

**Official Title**

A Constitutional Amendment

Amending Article XV of the Constitution of Arizona to Require Electricity Providers to Generate At Least 50% of Their Annual Sales of Electricity from Renewable Energy Sources

Text of Proposed Amendment

Be it enacted by the People of the State of Arizona:

**Section 1. Title.**

This Constitutional Amendment shall be known as the "Renewable Energy Promotion Amendment."

**Section 2. Article XV, Constitution of Arizona, is amended by adding Section 20, as follows:**

Section 20, Renewable Energy Promotion

**A. DEFINITIONS**

1. "Affected Utility" means a public service corporation serving retail electric load in Arizona.
2. "Annual Renewable Energy Requirement" means the portion of an Affected Utility's annual retail electricity sales that must come from Eligible Renewable Energy Resources.
3. "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.
4. "Distributed Generation" means electric generation sited at a 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.
5. "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 Section 3(C).
6. "Renewable Energy Credit" means the unit created to track kWh derived from an Eligible Renewable Energy Resource or kWh equivalent of Conventional Energy Resources displaced by Distributed Renewable Energy Resources.

→ 7. "Renewable Energy Resource" means an energy resource that is replaced rapidly by a natural, ongoing process and that is not nuclear or fossil fuel. ¶

→ 8. "Utility Distribution Company" means a public-service corporation that operates, constructs, or maintains a distribution system for the delivery of power to retail customers. ¶

→ 9. "Wholesale Distributed Generation Component" means non-utility owners of Eligible Renewable Energy Resources that are located within the distribution system and that do not require a transmission line over 69 kv to deliver power at wholesale to an Affected Utility to meet its Annual Renewable Energy Requirements. ¶

## B. ELIGIBLE RENEWABLE ENERGY RESOURCES ¶

→ 1. "Eligible Renewable Energy Resources" shall include biogas electricity generators, biomass electricity generators, distributed renewable energy resources, eligible hydropower facilities, fuel cells that use only renewable fuels, geothermal generators, hybrid wind and solar electric generators, landfill gas generators, new hydropower generators of 10 MW or less, solar electricity resources, and wind generators. ¶

→ 2. "Eligible Hydropower Facilities" are hydropower generators that were in existence prior to 1997 and that satisfy one of the following two criteria: ¶

→ → a. The facility increases capacity due to improved technological or operational efficiencies or operational improvements, in which case the kWh that are eligible to meet the Annual Renewable Energy Requirements shall be limited to the new, incremental kWh output resulting from the capacity increase that is delivered to Arizona customers; or ¶

→ → b. Generation from the facility is used to firm or regulate the output of other eligible, intermittent renewable resources, in which case the kWh that are eligible to meet the Annual Renewable Energy Requirements shall be limited to the kWh actually generated to firm or regulate the output of eligible intermittent Renewable Energy Resources and that are delivered to Arizona customers. ¶

→ 3. "New Hydropower Generator of 10 MW or Less" is a generator, installed after January 1, 2006, that produces 10 MW or less and that 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. ¶

→ 4. Except as provided in subsection B(2), Eligible Renewable Energy Resources shall not include facilities installed before January 1, 1997.¶

#### ¶ C. DISTRIBUTED RENEWABLE ENERGY RESOURCES ¶

¶ "Distributed Renewable Energy Resources" include biogas electricity generators, biomass electricity generators, geothermal generators, fuel cells that use only renewable fuels, new hydropower generators of 10 MW or less, solar electricity resources, biomass thermal systems, biogas thermal systems, commercial solar pool heaters, geothermal space heating and process heating systems, renewable combined heat and power systems, solar daylighting, solar HVAC systems, solar industrial process heating and cooling, solar space cooling, solar space heating, solar water heating, and wind generators of 1 MW or less.¶

#### ¶ D. RENEWABLE ENERGY CREDITS ¶

¶ A program shall be created and administered in which one Renewable Energy Credit shall be created for each kWh derived from an Eligible Renewable Energy Resource. For Distributed Renewable Energy Resources, one Renewable Energy Credit shall be created for each 3,415 British Thermal Units of heat produced by a solar water heating system, solar industrial process heating and cooling system, solar space cooling system, biomass thermal system, biogas thermal system, or solar space heating system. An Affected Utility may transfer Renewable Energy Credits to another party and may acquire Renewable Energy Credits from another party. Except in the case of Distributed Renewable Energy Resources, Affected Utilities must demonstrate the delivery of energy from Eligible Renewable Energy Resources to their retail consumers such as by providing proof that the necessary transmission rights were reserved and utilized to deliver energy from Eligible Renewable Energy Resources to the Affected Utility's system, if transmission is required, or that the appropriate control area operators scheduled the energy from Eligible Renewable Energy Resources for delivery to the Affected Utility's system.¶

