



0000067874



COMMISSIONERS
MIKE GLEASON - Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE

ARIZONA CORPORATION COMMISSION

Direct Line: (602) 542-4143
Fax: (602) 542-0765
E-mail: kmayes@azcc.gov

30NF

March 5, 2007

ORIGINAL

Re: Renewable Energy Standard and Tariff as part of Tucson Electric Power Company's Proposal to Amend Decision No. 62103; Docket No. E-01933A-05-0650

Dear Parties to the Docket:

Today, I am docketing a copy of the Renewable Energy Standard and Tariff ("RES") rules, as approved by the Commission last year, in this case.

As part of this proceeding, I will ask the Parties to provide testimony regarding the implementation of the RES in Tucson Electric Power's ("TEP") service territory.

Thank you for your attention to this matter.

Sincerely,

Kris Mayes
Commissioner

Cc: Chairman Mike Gleason
Commissioner William A. Mundell
Commissioner Jeff Hatch-Miller
Commissioner Gary Pierce
Brian McNeil
Ernest Johnson
Chris Kempley

RECEIVED
2007 MAR -5 1 P 4: 04
AZ CORP COMMISSION
DOCUMENT CONTROL

Arizona Corporation Commission
DOCKETED

MAR 05 2007

DOCKETED BY

Appendix A

**TITLE 14. PUBLIC SERVICE CORPORATIONS; CORPORATIONS AND
ASSOCIATIONS; SECURITIES REGULATION**

CHAPTER 2. CORPORATION COMMISSION-FIXED UTILITIES

ARTICLE 18. RENEWABLE ENERGY STANDARD AND TARIFF

Section

R14-2-1801.	Definitions
R14-2-1802.	Eligible Renewable Energy Resources
R14-2-1803.	Renewable Energy Credits
R14-2-1804.	Annual Renewable Energy Requirement
R14-2-1805.	Distributed Renewable Energy Requirement
R14-2-1806.	Extra Credit Multipliers
R14-2-1807.	Manufacturing Partial Credit
R14-2-1808.	Tariff
R14-2-1809.	Customer Self-Directed Renewable Energy Option
R14-2-1810.	Uniform Credit Purchase Program
R14-2-1811.	Net Metering and Interconnection Standards
R14-2-1812.	Compliance Reports
R14-2-1813.	Implementation Plans
R14-2-1814.	Electric Power Cooperatives
R14-2-1815.	Enforcement and Penalties
Appendix A.	Sample Tariff

ARTICLE 18. RENEWABLE ENERGY STANDARD AND TARIFF

R14-2-1801. Definitions

- 1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
- 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.
 - B. "Annual Renewable Energy Requirement" means the portion of an Affected Utility's annual retail electricity sales that must come from Eligible Renewable Energy Resources.
 - 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.
 - D. "Customer Self-Directed Renewable Energy Option" means a Commission-approved program under which an Eligible Customer may self-direct the use of its allocation of funds collected pursuant to an Affected Utility's Tariff.
 - E. "Distributed Generation" means electric generation sited at a customer premises, providing electric energy to the customer load on that site or providing wholesale capacity and energy to the local Utility Distribution Company for use by multiple customers in contiguous distribution substation service areas. The generator size and transmission needs shall be such that the plant or associated transmission lines do not require a Certificate of Environmental Compatibility from the Corporation Commission.
 - F. "Distributed Renewable Energy Requirement" means a portion of the Annual Renewable Energy Requirement that must be met with Renewable Energy Credits derived from resources that qualify as Distributed Renewable Energy Resources pursuant to R14-2-

1 1802(B).

2 G. "Distributed Solar Electric Generator" means electric generation sited at a customer
3 premises, providing electric energy from solar electric resources to the customer load on
4 that site or providing wholesale capacity and energy to the local Utility Distribution
5 Company for use by multiple customers in contiguous distribution substation service
6 areas. The generator size and transmission needs shall be such that the plant or
7 associated transmission lines do not require a Certificate of Environmental Compatibility
8 from the Corporation Commission.
9

10 H. "Eligible Customer" means an entity that pays Tariff funds of at least \$25,000 annually
11 for any number of related accounts or services within an Affected Utility's service area.
12

13 I. "Extra Credit Multiplier" means a way to increase the Renewable Energy Credits
14 attributable to specific Eligible Renewable Energy Resources in order to encourage
15 specific renewable applications.

16 J. "Green Pricing" means a rate option in which a customer elects to pay a tariffed rate
17 premium for electricity derived from Eligible Renewable Energy Resources.

18 K. "Market Cost of Comparable Conventional Generation" means the Affected Utility's
19 energy and capacity cost of producing or procuring the incremental electricity that would
20 be avoided by the resources used to meet the Annual Renewable Energy Requirement,
21 taking into account hourly, seasonal, and long-term supply and demand circumstances.
22 Avoided costs include any avoided transmission and distribution costs and any avoided
23 environmental compliance costs.
24

25 L. "Net Billing" means a system of billing a customer who installs an Eligible Renewable
26 Energy Resource generator on the customer's premises for retail electricity purchased at
27

1 retail rates while crediting the customer's bill for any customer-generated electricity sold
2 to the Affected Utility at avoided cost.

3 M. "Net Metering" means a system of metering electricity by which the Affected Utility
4 credits the customer at the full retail rate for each kilowatt-hour of electricity produced by
5 an Eligible Renewable Energy Resource system installed on the customer-generator's
6 side of the electric meter, up to the total amount of electricity used by that customer
7 during an annualized period, and which compensates the customer-generator at the end of
8 the annualized period for any excess credits at a rate equal to the Affected Utility's
9 avoided cost of wholesale power. The Affected Utility does not charge the customer-
10 generator any additional fees or charges or impose any equipment or other requirements
11 unless the same is imposed on customers in the same rate class that the customer-
12 generator would qualify for if the customer-generator did not have generation equipment.
13

14 N. "Renewable Energy Credit" means the unit created to track kWh derived from an Eligible
15 Renewable Energy Resource or kWh equivalent of Conventional Energy Resources
16 displaced by Distributed Renewable Energy Resources.
17

18 O. "Renewable Energy Resource" means an energy resource that is replaced rapidly by a
19 natural, ongoing process and that is not nuclear or fossil fuel.
20

21 P. "Tariff" means a Commission-approved rate designed to recover an Affected Utility's
22 reasonable and prudent costs of complying with these rules.

23 Q. "Utility Distribution Company" means a public service corporation that operates,
24 constructs, or maintains a distribution system for the delivery of power to retail
25 customers.

