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Arizona Pulls the Plug on Renewable Mandates: Key Implications for the Energy Industry

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Overview

On March 4, 2026, the Arizona Corporation Commission (ACC) voted to repeal Arizona's Renewable Energy Standard and Tariff Rules (REST Rules), A.A.C. Title 14, Chapter 2, Article 18. In effect since 2007, the REST Rules required regulated electric utilities to obtain a minimum—and escalating—percentage of retail electricity sales from eligible renewable resources, peaking at 15% after 2024. The rules also established a dedicated cost-recovery mechanism implemented through a surcharge on customer bills to fund utility renewable energy programs and incentives. The repeal eliminates the mandate along with associated compliance, reporting, and incentive program requirements.

Key Takeaways

- Arizona's 19-year renewable energy mandate is gone. The ACC voted on March 4, 2026 to repeal the REST Rules, the most significant shift in Arizona energy regulation in nearly two decades.
- Current renewable projects and programs stay intact, but developers and investors lose the predictable utility demand the mandate guaranteed.
- It's not final yet. The repeal must clear an Attorney General review by April 2, 2026, and legal challenges are expected.

Why Did the Commission Act?

The ACC grounded its decision in several key findings:

- (1) The three largest utilities subject to the REST rules—APS, TEP, and UNS Electric—already met or exceeded the 15% target in 2022, 2023, and 2024, and the requirement was not set to increase further;
- (2) Ratepayers of those three utilities paid over \$2.3 billion in REST surcharges since inception, with above-market contracts continuing to burden customers (e.g., APS's Solana plant at 15 cents/kWh versus today's utility-scale solar average of 2.5 cents/kWh); and
- (3) The existing All-Source Request for Proposals (RFP) process, which was not in place when the REST Rules were adopted, now emphasizes



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selecting the least-cost, reliable resources to serve new load or demand. In the Commission's view, that procurement framework will avoid a separate mandate that can "tilt the scales" and drive up costs for customers and utilities alike.

The Commission also cited the Arizona Supreme Court's 2020 decision in *Johnson Utilities, LLC v. Arizona Corporation Commission*, as casting doubt on whether the REST Rules were wholly authorized under the Commission's plenary ratemaking authority.

Key Implications

For renewable energy developers and investors, near-term project stability is largely preserved, as existing contracts and programs remain intact, and, in many cases, renewables remain cost-competitive without a mandate. However, removing the renewable procurement mandate may introduce longer-term uncertainty, particularly for distributed generation developers who relied on utility incentive programs funded by REST surcharges, and for project developers and investors who valued the standard as providing a predictable baseline of ongoing utility demand for renewable generation. The combined effect of the REST repeal and potential federal Inflation Reduction Act (IRA) modifications could also meaningfully affect project financing.

For nonrenewable energy stakeholders, the repeal gives utilities greater flexibility to select resources based on cost and reliability without a renewable mandate, potentially improving the competitive position of dispatchable resources, including natural gas, in utility procurement processes. Even so, market economics continue to favor renewables for many applications, and the All-Source RFP and Integrated Resource Plan (IRP) frameworks remain in place.

Utilities gain regulatory relief from annual filing requirements and greater portfolio flexibility. However, existing contractual obligations remain, and REST surcharges will continue until modified through rate cases. Utilities should develop strategies for managing Renewable Energy Certificate (REC) portfolios and should anticipate Commission scrutiny of REST-related costs in upcoming rate proceedings.

Legal Challenges Ahead

The repeal is likely to face legal challenges. The Arizona Attorney General's Office argued during the rulemaking that the repeal is legally deficient and unsupported by sufficient evidence. Key issues likely to be raised include whether the repeal is supported by substantial evidence, whether the Economic Impact Statement adequately supports the cost-benefit finding, and whether the repeal is consistent with the Commission's constitutional mandate to ensure just and reasonable rates.

The Notice of Final Rulemaking package must be filed with the Attorney General by April 2, 2026, for review under A.R.S. § 41-1044 before the repeal becomes final.

Bottom Line

The REST repeal is the most significant shift in Arizona's renewable energy regulatory framework in nearly two decades. Continued renewable development is expected to be driven by market forces, but the elimination of the mandate introduces real uncertainty around REC integrity, utility incentive programs, and investor confidence.

All industry participants should monitor the Attorney General's review process, potential litigation, and related Commission proceedings, particularly the IRP/All-Source RFP docket, and engage proactively to protect their interests.

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