



CONSUMER**ENERGY**ALLIANCE

POWERING ARIZONA'S FUTURE

The Role of Natural Gas in Reliability, Affordability,
and Growth



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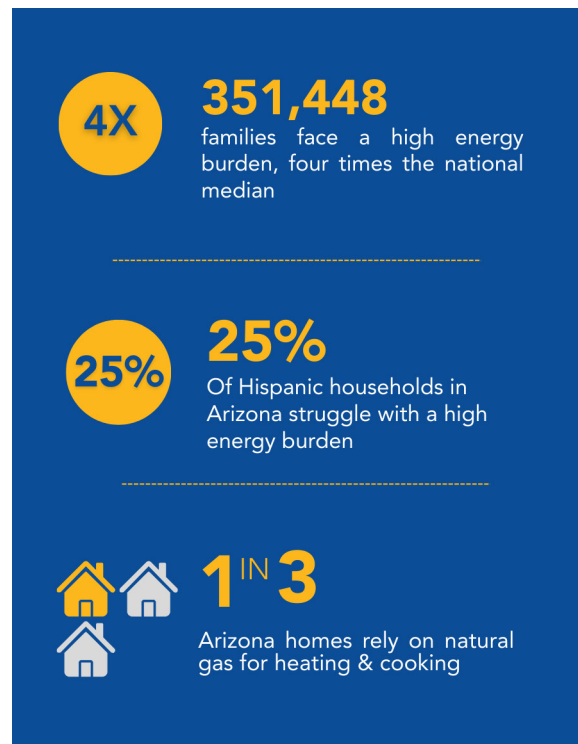
ALWAYS ON: THE BACKBONE OF ARIZONA'S ECONOMY

Natural gas provides almost [half](#) of electricity generation in Arizona, making it an essential ingredient in bringing the state reliable, cleaner power. In fact, **Arizona is ranked 1st in the nation for affordable natural gas**, which benefits homes and businesses that rely on it. Most of the state's critical natural gas supply [comes](#) from Texas and New Mexico. Natural gas is available 24/7 to meet the periods of high demand that arise in Arizona's hot, dry climate – especially on the hottest days when people's health and well-being depend on reliable cooling. Natural gas, with adequate infrastructure, also offers Arizona the capability to meet longer-term increasing demand caused by population growth and the economic activity that comes with it.

Arizona is known for its desert landscapes, red rock formations, and one of the Seven Wonders of the World, the Grand Canyon. The state has become a popular spot to move to in recent years, especially for residents of neighboring California seeking a lower cost of living, less traffic and drastically lower taxes. **More than [630,000](#) Californians have moved to Arizona within the past 10 years, the equivalent of 173 people a day.**

Arizona has also become an attractive state for its strong economic development momentum, securing major investments from domestic and global companies in fast-growing industries, as well as the high-quality jobs that come with them. **Arizona's population could grow by as much as [48%](#) from 2022 levels**, reaching 10.9 million by 2050, according to forecasts from the Arizona Office of Economic Opportunity.

This exciting migration of new residents and businesses comes with increased power demands. Arizona is home to the second-largest nuclear power plant in the U.S., is one of the top states for solar power generation, and has major hydroelectric facilities including the world-famous Hoover Dam, which



straddles the border of Arizona and Nevada.

Despite its diverse [power sources](#), natural gas still delivers nearly half of the electricity generation in the Grand Canyon State. While 80% of all natural gas delivered to Arizona went to power plants to make electricity, one in three homes in Arizona relies on natural gas for heating and cooking.

In late 2021, Intel invested an additional \$20 billion to build two state-of-the-art chip factories at its Ocotillo campus in Chandler. TSMC is following suit, planning \$65 billion in new semiconductor facilities in north Phoenix.

In 2025 alone, companies made commitments to create a [record-breaking](#) 24,285 new jobs with an average annual wage of \$95,928. Arizona is an appealing location for the growing AI data center industry, with a 2024 [report](#) ranking **Phoenix 4th among U.S. data center markets.**

MEETING THE DEMAND SURGE

With both residential and business demand rising, ensuring Arizonans access to affordable, reliable, and increasingly clean electricity is essential. As other states' utility commissions navigate surging power needs driven by advanced manufacturing, data centers, AI, and the electrification of transportation, Arizona's Corporation Commission has moved proactively—approving utility plans that add thousands of megawatts of new natural gas, wind, solar, and battery storage to secure Arizona's energy future.

