

COMMISSION NEWS

Arizona Corporation Commission

Public Information Office

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Commissioners Approve Rules requiring 15 Percent of Energy from Renewables by 2025

PHOENIX – A three year review process concluded today with the approval of rules requiring utilities to generate 15 percent of their total energy from renewable energy technologies. In a state known for its sunshine but not known for large, swiftly moving rivers and streams or large scale geothermal opportunities, state regulators set high standards for renewable energy, intending to capitalize on Arizona's sunshine and other "green energy" opportunities.

Chairman Jeff Hatch-Miller and Commissioners Bill Mundell, Kristin Mayes and Barry Wong voted to require regulated electric utilities to generate 15 percent of the total megawatts sold from renewable resources by 2025. Commissioner Mike Gleason voted against the rules citing concerns over the costs of meeting the sharply higher standard, grid reliability and specific changes he sought to make the rules more precise.

Because substantive changes would have required the rulemaking process to start again, the Commissioners stopped short of passing several amendments sought by Commissioners. Minor, more technical amendments were approved. The amendments related to implementation plans, reporting requirements and compliance steps.

For 2006, utilities must generate 1.25 percent of retail energy sold from renewable resources.

The Commission's Renewable Energy Standards allow utilities to use solar, wind, biomass, biogas, geothermal and other similar technologies to generate "clean" energy to power Arizona's

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future. The rules package outlines what technologies qualify and allow for new and emerging technologies to be added as they become feasible.

In addition to utility-owned projects such as Tucson Electric Power's large solar installation in Springerville, Arizona, the Commissioners also required a growing percentage of the total resource portfolio to come from distributed generation – residential or non-utility owned installations. The distributed energy requirement starts at 5 percent of the total portfolio in 2007 and grows to 30 percent of the total renewable mix after 2011.

In many cases, distributed generation installations – such as a large solar installation on the roof of a shopping mall, or solar panels at someone's home – qualify for utility rebates or state and federal tax breaks that offset some of the upfront costs.

Unlike other states that set aggressive standards but “grandfather” or give credit for existing projects, Arizona's Renewable Energy Standards are focused on adding new generation and taking advantage of emerging opportunities.

If a utility does not meet the standard, it can apply for a waiver and go through a hearing but the Commission may still assess a penalty for non-compliance.

To help offset the increased cost of meeting the more aggressive standard, the current Environmental Portfolio Surcharge amount will change. Each utility will have to file a request to recover the cost of installing and operating its renewable resources. The total amount of each utility's proposed surcharge is unknown until the utilities submit a proposal to the Commission. Each utility is also required to file an annual plan outlining the steps it is taking to meet the new standard. The proposed “sample tariff” associated with the Renewable Energy Standards would increase the residential surcharge from a cap of \$0.35 to \$1.05.

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The Renewable Energy Standards were formerly known as the Environmental Portfolio Standard that topped out at 1.1 percent in 2007. In February 2004, the Commissioners voted to review the rules and consider adopting a more aggressive standard.

The Commission convened a series of intensive workshops involving the Commissioners and staff, proponents of various technologies, environmental advocacy groups and the utilities. The Renewable Energy Standards rules package is the result of this collaborative process.

Before taking effect, the rules must go through a review by the Attorney General's Office.

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Find this case through the E-Docket link at www.azcc.gov.

Search for docket number RE-00000C-05-0030

Comments from Commissioners

Chairman Jeff Hatch-Miller

"In the coming years, Commissioners will have ample opportunity to assess the progress of the Renewable Energy Standard. Every year on April 1st, we will review the compliance reports. We will see how much energy is produced, how much it actually costs for each installation and how the utilities are striving to meet the higher percentage goal. These filings will show where the rubber meets the road. We'll know whether the Renewable Energy Standard is sensible, realistic and achievable."

Commissioner Bill Mundell

"This truly is an historic vote that will lead to environmental benefits, economic development, higher-paying jobs and less dependence on fossil fuels that originate in volatile regions of the world."

Commissioner Mike Gleason (voted against)

"The Arizona Corporation Commission passed a rules package that does not control the cost and will probably degrade the reliability of the western electric grid. In its haste to enact the rules, the Commission has allowed Arizona utilities to use ratepayer dollars to buy renewable energy credits from distributed generators located anywhere."

Commissioner Kristin Mayes

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“This is the most extensively vetted rulemaking in the history of the Commission. This began three years ago with public comment, workshops, study, examination and review. Now it’s time to act. We have to take steps to break our reliance on fossil fuels and capitalize on Arizona’s sunshine. This is a vote for Arizona’s future.”

Commissioner Barry Wong

“This is a quantum, but prudent, leap in public policy and puts Arizona squarely in the national spotlight. I believe we will one day look back on this action as the vote that created the T-Gen of the energy industry – fueling economic development, technical innovation and a new wave of entrepreneurship here in Arizona.”