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VIA DOCKET RE-00000A-24-0026

Kevin Thompson, Chair
Nick Myers, Vice Chair
René Lopez
Lea Márquez Peterson
Rachel Walden

Arizona Corporation Commission
1300 W. Washington Street
Phoenix, AZ 85007

Re: Do Not Repeal the Renewable Energy Standard and Tariff Rules

Dear Chair Thompson, Vice Chair Myers, and Commissioners,

I oppose the Commission's adoption of Staff's Proposed Order ("Proposed Order") to initiate a rulemaking process to repeal the Renewable Energy Standard and Tariff Rules ("REST Rules" or "Rules").[1] Repealing the REST Rules jeopardizes the affordability and reliability of electricity for millions of Arizonans, threatens vibrant state industries, and is unlawful. I recommend the Commission instead modernize the Rules to minimize unnecessary administrative costs.

I. The REST Rules help lower ratepayer costs, keep air conditioners running, and support a vibrant, statewide renewables industry.

I was a Corporation Commissioner when the REST Rules were adopted. The REST Rules were groundbreaking: Arizona utilities were required for the first time to procure 15% of their electricity from renewable resources by 2025, with 30% procured from distributed energy technologies like customer-owned rooftop solar systems. The Commission recognized that enforceable procurement rules, not voluntary goals, were necessary for utilities to adopt renewables at the scale needed to drive down costs and benefits ratepayers.

I strongly supported the REST Rules because I knew that they would unleash private market innovation to benefit all Arizonans. I also recognized that renewable

1 Docket RE-00000A-24-0026, *Utility Division Memorandum & Proposed Order*, docketed July 31, 2025, https://docket.images.azcc.gov/E000045545.pdf?i=1754514436655, ("Proposed Order").

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energy could be cheap, save ratepayers money, enhance grid reliability, and be made in Arizona. The REST Rules delivered on that potential.

The cost of wind and solar resources have declined concurrently with the REST Rules. Utility-scale solar costs have fallen by 84% since 2009, and utility-scale wind costs are down 55% over the same period.[2] Both utility-scale wind and solar are cheaper to construct than new natural gas, coal, or nuclear plants.[3] It is no surprise, then, that sunny Arizona produces the fifth-most solar power in the US.[4]

Renewables complement other sources of energy to help keep ratepayers' bills low and their lights on. Wind and solar generation reduce the need for utilities to import other states' volatilely priced natural gas. Pipelines sending natural gas to Arizona can be disrupted, causing energy prices to skyrocket.[5] Distributed energy resources like customer-owned rooftop solar systems also produce power when the sun is shining, slashing the need for utilities to deliver electricity to their customers during the hottest, most expensive times of day.

The REST Rules contributed to the flourishing of Arizona's renewables sector by providing a stable, predictable framework to spur private investment. The impact on the Arizona economy has been immense. Renewables account for almost half of Arizona's power sector jobs.[6] In 2023 alone, the solar industry generated more than $155 million in state, county, and local tax revenues.[7] Urban and rural communities alike benefit from renewables-related investments and jobs. Repealing the Rules will discourage continued investment and growth in this vibrant sector of the Arizona economy and instead drive it to other states.[8]

The Commission's Economic Impact Statement ("EIS"), offered to support repealing the Rules, concedes that doing so will harm Arizonans. Bills will likely increase for individuals and for businesses.[9] Renewables industry growth could

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2 Lazard, "Levelized Cost of Energy Comparison—Historical LCOE Comparison," (June 2025), https://www.lazard.com/media/uounhon4/lazards-lcoeplus-june-2025.pdf, at 14.
3 *Id*. at 8; *see also* The Brattle Group, *Brattle 2025 CONE Report for PJM*, (April 9, 2025), https://www.pjm.com/-/media/DotCom/committees-groups/committees/mic/2025/20250411-special/item-1-02-revised-cone-report-final.pdf at 6 (Gas-fired generation and transformer costs up 43-46% year-over-year due to supply chain constraints).
4 Neumann, J., Dutzik, T., Quentin, Good., *The State of Renewable Energy Dashboard*, ENVIRONMENT ARIZONA RESEARCH & POLICY CENTER, (May 2025), https://environmentamerica.org/arizona/center/resources/the-state-of-renewable-energy-dashboard/.
5 National Transportation Safety Board, *Kinder Morgan, Inc. Natural Gas-Fueled Explosion and Fire,* last visited August 11, 2025, https://www.ntsb.gov/investigations/Pages/PLD21FR003.aspx?os=vbkn42tqhopmkbextc&ref=app
6 Department of Energy, *Energy Employment By State 2024*, (2024), https://www.energy.gov/sites/default/files/2024-09/USEER%202024%20States_0913.pdf
7 The Western Way, *The Economic Benefits of Renewable Energy in Arizona*, (August 2024), https://www.thewesternway.org/azreport.
8 *Proposed Order* Exhibit B at 8.
9 *Proposed Order* Exhibit B at 4 ("APS has stated that virtually all of the $84.3 million in 2024 renewable energy expenses would remain under a no-REST scenario."); *Id.* ("Without strong policy

stall.[10] Localities, counties, and the state stand to lose out on tax revenue to pay for schools, roads, first responders, and other vital public services.[11] The purported benefits to utilities and the Commission of repealing the Rules—reduced compliance and administrative costs—pale in comparison.