Arizona was [ranked](#) 28th for lowest electricity costs at \$152 per month, and 1st for natural gas costs at \$69 a month. This makes Arizona the second cheapest state for overall energy costs, while having electricity consumption that is [higher](#) than two-thirds of all states. The low overall natural gas cost helped keep rates affordable for consumers, whether they are facing the hot temperatures in its desert regions or the cold winters in its northern mountains.

Preserving this competitive advantage for the state and its residents is critical, and a recent EIA [forecast](#) for the 2024-2025 winter shows how Arizonans using natural gas will save. The forecast projected that **households using electricity for heating would spend, on average, 75% more than those using natural gas.** Natural gas heating costs were expected to average \$602, compared to \$1,054 for electric heating, **an affordability gap of \$452.**

Arizona is encouraging the development of more energy infrastructure to meet the state's growing demand. **Arizona Public Service (APS) saw a new record for peak electricity demand this summer.** Salt River Project (SPR), Tucson Electric Power (TEP), and APS all broke peak demand records this summer, **which were even higher than initially anticipated.** Arizona Corporation Commissioners pointed out the importance of reliable, energy during these extreme weather conditions.

Driven by economic and population growth, **Arizona's electric companies are forecasting peak demand loads to**

increase by approximately 40% by 2031 from 2023 levels, accelerating the need for more natural gas infrastructure.

Arizona is actively expanding access to natural gas to ensure reliable, affordable, and cleaner energy for residents and businesses. This year, a major expansion of the Transwestern Pipeline was announced to boost Arizona's natural gas supply from the Permian Basin.

The pipeline expansion, known as the Desert Southwest Pipeline, is expected to be operating by the end of 2029, bringing more affordable, reliable energy to Arizona.

This critical investment will help meet growing demand from major energy users, including hospitals, schools, and data centers. By increasing natural gas production, Arizona can spur economic growth without compromising reliability or affordability.

"With this new natural gas pipeline, Arizona will be well positioned to have [reliable baseload power](#) to [meet the growing demands](#) of our economy"

- AZ Corporation Commissioner Lea Marquez Peterson speaking at National Hispanic Energy Council webinar from July 2025

LEADING THE WAY FOR FUEL CHOICE

Arizona in 2020 became the first state in the nation to enact a [law](#) that protects consumers' choice of how they power their homes or businesses. This bill prevents local governments from banning natural gas or other energy sources for residential or commercial use, a tactic favored by activist groups who cannot win statewide approval for policies that would only increase prices with marginal – if any – environmental benefit. Arizona [led](#) the way for 26 other states to pass similar legislation to protect fuel choice, after Berkeley, California, instituted a local ban on natural gas for new buildings.

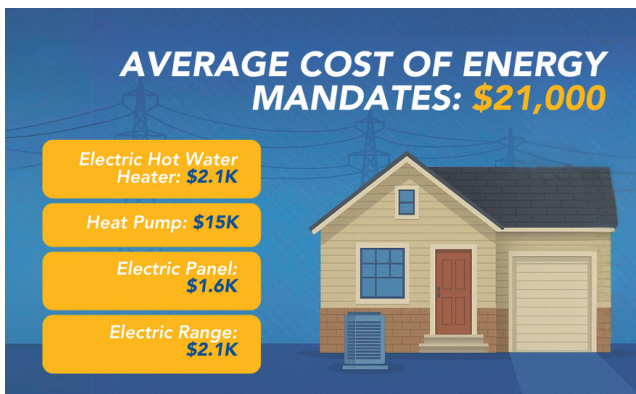
A lawsuit from the California Restaurant Association later [overturned](#) the Berkeley ban, because it hindered restaurant owners from opening new locations. Arizona and other states have enacted these statutes to prevent higher energy costs, ensure reliability, and avoid the major costs of being forced to retrofit from gas to electric appliances.

THE HIGH PRICE OF ENERGY MANDATES

One in every three homes in Arizona uses natural gas for its primary home heating fuel. If a mandated natural gas ban were to occur, not only would electricity prices rise, but so would the cost of home appliances.