#### ¶ E. ANNUAL RENEWABLE ENERGY REQUIREMENT ¶

→ 1. Each Affected Utility shall be required to satisfy an Annual Renewable Energy Requirement by obtaining Renewable Energy Credits from Eligible Renewable Energy Resources.¶

→ 2. An Affected Utility's Annual Renewable Energy Requirement is:¶

→ (a) → For calendar years 2019 through 2021, inclusive, not less than 20 percent of the total amount of electricity sold by the Affected Utility to its retail customers in this State during that calendar year.¶

→ (b) → For calendar years 2022 through 2024, inclusive, not less than 30 percent of the total amount of electricity sold by the Affected Utility to its retail customers in this State during that calendar year.¶

→ (c) → For calendar years 2025 through 2027, inclusive, not less than 40 percent of the total amount of electricity sold by the Affected Utility to its retail customers in this State during that calendar year.¶

→ (d) → For calendar years 2028 through 2030, inclusive, and each year thereafter, not less than 50 percent of the total amount of electricity sold by the Affected Utility to its retail customers in this State during that calendar year. ¶

→ 3. An Affected Utility may use Renewable Energy Credits acquired in any year to meet its Annual Renewable Energy Requirement. Once a Renewable Energy Credit is used by any Affected Utility to satisfy the requirement in this section, the credit is retired and cannot be subsequently used to satisfy these requirements or any other regulatory requirement. An Affected Utility that trades or sells environmental pollution reduction credits or any other environmental attributes associated with kWh produced by an Eligible Renewable Energy Resource may not apply Renewable Energy Credits derived from that same kWh to satisfy the requirements in this section. ¶

#### F. DISTRIBUTED RENEWABLE ENERGY REQUIREMENT ¶

→ 1. Each Affected Utility shall be required to satisfy a Distributed Renewable Energy Requirement by obtaining Renewable Energy Credits from Distributed Renewable Energy Resources. ¶

→ 2. An Affected Utility's Distributed Renewable Energy Requirement is: ¶

→ (a) → For calendar years 2019 through 2021, inclusive, not less than 8 percent of the Affected Utility's Annual Renewable Energy Requirement. ¶

→ (b) → For calendar years 2022 through 2024, inclusive, not less than 12 percent of the Affected Utility's Annual Renewable Energy Requirement. ¶

→ (c) → For calendar years 2025 through 2027, inclusive, not less than 16 percent of the Affected Utility's Annual Renewable Energy Requirement. ¶

→ (d) → For calendar years 2028 through 2030, inclusive, and each year thereafter, not less than 20 percent of the Affected Utility's Annual Renewable Energy Requirement. ¶

→ 3. An Affected Utility may use Renewable Energy Credits acquired in any year to meet its Distributed Renewable Energy Requirement. Once a Renewable Energy Credit is used by any Affected Utility to satisfy these requirements, the credit is retired. An Affected Utility shall meet one-half of its annual Distributed Renewable Energy Requirement from residential applications and the remaining one-half from nonresidential, non-utility applications. ¶

→ 4. An Affected Utility may satisfy no more than 10 percent of its annual Distributed Renewable Energy Requirement from Renewable Energy Credits derived from Distributed Renewable Energy Resources that are non-utility-owned generators that sell electricity at wholesale to Affected Utilities. This Wholesale Distributed Generation Component shall qualify for the non-residential portion of the Distributed Renewable Energy Requirement. ¶

#### Section 4. Severability. ¶

The People of Arizona declare their intention that the provisions of this Constitutional Amendment are severable. If any provision of this Constitutional Amendment is held invalid for any reason, the remaining provisions of this Amendment shall be severed from the void portion and given the fullest possible force and application. ¶

**Section 5. -Submission to Voters. ¶**

The Secretary of State shall submit this Constitutional Amendment to the voters at the next general election as provided by Article XXI, Section 1, Constitution of Arizona. ¶

**Section 6. -Effective Date and Implementation. ¶**

A. -If approved by the voters, this Constitutional Amendment shall take effect as of January 1, 2019. ¶

B. -Corporation Commission shall promptly make such changes in and additions to regulations as are necessary to fully implement the provisions of this Constitutional Amendment. ¶

C. -The rights established by this Section shall be construed broadly. ¶

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