26 R. "Wholesale Distributed Generation Component" means non-utility owners of Eligible
27

1 Renewable Energy Resources that are located within the distribution system and that do
2 not require a transmission line over 69 kv to deliver power at wholesale to an Affected
3 Utility to meet its Annual Renewable Energy Requirements.

4 **R14-2-1802. Eligible Renewable Energy Resources**

5 A. "Eligible Renewable Energy Resources" are applications of the following defined
6 technologies that displace Conventional Energy Resources that would otherwise be used
7 to provide electricity to an Affected Utility's Arizona customers:
8

9 1. "Biogas Electricity Generator" is a generator that produces electricity from gases
10 that are derived from plant-derived organic matter, agricultural food and feed
11 matter, wood wastes, aquatic plants, animal wastes, vegetative wastes, or
12 wastewater treatment facilities using anaerobic digestion or from municipal solid
13 waste through a digester process, an oxidation process, or other gasification
14 process.
15

16 2. "Biomass Electricity Generator" is an electricity generator that uses any raw or
17 processed plant-derived organic matter available on a renewable basis, including:
18 dedicated energy crops and trees; agricultural food and feed crops; agricultural
19 crop wastes and residues; wood wastes and residues, including landscape waste,
20 right-of-way tree trimmings, or small diameter forest thinnings that are 12" in
21 diameter or less; dead and downed forest products; aquatic plants; animal wastes;
22 other vegetative waste materials; non-hazardous plant matter waste material that
23 is segregated from other waste; forest-related resources, such as harvesting and
24 mill residue, pre-commercial thinnings, slash, and brush; miscellaneous waste,
25 such as waste pellets, crates, and dunnage; and recycled paper fibers that are no
26

1 longer suitable for recycled paper production, but not including painted, treated,
2 or pressurized wood, wood contaminated with plastics or metals, tires, or
3 recyclable post-consumer waste paper.

- 4 3. "Distributed Renewable Energy Resources" as defined in subsection (B).
5
6 4. "Eligible Hydropower Facilities" are hydropower generators that were in
7 existence prior to 1997 and that satisfy one of the following two criteria:
- 8 a. **New Increased Capacity of Existing Hydropower Facilities:** A hydropower
9 facility that increases capacity due to improved technological or
10 operational efficiencies or operational improvements resulting from
11 improved or modified turbine design, improved or modified wicket gate
12 assembly design, improved hydrological flow conditions, improved
13 generator windings, improved electrical excitation systems, increases in
14 transformation capacity, and improved system control and operating limit
15 modifications. The electricity kWh that are eligible to meet the Annual
16 Renewable Energy Requirements shall be limited to the new, incremental
17 kWh output resulting from the capacity increase that is delivered to
18 Arizona customers to meet the Annual Renewable Energy Requirement.
19
20 b. **Generation from pre-1997 hydropower facilities that is used to firm or**
21 **regulate the output of other eligible, intermittent renewable resources:**
22 The electricity kWh that are eligible to meet the Annual Renewable
23 Energy Requirements shall be limited to the kWh actually generated to
24 firm or regulate the output of eligible intermittent Renewable Energy
25 Resources and that are delivered to Arizona customers to meet the Annual
26
27
28

Renewable Energy Requirements.

- 1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
5. "Fuel Cells that Use Only Renewable Fuels" are fuel cell electricity generators that operate on renewable fuels, such as hydrogen created from water by Eligible Renewable Energy Resources. Hydrogen created from non-Renewable Energy Resources, such as natural gas or petroleum products, is not a renewable fuel.
 6. "Geothermal Generator" is an electricity generator that uses heat from within the earth's surface to produce electricity.
 7. "Hybrid Wind and Solar Electric Generator" is a system in which a Wind Generator and a solar electric generator are combined to provide electricity.
 8. "Landfill Gas Generator" is an electricity generator that uses methane gas obtained from landfills to produce electricity.
 9. "New Hydropower Generator of 10 MW or Less" is a generator, installed after January 1, 2006, that produces 10 MW or less and is either:
 - a. A low-head, micro hydro run-of-the-river system that does not require any new damming of the flow of the stream; or
 - b. An existing dam that adds power generation equipment without requiring a new dam, diversion structures, or a change in water flow that will adversely impact fish, wildlife, or water quality; or
 - c. Generation using canals or other irrigation systems.
 10. "Solar Electricity Resources" use sunlight to produce electricity by either photovoltaic devices or solar thermal electric resources.
 11. "Wind Generator" is a mechanical device that is driven by wind to produce electricity.

1 B. "Distributed Renewable Energy Resources" are applications of the following defined
2 technologies that are located at a customer's premises and that displace Conventional
3 Energy Resources that would otherwise be used to provide electricity to Arizona
4 customers:

- 5 1. "Biogas Electricity Generator," "Biomass Electricity Generator," "Geothermal
6 Generator," "Fuel Cells that Use Only Renewable Fuels," "New Hydropower
7 Generator of 10 MW or Less," or "Solar Electricity Resources," as each of those
8 terms is defined in subsections (A)(1), (A)(2), (A)(5), (A)(6), (A)(9), and (A)(10).
- 9 2. "Biomass Thermal Systems" and "Biogas Thermal Systems" are systems which
10 use fuels as defined in subsections (A)(1) and (A)(2) to produce thermal energy
11 and that comply with Environmental Protection Agency Certification Programs or
12 are permitted by state, county, or local air quality authorities. For purposes of this
13 definition "Biomass Thermal Systems" and "Biogas Thermal Systems" do not
14 include biomass and wood stoves, furnaces, and fireplaces.
- 15 3. "Commercial Solar Pool Heaters" are devices that use solar energy to heat
16 commercial or municipal swimming pools.
- 17 4. "Geothermal Space Heating and Process Heating Systems" are systems that use
18 heat from within the earth's surface for space heating or for process heating.
- 19 5. "Renewable Combined Heat and Power System" is a Distributed Generation
20 system, fueled by an Eligible Renewable Energy Resource, that produces both
21 electricity and useful renewable process heat. Both the electricity and renewable
22 process heat may be used to meet the Distributed Renewable Energy
23 Requirement.
24
25
26
27
28

- 1 6. "Solar Daylighting" is the non-residential application of a device specifically
2 designed to capture and redirect the visible portion of the solar beam, while
3 controlling the infrared portion, for use in illuminating interior building spaces in
4 lieu of artificial lighting.
- 5 7. "Solar Heating, Ventilation, and Air Conditioning" ("HVAC") is the combination
6 of Solar Space Cooling and Solar Space Heating as part of one system.
- 7 8. "Solar Industrial Process Heating and Cooling" is the use of solar thermal energy
8 for industrial or commercial manufacturing or processing applications.
- 9 9. "Solar Space Cooling" is a technology that uses solar thermal energy absent the
10 generation of electricity to drive a ~~mechanical~~ refrigeration machine that provides
11 for space cooling in a building.
- 12 10. "Solar Space Heating" is a method whereby a mechanical system is used to
13 collect solar energy to provide space heating for buildings.
- 14 11. "Solar Water Heater" is a device that uses solar energy rather than electricity or
15 fossil fuel to heat water for residential, commercial, or industrial purposes.
- 16 12. "Wind Generator of 1 MW or Less" is a mechanical device, with an output of 1
17 MW or less, that is driven by wind to produce electricity.

