Arizona Renewable Energy Standard and Tariff Brief Sheet

The Essentials
- Rule requires all regulated electrical utilities to obtain 15 percent of their retail generated energy from renewable resources by 2025. Starting in 2007, utilities must follow a compliance schedule to meet reduction goals.
- In 2025, 4.5 percent of total retail sales must come from distributed renewable resources.
- One-half of the distributed renewable energy requirement must come from residential applications and the other one-half must come from nonresidential, non-utility applications.
- Utilities may charge a tariff to ratepayers to recoup costs associated with implementing the Renewable Energy Standard.

Policy Details
After three years of study and public input, the Arizona Corporate Commission ("ACC") adopted a final rule in November of 2006; the purpose of the rule was to expand the state's Renewable Energy Standard and Tariff ("REST") to 15 percent by 2025. The REST took effect in late 2007 after the State Attorney General found the rule to be consistent with the Arizona Constitution. As of March 2009, thirty-two other states, and the District of Columbia have renewable energy requirements similar to Arizona's REST.

The REST requires all affected utilities, which are electric utilities regulated by the ACC, to increase their energy generation portfolios away from fossil fuels (specifically coal, oil, and natural gas) and to renewable energies, which include solar, wind, biomass, biogas, geothermal and other similar technologies. The REST contains a provision that will allow new, yet to be created, clean fuel technologies to

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1 Source: http://www.azcc.gov/divisions/utilities/electric/environmental.asp
2 Source: http://www.dsireusa.org/incentives/incentive.cfm?Incentive_Code=AZ03R&re=1&ee=1
3 Source: http://www.epa.gov/chp/state-policy/renewable_fs.html
4 A.A.C. R14-2-1801(A) "Affected Utility" means a public service corporation serving retail electric load in Arizona, but excluding any Utility Distribution Company with more than half of its customers located outside of Arizona.
5 A.A.C. R14-2-1801(C) "Conventional Energy Resource" means an energy resource that is non-renewable in nature, such as natural gas, coal, oil, and uranium, or electricity that is produced with energy resources that are not Renewable Energy Resources.
6 A.A.C. R14-2-1802
be included in the standard.\textsuperscript{7} The increasing REST rate ladder is shown at the bottom this Brief Sheet.

Within the REST's 15 percent renewable energy requirement is a distributed renewable ("DR") resources requirement.\textsuperscript{8} The DR requires that a percentage of all regulated utilities renewable energies come from residential installations (like rooftop solar panels) and nonresidential, non-utility applications (like rooftop solar panels on a car dealership). The DR requirements operates in an increasing rate ladder like the REST, but once 2012 is reached, 30 percent is the permanently mandated DR requirement. Specifically, fifty percent must come from distributed renewable installations and the other fifty percent must come from the nonresidential installations. In 2012, for example, 30 percent of a utilities 3.50 percent mandated REST must come from DRs. This means that .0105 percent of utility retail sales in 2012 must come from DRs. In 2025, 4.5 percent of total retail sales must come from DRs. The rationale behind implementing the DR requirement is to encourage utility consumers to install their own renewable, clean energy fuel systems. Utilities are to provide consumer incentives and credits for the DR installations.\textsuperscript{9}

Utilities subject to REST must submit compliance reports and implementation plans annually to the ACC.\textsuperscript{10} Utilities recover RES costs through a monthly surcharge, this is where the "Tariff" portion of REST becomes important.\textsuperscript{11} Each affected utility may adopt their own surcharge but it must be substantially similar to the sample tariff provided in the rules, and it must receive approval from the ACC.\textsuperscript{12} The residential surcharge from a cap is $1.05, a utility may not charge higher than that amount.\textsuperscript{13}

If a utility does not meet its REST requirement, it may file for a waiver with the ACC.\textsuperscript{14} After filing a waiver the ACC and the utility will have an administrative hearing which will assess a penalty for non-compliance.\textsuperscript{15}

\textit{Remaining questions, concerns or points}

In 2011, The Arizona Court of Appeals upheld REST and the ACC's actions in creating REST as constitutional. The constitutionality of REST was challenged by the Goldwater Institute.\textsuperscript{16}

\textsuperscript{7} A.A.C. R14-2-1802(D)
\textsuperscript{8} A.A.C. R14-2-1805
\textsuperscript{9} A.A.C. R14-2-1809
\textsuperscript{10} A.A.C. R14-2-1812 and A.A.C. R14-2-1813
\textsuperscript{11} A.A.C. R14-2-1808
\textsuperscript{12} \textit{id.}
\textsuperscript{13} A.A.C. R14-2-1808 and A.A.C. Title 14, Article 18, Appendix A. Sample Tariff
\textsuperscript{14} A.A.C. R14-2-1816
\textsuperscript{15} A.A.C. R14-2-1815
Read more
Arizona Administrative Code, Article 18: The Renewable Energy Standard and Tariff
R14-2-1801 et seq.:
http://www.azsos.gov/PUBLIC_SERVICES/Title_14/14-02.htm
Arizona Corporate Commission’s web page:
http://www.azcc.gov/divisions/utilities/electric/environmental.asp
Arizona Goes Solar (website which is a collaborative effort led by the ACC and
implemented by the regulated electric utilities, designed to consumers (residential and
commercial) with information regarding solar energy options and incentives):
http://arizonagoessolar.org/
APS’s current renewable energy portfolio:
Tucson Electric Power Company’s renewable energy webpage:
https://www.tep.com/Renewable/
EPA’s Renewable Portfolio Standard Fact Sheet:
http://www.epa.gov/chp/state-policy/renewable_fs.html
Wiser, Ryan and Barbose, Galen, Renewable Portfolio Standards: A Status Report with
Data through 2007:
See the 2009 Utility EPS/REST Compliance Report Brochure for Arizona Public Service
Company (“APS”):

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**Latest developments**

- As of March 2011, Arizona was the third leading solar job employer in the nation, with 4,786 persons employed in the solar industry.\(^{17}\)
- In 2009, Arizona Public Service Company ("APS"), received enough non-residential DR requests to meet it’s DR non-residential requirement for 2009, 2010, and 2011.\(^{18}\)

**Increasing REST rate ladder with DR requirements:** \(^{19}\)

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<tr>
<th>Year</th>
<th>Renewable Energy Standard</th>
<th>Distributed Renewables Requirement</th>
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<tr>
<td>2025</td>
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\(^{17}\) Source: http://thesolarfoundation.org/sites/thesolarfoundation.org/files/TSF_Census2011_FactSheet.pdf


\(^{19}\) Source: A.A.C. R14-2-1804 and A.A.C. R14-2-1805