technology companies.

Conclusion

The Arizona Corporation Commission serves as the primary safeguard protecting residential customers from unreasonable utility rates. The Commission's responsibility is to ensure that utility investments are prudent and necessary, that costs are allocated according to sound cost-causation principles, and that authorized returns remain just and reasonable.

⁵ "The price-book value ratio of a stable firm is determined by the differential between the return on equity and its cost of equity. If the return on equity exceeds the cost of equity, the price will exceed the book value of the equity; if the return on equity is lower than the cost of equity, the price will be lower than the book value of equity."

Aswath Damodaran, *Investment Valuation*, John Wiley & Sons, 2012

Consumer Reports believes that by exercising careful oversight in this proceeding, the Commission will protect consumers while ensuring Arizona continues to benefit from a reliable, resilient, and affordable electric system.

Thank you for your consideration,

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