18 C. Except as provided in subsection (A)(4), Eligible Renewable Energy Resources shall not
19 include facilities installed before January 1, 1997.

20 D. The Commission may adopt pilot programs in which additional technologies are
21 established as Eligible Renewable Energy Resources. Any such additional technologies
22 shall be Renewable Energy Resources that produce electricity, ~~replace electricity~~
23 generated by Conventional Energy Resources, or replace the use of fossil fuels with
24

1 Renewable Energy Resources. Energy conservation products, energy management
2 products, energy efficiency products, or products that use non-renewable fuels shall not
3 be eligible for these pilot programs.

4 **R14-2-1803. Renewable Energy Credits**

5 A. One Renewable Energy Credit shall be created for each kWh derived from an Eligible
6 Renewable Energy Resource.

7 B. For Distributed Renewable Energy Resources, one Renewable Energy Credit shall be
8 created for each 3,415 British Thermal Units of heat produced by a Solar Water Heating
9 System, a Solar Industrial Process Heating and Cooling System, Solar Space Cooling
10 System, Biomass Thermal System, Biogas Thermal System, or a Solar Space Heating
11 System.

12 C. An Affected Utility may transfer Renewable Energy Credits to another party and may
13 acquire Renewable Energy Credits from another party. A Renewable Energy Credit is
14 owned by the owner of the Eligible Renewable Energy Resource from which it was
15 derived unless specifically transferred.

16 D. ~~All transfers of Renewable Energy Credits shall be appropriately documented. Any sales
17 contract of kWh by a system owner shall explicitly describe the transfer rights of both
18 electricity and its Renewable Energy Credits. Affected Utilities must document the
19 delivery of the renewable electricity to its customers by providing proof that the
20 necessary transmission rights were reserved and utilized, if transmission is required, and
21 that the appropriate control area operators scheduled the renewable electricity for
22 delivery to the Affected Utility's customers.~~

23 E. All transfers of Renewable Energy Credits shall be appropriately documented to
24
25
26
27

1 demonstrate that the energy associated with the Renewable Energy Credits meets the
2 provisions of R14-2-1802.

3 **F.** Any contract by an Affected Utility for purchase or sale of energy and/or Renewable
4 Energy Credits to meet the requirements of this Rule shall explicitly describe the transfer
5 of rights concerning both energy and Renewable Energy Credits.

6
7 **G.** Except in the case of Distributed Renewable Energy Resources, Affected Utilities must
8 demonstrate the delivery of energy from Eligible Renewable Energy Resources to their
9 retail consumers such as by providing proof that the necessary transmission rights were
10 reserved and utilized to deliver energy from Eligible Renewable Energy Resources to the
11 Affected Utility's system, if transmission is required, or that the appropriate control area
12 operators scheduled the energy from Eligible Renewable Energy Resources for delivery
13 to the Affected Utility's system.

14
15 **R14-2-1804. Annual Renewable Energy Requirement**

16 **A.** In order to ensure reliable electric service at reasonable rates, each Affected Utility shall
17 be required to satisfy an Annual Renewable Energy Requirement by obtaining
18 Renewable Energy Credits from Eligible Renewable Energy Resources.

19 **B.** An Affected Utility's Annual Renewable Energy Requirement shall be calculated each
20 calendar year by applying the following applicable annual percentage to the retail kWh
21 sold by the Affected Utility during that calendar year:

22		
23	2006	1.25%
24	2007	1.50%
25	2008	1.75%
26	2009	2.00%

1	2010	2.50%
2	2011	3.00%
3	2012	3.50%
4	2013	4.00%
5	2014	4.50%
6	2015	5.00%
7	2016	6.00%
8	2017	7.00%
9	2018	8.00%
10	2019	9.00%
11	2020	10.00%
12	2021	11.00%
13	2022	12.00%
14	2023	13.00%
15	2024	14.00%
16	After 2024	15.00%

17
18
19
20
21
22
23
24
25
26
27
28

The annual increase in the annual percentage for each Affected Utility will be pro rated for the first year based on when the Affected Utility's funding mechanism is approved.

C. An Affected Utility may use Renewable Energy Credits acquired in any year to meet its Annual Renewable Energy Requirement.

D. Once a Renewable Energy Credit is used by any Affected Utility to satisfy these requirements, the credit is retired and cannot be subsequently used to satisfy these rules or any other regulatory requirement.

1 E. If an Affected Utility trades or sells environmental pollution reduction credits or any
2 other environmental attributes associated with kWh produced by an Eligible Renewable
3 Energy Resource, the Affected Utility may not apply Renewable Energy Credits derived
4 from that same kWh to satisfy the requirements of these rules.

5
6 F. No more than 20 percent of an Affected Utility's Annual Renewable Energy Requirement
7 may be met with Renewable Energy Credits derived pursuant to R14-2-1807.

8 G. An Affected Utility may ask the Commission to preapprove agreements to purchase
9 energy or Renewable Energy Credits from Eligible Renewable Energy Resources.

10 **R14-2-1805. Distributed Renewable Energy Requirement**

11 A. In order to improve system reliability, each Affected Utility shall be required to satisfy a
12 Distributed Renewable Energy Requirement by obtaining Renewable Energy Credits
13 from Distributed Renewable Energy Resources.

14
15 B. An Affected Utility's Distributed Renewable Energy Requirement shall be calculated
16 each calendar year by applying the following applicable annual percentage to the
17 Affected Utility's Annual Renewable Energy Requirement:

18	<u>2007</u>	5%
19	<u>2008</u>	10%
20	<u>2009</u>	15%
21	<u>2010</u>	20%
22	<u>2011</u>	25%
23		
24	After 2011	30%

25 The annual increase in the annual percentage for each Affected Utility will be pro rated
26 for the first year based on when the Affected Utility's funding mechanism is approved.

