

Arizona's Renewable Energy Standard and Tariff (REST)

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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 2025.¹ The REST took effect in late 2007 after the State Attorney General found the rule to be consistent with the Arizona Constitution.² As of March 2009, thirty-two other states, and the District of Columbia have renewable energy requirements similar to Arizona's REST.³

The REST requires all affected utilities, which are electric utilities regulated by the ACC,⁴ to increase their energy generation portfolios away from fossil fuels (specifically coal, oil, and natural gas)⁵ and to renewable energies, which include solar, wind, biomass, biogas, geothermal and other similar technologies.⁶ The REST contains a provision that will allow new, yet to be created, clean fuel technologies to be included in the standard.⁷ The increasing REST rate ladder is shown at the bottom this brief.

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

⁷ A.A.C. R14-2-1802(D)

Within the REST's 15 percent renewable energy requirement is a distributed renewable ("DR") resources requirement.⁸ The DR requires that a percentage of all regulated utilities renewable energies come from residential installations (like roof-top solar panels) and nonresidential, non-utility applications (like roof-top 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 residential distributed renewables 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.⁹

Utilities subject to REST must submit compliance reports and implementation plans annually to the ACC.¹⁰ Utilities recover RES costs through a monthly surcharge, this is where the "Tariff" portion of REST becomes important.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.¹² The residential surcharge from a cap is \$1.05, a utility may not charge higher than that amount.¹³

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

The constitutionality of the REST

In 2011, The Arizona Court of Appeals upheld REST and the ACC's actions in creating REST as constitutional. The constitutionality of REST had been challenged by the Goldwater Institute in *Miller v. Arizona Corporation Commission*.¹⁶

Read more

⁸ A.A.C. R14-2-1805

⁹ A.A.C. R14-2-1809

¹⁰ A.A.C. R14-2-1812 and A.A.C. R14-2-1813

¹¹ A.A.C. R14-2-1808

¹² *id.*

¹³ A.A.C. R14-2-1808 and A.A.C. Title 14, Article 18, Appendix A. Sample Tariff

¹⁴ A.A.C. R14-2-1816

¹⁵ A.A.C. R14-2-1815

¹⁶ See: <http://caselaw.findlaw.com/az-court-of-appeals/1563065.html>

- *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/>

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Increasing REST rate ladder with DR requirements:¹⁷

Year	Renewable Energy Standard	Distributed Renewables Requirement
2006	1.25%	
2007	1.50%	5%
2008	1.75%	10%
2009	2.00%	15%
2010	2.50%	20%
2011	3.00%	25%
2012	3.50%	30%
2013	4.00%	30%
2014	4.50%	30%
2015	5.00%	30%
2016	6.00%	30%
2017	7.00%	30%
2018	8.00%	30%
2019	9.00%	30%
2020	10.00%	30%
2021	11.00%	30%
2022	12.00%	30%
2023	13.00%	30%
2024	14.00%	30%
2025	15.00%	30%

¹⁷ Source: A.A.C. R14-2-1804 and A.A.C. R14-2-1805