Retrofitting a home in Arizona from gas to electric could cost a family over \$20,000, which disproportionately harms low-income families. Arizona's leadership in protecting communities from natural gas bans directly shields families and businesses from unnecessary cost burdens.

Using popular 85142 ZIP code in Arizona as the baseline, **retrofitting a gas home to all-electric could cost as much as \$21,000.**



CLEANER POWER THROUGH INNOVATION

Burning natural gas [produces](#) fewer emissions of almost all air pollutants and CO2 compared to coal or oil. From 2005 to 2019, the U.S. saw a total CO2 emission decline of 819 million metric tons in the power sector. About 65% of that reduction, 532 million metric tons, is attributed to the switch from coal to natural gas, making it a significant driver of cleaner energy in electricity generation. Some of Arizona's coal-fired power plants have converted to

natural gas because of their [lower](#) emissions footprint.

MEETING THE NEEDS OF THE MOST VULNERABLE

Arizona has one of the [fastest-growing](#), diverse populations in the nation. The state is 7th in the nation for overall population growth from 2020 to 2022, and approximately 47% of Arizona's population belongs to a racial or ethnic minority group. Arizona is also home to 22 native tribes, including the Navajo Nation, the largest in the country. As Arizona's population grows and diversifies, ensuring equitable access to affordable, reliable energy becomes even more critical.

This need is especially urgent for families and communities that struggle to make ends meet. The overall poverty rate in Arizona is 13.1%, slightly higher than the U.S. average of 12.5%. However, the poverty rate for rural areas is an average of 21.3%, almost double that of urban areas. For these households, access to affordable energy is not simply about convenience; it's about keeping energy bills manageable and allowing all communities to share in the state's growth and opportunity.

Unfortunately, low-income families and racial minority families tend to suffer from higher energy burdens. An energy burden is defined as a household's percentage of income going to home energy bills. A median energy burden is 3% of income spent on energy bills. In Phoenix, Arizona's largest city by population:

- **21% of households (351,448) have a high energy burden**, which is four times higher than the median.
- **10% of households (165,189) have a severe energy burden**, which means above 10% of income is spent on energy bills.
- **26% of Black households (27,872)**
- **25% of Hispanic households (94,575)** face a high energy burden. ([ACEEE](#))

Arizona's population is 31% Hispanic and its borders encompass more than 22 federally recognized Tribal Nations, each with distinct histories, cultures, and economic challenges.

Hispanic & Native American families in Arizona disproportionately face socioeconomic barriers. Many reside in the [lowest-valued](#) homes, often located in rural or underserved areas where infrastructure investment has lagged. Poverty levels for these communities remain significantly higher than the state average, leaving households with fewer financial resources to take on rising living costs.

Energy costs, in particular, place a higher burden on these families. **For low-income households, energy bills can force difficult trade-offs between the need to keep the lights on and other important expenses.** Living in lower-valued homes also reduce the opportunities for greater energy efficiency that could lower higher costs for heating or cooling homes. Ensuring access to affordable, reliable energy is central to advancing equity and opportunity for Hispanic and Tribal communities in Arizona.

Natural gas is essential for meeting these challenges. **Unlike intermittent resources like wind and solar that depend on the weather, natural gas consistently delivers reliable and affordable power.** This is critical for those who cannot afford costly energy. Expanding access to natural gas not only supports Arizona's rapidly growing economy, but is vital in meeting the needs of a growing population of diverse communities that thrive when energy is reliable, affordable and abundant.

POLICY PATH FORWARD: SECURING ARIZONA'S ENERGY FUTURE

For policymakers, Arizona's future depends on access to affordable, always available energy. Policy leaders at the state and local levels must continue to protect and expand access to natural gas to meet the needs of a growing population and forecasted economic growth. Arizona has been a leader in protecting access to natural gas, and should continue modeling how responsible natural gas infrastructure development can shepherd affordable, reliable energy for all.

Natural gas is the foundation for low electricity prices that attract businesses to the state. The state's record-breaking momentum in economic development also depends on natural gas to power the hyperscaled demand that AI data centers create.

Lastly, for Arizona families, especially those living in rural or tribal areas or low-income households, energy affordability is not optional, but essential. Expanding access to natural gas means keeping energy bills affordable and reliable during extreme heat and increasing energy demands. Keeping Arizona's natural gas prices the most affordable in the nation allows families to keep their lights on and prioritize money for other necessities.