- 1 C. An Affected Utility may use Renewable Energy Credits acquired in any year to meet its
2 Distributed Renewable Energy Requirement. Once a Renewable Energy Credit is used
3 by any Affected Utility to satisfy these requirements, the credit is retired.
- 4 D. An Affected Utility shall meet one-half of its annual Distributed Renewable Energy
5 Requirement from residential applications and the remaining one-half from non-
6 residential, non-utility applications.
- 7
- 8 E. An Affected Utility may satisfy no more than 10 percent of its annual Distributed
9 Renewable Energy Requirement from Renewable Energy Credits derived from
10 distributed Renewable Energy Resources that are non-utility owned generators that sell
11 electricity at wholesale to Affected Utilities. This Wholesale Distributed Generation
12 Component shall qualify for the non-residential portion of the Distributed Renewable
13 Energy Requirement.
- 14

15 **R14-2-1806. Extra Credit Multipliers**

- 16 A. Renewable Energy Credits derived from Eligible Renewable Energy Resources installed
17 after December 31, 2005, shall not be eligible for Extra Credit Multipliers.
- 18 B. The extra Renewable Energy Credits resulting from any applicable multiplier shall be
19 added to the Renewable Energy Credits produced by the Eligible Renewable Energy
20 Resource to determine the total Renewable Energy Credits that may be used to meet an
21 Affected Utility's Annual Renewable Energy Requirement.
- 22
- 23 C. "Early Installation Extra Credit Multiplier." Affected Utilities acquiring Renewable
24 Energy Credits from a Solar Electricity Resource, a Solar Water Heater, a Solar Space
25 Cooling system, a Landfill Gas Generator, a Wind Generator, or a Biomass Electricity
26 Generator that was installed and began operations between January 1, 2001, and
27

1 December 31, 2003, shall be eligible for an Early Installation Extra Credit Multiplier.
 2 Renewable Energy Credits derived from such facilities and acquired by Affected Utilities
 3 shall be eligible for five years following the facility's operational start-up. The multiplier
 4 shall vary according to the year in which the system began operating:

5	<u>2001</u>	.3
6		
7	<u>2002</u>	.2
8		
9	<u>2003</u>	.1

9 **D.** "In-State Power Plant Installation Extra Credit Multiplier." Affected Utilities acquiring
 10 Renewable Energy Credits from a Solar Electricity Resource that was installed in
 11 Arizona on or before December 31, 2005, shall be eligible for an In-State Power Plant
 12 Installation Extra Credit Multiplier. The Renewable Energy Credits derived from such a
 13 facility and acquired by an Affected Utility shall be multiplied by .5 annually for the life
 14 of the facility. The extra Renewable Energy Credits resulting from the multiplier shall be
 15 added to the Renewable Energy Credits produced by the Eligible Renewable Energy
 16 Resource to determine the total Renewable Energy Credits that may be used to meet an
 17 Affected Utility's Annual Renewable Energy Requirement.

19 **E.** "In-State Manufacturing and Installation Content Extra Credit Multiplier." Affected
 20 Utilities acquiring Renewable Energy Credits from a Solar Electricity Resource, a Solar
 21 Water Heater, a Solar Space Cooling system, a Landfill Gas Generator, a Wind
 22 Generator, or a Biomass Electricity Generator that was installed in Arizona on or before
 23 December 31, 2005, and that contains components manufactured in Arizona shall be
 24 eligible for an In-State Manufacturing and Installation Content Extra Credit Multiplier.

25
 26 The Renewable Energy Credits derived from such a facility and acquired by an Affected
 27

1 Utility shall be multiplied annually for the life of the facility by a factor determined by
2 multiplying .5 times the percent of Arizona content of the total installed plant.

3 F. "Distributed Solar Electric Generator and Solar Incentive Program Extra Credit
4 Multiplier." Affected Utilities acquiring Renewable Energy Credits from a Distributed
5 Solar Electric Generator that was installed in Arizona on or before December 31, 2005,
6 shall be eligible for a Distributed Solar Electric Generator and Solar Incentive Program
7 Extra Credit Multiplier if the facility meets at least two of the following criteria:
8

- 9 1. The facility is installed on customer premises,
- 10 2. The facility is included in any Affected Utility's approved Green Pricing
11 program,
- 12 3. The facility is included in any Affected Utility's approved Net Metering or
13 Net Billing program,
- 14 4. The facility is included in any Affected Utility's approved solar leasing
15 program; or
- 16 5. The facility is owned by and located on an Affected Utility's property or
17 customer property. The Renewable Energy Credits derived from such a
18 facility and acquired by an Affected Utility shall be multiplied by .5
19 annually for the life of the facility. Meters will be attached to each solar
20 electric generator and read at least once annually to verify solar
21 performance.
22

24 G. All multipliers are additive, except that the maximum combined Extra Credit Multiplier
25 shall not exceed 2.0.
26
27

1 **R14-2-1807. Manufacturing Partial Credit**

2 A. An Affected Utility may acquire Renewable Energy Credits to apply to the non-
3 distributed portion of its Annual Renewable Energy Requirement if it or its affiliate owns
4 or makes a significant investment in any solar electric manufacturing plant located in
5 Arizona or if it or its affiliate provides incentives to a manufacturer of solar electric
6 products to locate a manufacturing facility in Arizona.

7
8 B. The Renewable Energy Credits shall be equal to the nameplate capacity of the solar
9 electric generators produced and sold in a calendar year times 2,190 hours, which
10 approximates a 25 percent capacity factor.

11 C. Extra credit multipliers shall not apply to Renewable Energy Credits created by this
12 Section.

13
14 **R14-2-1808. Tariff**

15 A. Within 60 days of the effective date of these rules, each Affected Utility shall file with
16 the Commission a Tariff in substantially the same form as the Sample Tariff set forth in
17 these rules that proposes methods for recovering the reasonable and prudent costs of
18 complying with these rules. The specific amounts in the Sample Tariff are for illustrative
19 purposes only and Affected Utilities may submit, with proper support, Tariff filings with
20 alternative surcharge amounts.

21
22 B. The Affected Utility's Tariff filing shall provide the following information:

- 23 1. Financial information and supporting data sufficient to allow the Commission to
24 determine the Affected Utility's fair value for purposes of evaluating the Affected
25 Utility's proposed Tariff. Information submitted in the format of the Annual
26 Report required under R14-2-212(G)(4) will be the minimum information

1 necessary for filing a Tariff application but Commission Staff may request
2 additional information depending upon the type of Tariff filing that is submitted.