To make matters worse, the EIS relies on demonstrably untrue assumptions. For example, the EIS assumes that federal renewable energy tax credits will continue to be widely available, despite being written after the One Big Beautiful Bill Act repealed the vast majority of said credits. Likewise, APS recently disproved the EIS' assumption that utilities will maintain voluntary renewable energy commitments by eliminating its pledge to generate 45% of its electricity with renewables by 2030.[12] These developments mean that maintaining the REST Rules is even more important for stable, predictable, and cost-effective renewable energy development in Arizona.

II. Under the circumstances, initiating a repeal of the REST Rules is unlawful.

In addition to being bad policy, repealing the REST Rules as proposed here is an unlawful abdication of the Commission's duty to set just and reasonable rates.

The REST Rules were adopted pursuant to the Commission's ratemaking authority, so the Commission's attempt to repeal them must also be.[13] Ratemaking decisions must be just and reasonable, which means they must be supported by substantial evidence, not arbitrary, and lawfully made.[14] The Commission's decision must be based on high-quality evidence, not speculation and conjecture.[15] The

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support for renewables, utilities may lean more heavily on natural gas or market purchases, increasing consumer exposure to fuel price volatility and potential rate spikes over time."); *Id.* at 6 ("With fewer renewables on the grid, Arizona's energy mix may lean more heavily on natural gas or wholesale power markets, making small businesses more vulnerable to future fuel price spikes and supply instability.").

10 *Id.* at 5 (Eliminating the REST Rules could reduce long-term investment, affect the entire clean energy supply chain and related services, dampen employment prospects and job training); *Id.* at 6 (Renewables-related small businesses may be negatively affected by the repeal of the Rules).

11 *Id.* at 8 (Repealing the REST Rules could reduce sales, income, and property tax receipts).

12 *Compare* Arizona Public Service Company, *Clean Energy,* last visited August 11, 2025, https://www.aps.com/en/About/Our-Company/Clean-Energy, *with* Arizona Public Service Company, *Clean Energy,* May 2024, https://web.archive.org/web/20250209113801/https://www.pinnaclewest.com/corporate-responsibility/environment/clean-energy/default.aspx (replacing APS' goals of supplying 100% carbon- free energy by 2050, 65% clean energy by 2030, and exiting coal-fired generation by 2031 with a goal to be "carbon-neutral by 2050").

13 Decision No. 69127 (2006) at 55-56; *Miller v. Arizona Corp. Comm'n*, 227 Ariz. 21, 29, ¶ 33, 251 P.3d 400, 408 (App. 2011).

14 Ariz. Cons. Art. 15, § 3; *Johnson Utilities, L.L.C. v. Arizona Corp. Comm'n*, 249 Ariz. 215, 222, ¶ 25 (2020).

15 *City of Tucson v. Citizens Utilities Water Co.*, 17 Ariz. App. 477, 481 (1972); *Arizona Corp. Comm'n v. Citizens Utilities Co.*, 120 Ariz. 184, 190 (App. 1978).

Commission must also rationally explain its findings of fact to support its Order and must reconcile its findings with any determinations it made when it adopted the REST Rules.[16]

The Proposed Order is not supported by substantial evidence. The evidentiary basis for the Order is speculative at best: rates "could" decrease and administrative costs "may" decline. That is speculation and conjecture, not the quality of evidence required for just and reasonable ratemaking.

The Proposed Order is arbitrary. The EIS concludes that repealing the REST Rules would likely be harmful in the aggregate. That means the Commission cannot rationally conclude, as it attempts to here, that the probable benefits of repealing the Rules outweigh the probable harm of doing so. The Proposed Order does not attempt to reconcile its findings of fact with those reached when the Commission adopted the REST Rules: that the Rules are just and reasonable because they reduce energy imports, cut air pollution, and enhance electric system reliability.[17]

These defects mean that the Commission cannot lawfully adopt the Proposed Order.

III. Conclusion: Leave the REST Rules intact.

Scrapping the REST Rules will raise power bills for families and businesses, undermine the reliability of Arizona's electric grid, and undercut a vibrant state industry that provides tens of thousands of jobs and tens of millions of dollars of tax revenue every year. Repealing the Rules isn't just nonsensical: it's unlawful. This is not to say the REST Rules are perfect. I wholeheartedly support an effort to modernize the Rules to reduce the administrative burden on Commission Staff and utilities. That would ensure Arizonans continue to reap the benefits of the REST Rules at an even lower cost.

Sincerely,

Kris Mayes
Attorney General
State of Arizona

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16 *Compassionate Care Dispensary, Inc. v. Arizona Dep't of Health Services*, 244 Ariz. 205, 213, ¶ 25 (App. 2018); *F.C.C. v. Fox Television Stations, Inc.*, 556 U.S. 502, 515–16, (2009).
17 Decision No. 69127 (2006) at 55-56.