3 2. A discussion of the suitability of the Sample Tariff set forth in Appendix A for
4 recovering the Affected Utility's reasonable and prudent costs of complying with
5 these rules,

6 3. Data to support the level of costs that the Affected Utility contends will be
7 incurred in order to comply with these rules,

8 4. Data to demonstrate that the Affected Utility's proposed Tariff is designed to
9 recover only the costs in excess of the Market Cost of Comparable Conventional
10 Generation, and
11

12 5. Any other information that the Commission believes will be relevant to the
13 Commission's consideration of the Tariff filing.
14

15 C. The Commission will approve, modify, or deny a Tariff proposed pursuant to subsection
16 (A) within 180 days after the Tariff has been filed. The Commission may suspend this
17 deadline or adopt an alternative procedural schedule for good cause. The Affected
18 Utility's Annual Renewable Energy Requirement, as set forth in R14-2-1804(B), and
19 Distributed Renewable Energy Requirement, as set forth in R14-2-1805(B), will be
20 effective upon Commission approval of the Tariff filed pursuant to this section.

21
22 D. If an Affected Utility has an adjustor mechanism for the recovery of costs related to
23 Annual Renewable Energy Requirements, the Affected Utility may file a request to reset
24 its adjustor mechanism in lieu of a Tariff pursuant to subsection (A). The Affected
25 Utility's filing shall provide all the information required by subsection (B), except that it
26 may omit information specifically related to the fair value determination. The Affected
27

1 Utility's Annual Renewable Energy Requirement, as set forth in R14-2-1804(B), and
2 Distributed Renewable Energy Requirement, as set forth in R14-2-1805(B), will be
3 effective upon Commission approval of the adjustor mechanism rate filed pursuant to this
4 section.

- 5
6 E. An Affected Utility may file a rate case pursuant to R14-2-103 in lieu of a Tariff pursuant
7 to subsection (A). The Affected Utility's filing shall provide all information required by
8 subsection (B).

9 **R14-2-1809. Customer Self-Directed Renewable Energy Option**

10 A. By January 1, 2007, each Affected Utility shall file with Docket Control a Tariff by
11 which an Eligible Customer may apply to an Affected Utility to receive funds to install
12 distributed Renewable Energy Resources. The funds annually received by an Eligible
13 Customer pursuant to this Tariff may not exceed the amount annually paid by the Eligible
14 Customer pursuant to the Affected Utility's Tariff.

15
16 B. An Eligible Customer seeking to participate in this program shall submit to the Affected
17 Utility a written application that describes the Renewable Energy Resources that it
18 proposes to install and the projected cost of the project. An Eligible Customer shall
19 provide at least half of the funding necessary to complete the project described in its
20 application.

21
22 C. All Renewable Energy Credits derived from the project, including generation and Extra
23 Credit Multipliers, shall be applied to satisfy the Affected Utility's Annual Renewable
24 Energy Requirement.

25 **R14-2-1810. Uniform Credit Purchase Program**

26 A. The Director of the Utilities Division shall establish a Uniform Credit Purchase Program

1 working group, which will study issues related to implementing Distributed Renewable
2 Energy Resources. The working group shall address the consumer participation process,
3 budgets, incentive levels, eligible technologies, system requirements, installation
4 requirements, and any other issues that are relevant to encouraging the implementation of
5 Distributed Renewable Energy Resources. No later than March 1, 2007, the Director of
6 the Utilities Division shall file a staff report with recommendations for Uniform Credit
7 Purchase Programs.
8

- 9 **B.** No later than July 1, 2007, each Affected Utility shall file a Uniform Credit Purchase
10 Program for Commission review and approval.

11 **R14-2-1811. Net Metering and Interconnection Standards**

12 The Commission Staff shall host a series of workshops addressing the issues of rate
13 design including Net Metering and interconnection standards. Upon completion of this
14 task, and the adoption of rules or standards, if appropriate, each Affected Utility shall file
15 conforming Net Metering tariffs and interconnection standards in Docket Control.
16

17 **R14-2-1812. Compliance Reports**

- 18 **A.** Beginning April 1, 2007, and every April 1st thereafter, each Affected Utility shall file
19 with Docket Control a report that describes its compliance with the requirements of these
20 rules for the previous calendar year. The Affected Utility shall also transmit to the
21 Director of the Utilities Division an electronic copy of this report that is suitable for
22 posting on the Commission's website.
23

- 24 **B.** The compliance report shall include the following information:

- 25 1. The actual kWh of energy or equivalent obtained from Eligible Renewable
26 Energy Resources;
27

- 1 2. The kWh of energy or equivalent obtained from Eligible Renewable Energy
2 Resources normalized to reflect a full year's production;
3
4 3. The kW of generation capacity, disaggregated by technology type;
5
6 4. Cost information regarding cents per actual kWh of energy obtained from Eligible
7 Renewable Energy Resources and cents per kW of generation capacity,
8 disaggregated by technology type;
9 5. A breakdown of the Renewable Energy Credits used to satisfy both the Annual
10 Renewable Energy Requirement and the Distributed Renewable Energy
11 Requirement and appropriate documentation of the Affected Utility's receipt of
12 those Renewable Energy Credits; and
13 6. A description of the Affected Utility's procedures for choosing Eligible
14 Renewable Energy Resources and a certification from an independent auditor that
15 those procedures are fair and unbiased and have been appropriately applied.
- 16 C. The Commission may hold a hearing to determine whether an Affected Utility's
17 compliance report satisfies the requirements of these rules.

18 **R14-2-1813 Implementation Plans**

19 A. Beginning July 1, 2007, and every July 1st thereafter, each Affected Utility shall file with
20 Docket Control for Commission review and approval a plan that describes how it intends
21 to comply with these rules for the next calendar year. The Affected Utility shall also
22 transmit an electronic copy of this plan that is suitable for posting on the Commission's
23 website to the Director of the Utilities Division.
24

25 B. The implementation plan shall include the following information:

- 26 1. A description of the Eligible Renewable Energy Resources, identified by
27

1 technology, proposed to be added by year for the next five years and a description
2 of the kW and kWh to be obtained from each of those resources;

- 3 2. The estimated cost of each Eligible Renewable Energy Resource proposed to be
4 added, including cost per kWh and total cost per year;
- 5 3. A description of the method by which each Eligible Renewable Energy Resource
6 is to be obtained, such as self-build, customer installation, or request for
7 proposals;
- 8 4. A proposal that evaluates whether the Affected Utility's existing rates allow for
9 the ongoing recovery of the reasonable and prudent costs of complying with these
10 rules, including a Tariff application that meets the requirements of R14-2-1808
11 and addresses the Sample Tariff set forth in Appendix A if necessary; and
- 12 5. A line item budget that allocates specific funding for Distributed Renewable
13 Energy Resources, for the Customer Self-Directed Renewable Energy Option, for
14 power purchase agreements, for utility-owned systems, and for each Eligible
15 Renewable Energy Resource described in the Affected Utility's implementation
16 plan.
17
18

19 C. The Commission may hold a hearing to determine whether an Affected Utility's
20 implementation plan satisfies the requirements of these rules.
21

22 **R14-2-1814. Electric Power Cooperatives**

23 A. Within 60 days of the effective date of these rules, every electric cooperative that is an
24 Affected Utility shall file with Docket Control an appropriate plan for acquiring
25 Renewable Energy Credits from Eligible Renewable Energy Resources for the next
26 calendar year and a Tariff that proposes methods for recovering the reasonable and
27

1 prudent costs of complying with its proposed plan and addresses the Sample Tariff set
 2 forth in Appendix A. The cooperative shall also transmit electronic copies of these
 3 filings that are suitable for posting on the Commission's website to the Director of the
 4 Utilities Division. Upon Commission approval of this plan, its provisions shall substitute
 5 for the requirements of R14-2-1804 and R14-2-1805 for the electric power cooperative
 6 proposing the plan.
 7

- 8 B. Beginning July 1, 2007, and every July 1st thereafter, every electric cooperative that is an
 9 Affected Utility shall file with Docket Control an appropriate plan for acquiring
 10 Renewable Energy Credits from Eligible Renewable Energy Resources for the next
 11 calendar year. The cooperative shall also transmit an electronic copy of this plan that is
 12 suitable for posting on the Commission's website to the Director of the Utilities Division.
 13

14 **R14-2-1815. Enforcement and Penalties**

- 15 A. If an Affected Utility fails to meet the annual requirements set forth in R14-2-1804 and
 16 R14-2-1805, it shall include with its annual compliance report a notice of noncompliance.

- 17 B. The notice of noncompliance shall provide the following information:

- 18 1. A computation of the difference between the Renewable Energy Credits required
 19 by R14-2-1804 and R14-2-1805 and the amount actually obtained,
- 20 2. A plan describing how the Affected Utility intends to meet the shortfall from the
 21 previous calendar year in the current calendar year, and
- 22 3. An estimate of the costs of meeting the shortfall.

- 24 C. ~~An Affected Utility shall not recover the costs of meeting the shortfall described in~~
 25 ~~subsection (B) in rates unless otherwise ordered by the Commission after affording the~~
 26 ~~Affected Utility notice and an opportunity to be heard. If the Commission finds after~~
 27

1 affording an Affected Utility notice and an opportunity to be heard that the Affected
2 Utility has failed to comply with its implementation plan approved by the Commission as
3 set forth in R14-2-1813, the Commission may find that the Affected Utility shall not
4 recover the costs of meeting the shortfall described in R14-2-1815(B) in rates.

5
6 D. Nothing herein is intended to limit the actions the Commission may take or the penalties
7 the Commission may impose pursuant to Arizona Revised Statutes, Chapter 2, Article 9.
8 An Affected Utility is entitled to notice and an opportunity to be heard prior to
9 Commission action or imposition of penalties.

10 **R14-2-1816. Waiver from the Provisions of this Article**

- 11 A. The Commission may waive compliance with any provision of this Article for good
12 cause.
13
14 B. Any Affected Utility may petition the Commission to waive its compliance with any
15 provision of this Article for good cause.
16
17 C. A petition filed pursuant to these rules shall have priority over other matters filed at the
18 Commission.

18 **Appendix A. Sample Tariff**

19 Unless otherwise ordered by the Commission, the renewable energy standard surcharge shall be
20 assessed monthly to every retail electric service. This monthly assessment will be the lesser of
21 \$0.004988 per kWh or:
22

- 23 1. For residential customers, \$1.05 per service;
24 2. For non-residential customers, \$39.00 per service;
25 3. For non-residential customers whose metered demand is 3,000 kW or more for
26 three consecutive months, \$117.00 per service;
27

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

4. For non-metered services, the lesser of the load profile or otherwise estimated kWh required to provide the service in question, or the service's contract kWh shall be used in the calculation of the surcharge.

APPENDIX C**ECONOMIC, SMALL BUSINESS, AND CONSUMER IMPACT STATEMENT****A. Economic, small business, and consumer impact summary.****1. Proposed rulemaking.**

Proposed permanent rules R14-2-1801 through -1815 require gradual increases in the amount of electricity that is produced from renewable technologies. Under the proposed requirements, each Arizona public service corporation will be required to provide a certain percentage of its retail kWh from renewable resources, beginning with 1.25 percent in 2006 and gradually increasing to 15 percent after 2024. The proposed rules will increase the standards established in A.A.C. R14-2-1601 and -1618.

2. Brief summary of the economic impact statement.

The public at large would benefit from a renewable energy standard that requires a larger portion of the electricity sold in Arizona to be produced from renewable energy resources. Producing electricity from renewable energy resources has fewer adverse impacts on air, land, and water than producing electricity from conventional energy sources. In addition, most renewable resources rely on either free energy (such as the sun, wind and geothermal heat) or very low-cost energy (such as landfill gas and biomass) which are available locally in Arizona and are not subject to supply disruptions, manipulation of market prices, or wild unanticipated fluctuations in price. These features contribute to the reliability of the energy supply that Arizonans will depend upon to meet future energy needs.

With a major emphasis in the proposed Renewable Energy Standard and Tariff Rules on Distributed Resources, the reliability of service to areas with Distributed Resources will increase. Similarly, an increased reliance on local free energy resources will avoid the negative impacts of energy cost run-ups as were experienced in 2005 due to the impacts of Katrina and other hurricanes. The effect of including renewable resources in utilities' portfolios will contribute to the provision of reasonable rates over the long run, avoiding energy price fluctuations that can damage the Arizona economy.

The exact costs to Affected Utilities to meet the requirements of the proposed rules will vary over time. The factors that will impact these costs include the annual step increases in renewable kWh requirements, the types and costs of the various technologies that are used to meet the rules' requirements, the level of up-front incentives versus performance-based incentives that are requested and/or provided, the changes in the costs of conventional energy resources, and the market penetration of the eligible renewable energy resources.

Affected Utilities will be required, as stated in proposed R14-2-1808, to file a tariff that "proposes methods for recovering the reasonable and prudent costs of

complying with these rules." Affected Utilities will therefore submit tariffs that are designed to recover the costs of complying with the requirements of the proposed rules.

The cost to consumers will also vary over time and will directly follow the costs to the Affected Utilities. Although Staff cannot predict the exact costs that consumers will experience, Staff has developed a sample tariff based on likely costs of compliance in the years 2006-2008. The sample tariff is an attempt to approximate the costs that consumers will experience in roughly 2006-08. The costs to consumers suggested by the sample tariff are \$0.004988 per kWh of retail electricity used by the consumer with caps of \$1.05 per service per month for residential customers, \$39.00 per service per month for non-residential consumers whose demand is less than 3,000 kW per month, and \$117.00 per service per month for non-residential consumers whose demand is 3,000 kW or more per month.

In 2006 and 2007, depending upon the approval date for each Affected Utility's tariff, the cost to consumers is likely to be similar to the rates shown in the sample tariff, which is included as Appendix A to the proposed rules. After 2007, costs to consumers are likely to increase. The magnitude of the resulting increases will depend upon a variety of factors, such as:

- How well Affected Utilities are able to meet their Renewable Energy Standard requirements with the least-cost renewable energy resources.
- How much of a renewable energy base Affected Utilities were able to acquire during the years of the Environmental Portfolio Standard (2001-2006).
- How much of a market share the various renewable technologies are able to capture in the renewable energy marketplace.
- The change in prices, over the years, in the costs to purchase and install renewable energy systems.
- The changes in the costs of conventional energy over the upcoming years.

Adoption of the proposed rules would increase the portion of electricity sold in Arizona that is produced from renewable resources.

3. Name and address of agency employees to contact regarding this statement.

Ray T. Williamson, Utilities Engineer, or Janet Wagner, Senior Staff Counsel, at the Arizona Corporation Commission, 1200 West Washington, Phoenix, Arizona 85007.

B. Economic, small business, and consumer impact statement.

1. Identification of the proposed rulemaking.

The proposed rules will be a new section under Title 14, Chapter 2—Corporation Commission Fixed Utilities. Proposed permanent rules R14-2-1801 through -1815 require gradual increases in the amount of electricity that is produced from renewable technologies. Under the proposed requirements, each Arizona public service corporation will be required to provide a certain percentage of its retail kWh from renewable resources, beginning with 1.25 percent in 2006 and gradually increasing to 15 percent after 2024. The proposed rules will increase the standards established in A.A.C. R14-2-1601 and -1618.

2. Persons who will be directly affected by, bear the costs of, or directly benefit from the proposed rulemaking.

- a. the public at large
- b. consumers of electric service in Arizona
- c. electric public service corporations
- d. Arizona Corporation Commission
- e. manufacturers and installers of renewable electric power plants in Arizona
- f. manufacturers and distributors of solar water heaters, solar air conditioning systems, and other renewable energy systems
- g. employees of manufacturers and installers of renewable electric power plants in Arizona
- h. employees of manufacturers and distributors of solar water heaters, solar air conditioning systems, and other renewable energy systems
- i. public entities, such as schools, cities, counties, or state agencies.

3. Cost-benefit analysis.

a. Probable costs and benefits to the implementing agency and other agencies directly affected by the implementation and enforcement of the proposed rulemaking.

To the extent that the implementing agency and other agencies are customers of Affected Utilities, probable costs would include additional rates paid to Affected Utilities pursuant to tariffs filed pursuant to proposed rule R14-2-1808.

Probable costs to the Commission of the proposed rules would also include the costs associated with reviewing reports, establishing working groups pursuant to proposed R14-2-1810 and -1811, processing proposed tariffs pursuant to proposed R14-2-1808 and -1813, processing plans filed pursuant to proposed R14-2-1813 and -1814, and general overview and enforcement of the rules as a whole.

b. Probable costs and benefits to a political subdivision of this state directly affected by the implementation and enforcement of the proposed rulemaking.

To the extent that political subdivisions are customers of Affected Utilities, probable costs would include additional rates paid to Affected Utilities pursuant to tariffs filed pursuant to proposed rule R14-2-1808.

Local governments may benefit from increased property tax revenues resulting from renewable power plants being installed in Arizona. Local governments may also benefit from an increase in employment in the renewable energy industry.

c. Probable costs and benefits to businesses directly affected by the proposed rulemaking, including any anticipated effect on the revenues or payroll expenditure of employers who are subject to the proposed rulemaking.

A cost to an Affected Utility would be any costs of complying with the rules that are not recovered through the Affected Utility's rates to customers. Other costs may include penalties that may be imposed for failing to comply with the proposed rules. The anticipated effect on revenues or payroll expenditures of Affected Utilities would likely be minimal.

To the extent that businesses are customers of Affected Utilities, probable costs would include additional rates paid to Affected Utilities pursuant to tariffs filed pursuant to proposed rule R14-2-1808.

4. Probable impact on private and public employment in businesses, agencies, and political subdivisions of this state directly affected by the proposed rulemaking.

Manufacturers and installers of renewable electric power plants and other renewable energy systems in Arizona may hire additional employees. Manufacturers and distributors of solar water heaters, solar air conditioning systems, and other renewable energy systems may also hire additional employees. The impact on public employment would be minimal.

5. Probable impact of the proposed rulemaking on small businesses.

a. Identification of the small businesses subject to the proposed rulemaking.

Businesses that are subject to the proposed rules are "Affected Utilities," which are public service corporations that serve retail electric load in Arizona, but excluding any utility distribution company with more than half of its customers located outside of Arizona. Some of these businesses are small, but some are large regional businesses.

b. Administrative and other costs required for compliance with the proposed rulemaking.

A cost to small Affected Utilities would be any costs of complying with the rules that are not recovered through the Affected Utility's rates to customers. Other costs may include penalties that may be imposed for failing to comply with the proposed rules.

As for other small businesses that are not Affected Utilities but that are customers of Affected Utilities, probable costs would include additional rates paid to Affected Utilities pursuant to tariffs filed pursuant to proposed rule R14-2-1808.

c. A description of the methods that the agency may use to reduce the impact on small businesses.

The Commission could consider specific rate designs for small businesses when setting rates pursuant to proposed R14-2-1808.

d. Probable cost and benefit to private persons and consumers who are directly affected by the proposed rules.

The public at large would benefit from a renewable energy standard that requires a larger portion of the electricity sold in Arizona to be produced from renewable energy resources. Producing electricity from renewable energy resources has fewer adverse impacts on air, land, and water than producing electricity from conventional energy sources. In addition, most renewable resources rely on either free energy (such as the sun, wind and geothermal heat) or very low-cost energy (such as landfill gas and biomass) which are available locally in Arizona and are not subject to supply disruptions, manipulation of market prices, or wild unanticipated fluctuations in price. These features contribute to the reliability of the energy supply that Arizonans will depend upon to meet future energy needs.

With a major emphasis in the proposed Renewable Energy Standard and Tariff Rules on Distributed Resources, the reliability of service to areas with Distributed Resources will increase. Similarly, an increased reliance on local free energy resources will avoid the negative impacts of energy cost run-ups as were experienced in 2005 due to the impacts of Katrina and other hurricanes. The effect of including renewable resources in utilities' portfolios will contribute to the provision of reasonable rates over the long run, avoiding energy price fluctuations that can damage the Arizona economy.

The exact costs to Affected Utilities to meet the requirements of the proposed rules will vary over time. The factors that will impact these costs include the annual step increases in renewable kWh requirements, the types and costs of the various technologies that are used to meet the rules' requirements, the level of up-front incentives versus performance-based incentives that are requested and/or provided, the changes in the costs

of conventional energy resources, and the market penetration of the eligible renewable energy resources.

Affected Utilities will be required, as stated in proposed R14-2-1808, to file a tariff that "proposes methods for recovering the reasonable and prudent costs of complying with these rules." Affected Utilities will therefore submit tariffs that are designed to allow them to recover the costs of complying with the requirements of the proposed rules.

The cost to consumers will also vary over time and will directly follow the costs to the Affected Utilities. Although Staff cannot predict the exact costs that consumers will experience, Staff has developed a sample tariff based on likely costs of compliance in the years 2006-2008. The sample tariff is an attempt to approximate the costs that consumers will experience in roughly 2006-08. The costs to consumers suggested by the sample tariff are \$0.004988 per kWh of retail electricity used by the consumer with caps of \$1.05 per service per month for residential customers, \$39.00 per service per month for non-residential consumers whose demand is less than 3,000 kW per month, and \$117.00 per service per month for non-residential consumers whose demand is 3,000 kW or more per month.

In 2006 and 2007, depending upon the approval date for each Affected Utility's tariff, the cost to consumers is likely to be similar to the rates shown in the sample tariff, which is included as Appendix A to the proposed rules. After 2007, costs to consumers are likely to increase. The magnitude of the resulting increases will depend upon a variety of factors, such as:

- How well Affected Utilities are able to meet their Renewable Energy Standard requirements with the least-cost renewable energy resources.
- How much of a renewable energy base Affected Utilities were able to acquire during the years of the Environmental Portfolio Standard (2001-2006).
- How much of a market share the various renewable technologies are able to capture in the renewable energy marketplace.
- The change in prices, over the years, in the costs to purchase and install renewable energy systems.
- The changes in the costs of conventional energy over the upcoming years.

Based on reported results from the Environmental Portfolio Standard ("EPS") from 2001-2005 and reasonable assumptions about how the renewable energy marketplace will respond to the proposed rules, Commission staff has developed estimates of the costs to consumers after 2007. These costs will vary for each utility.

Some utilities performed well under the 2001-2005 EPS requirements and have built a base of renewable resources that will provide the foundation for meeting the requirements of the proposed rules. Others, by contrast, struggled to meet the 2001-2005 EPS requirements. The utilities that struggled with EPS compliance will probably find it more difficult to meet the requirements of the proposed rules. However, for both sets of utilities—those that performed well under the EPS requirements and those that failed to perform well—the rates set forth in the sample tariff will approximate the rates necessary in order to cover the costs of compliance with the proposed rules until approximately 2008. Thereafter, there may be substantial differences in compliance costs, depending upon how each Affected Utility proposes to meet its renewable requirements.

For utilities that performed well under the EPS requirements, the rates set forth in the sample tariff will approximate the rates necessary in order to cover the costs of compliance until approximately 2008. In 2008-2009, the caps may need to increase to approximately \$1.40 per service per month for residential customers, \$52.00 per service per month for non-residential customers whose demand is less than 3,000 kW per month, and \$156.00 per service per month for non-residential customers whose demand is 3,000 kW or more per month, although the basic kWh charge could remain the same (\$0.004988). In 2010-2011 and thereafter, the caps may need to increase to approximately \$2.00 per service per month for residential customers, \$75.00 per service per month for non-residential customers whose demand is less than 3,000 kW per month, and \$222.00 per service per month for non-residential customers whose demand is 3,000 kW or more per month, although the basic kWh charge could continue to remain the same (\$0.004988).

For utilities that did not perform well under the EPS requirements, the rates set forth in the sample tariff will approximate the rates necessary in order to cover the costs of compliance until approximately 2008. In 2008-2009, the caps may need to increase to approximately \$2.00 per service per month for residential customers, \$75.00 per service per month for non-residential customers whose demand is less than 3,000 kW per month, and \$222.00 per service per month for non-residential customers whose demand is 3,000 kW or more per month, although the basic kWh charge could remain the same (\$0.004988).

6. Probable effect on state revenues.

There may be a slight increase in state revenues resulting from increases in sales taxes on tariffs filed pursuant to proposed R14-2-1808. There may also be increases in income taxes resulting from an increase in Arizona manufacturing of renewable technologies.

7. Less intrusive or less costly alternative methods of achieving the purpose of the proposed rulemaking.

The Commission is unaware of any less intrusive or less costly methods that exist for achieving the purpose of the proposed rulemaking.

8. If for any reason adequate data are not reasonably available to comply with the requirements of subsection B of this section the agency shall explain the limitations of the data and the methods that were employed in the attempt to obtain the data and shall characterize the probable impacts in qualitative terms.

The data used to compile the information set forth in subsection B are reasonably adequate for these purposes. Some of this data are based upon projections. In addition, the analysis of the data uses an industry-wide approach, instead of a utility-specific approach.

The costs to Affected Utilities to meet the renewable requirements, for example, will vary by Affected Utilities, depending upon the approach each one takes in meeting its renewable requirements. In particular, an Affected Utility's ability to meet the new Renewable Energy Standard will be impacted by how well that utility performed in 2001-2006 under the Environmental Portfolio Standard.

The impacts on consumers will be determined by the Tariffs that are filed for Commission approval under R14-2-1808. It is these costs that are described in Subsection B of this Section.