

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 7386

BILL NUMBER: HB 1714

NOTE PREPARED: Jan 12, 2007

BILL AMENDED:

SUBJECT: Sale or Export of Electricity.

FIRST AUTHOR: Rep. Crooks

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: GENERAL
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill amends the laws governing: (1) the construction of electric generating facilities; and (2) incentives for clean coal and energy projects; to require the Utility Regulatory Commission (IURC) to consider the ability of a facility to sell or export electricity that is generated at the facility and not otherwise needed to meet the needs of Indiana customers.

Effective Date: Upon passage.

Explanation of State Expenditures: *IURC:* This bill will increase the administrative costs of the IURC by requiring amendment to current procedures for certification of construction of electric generating facilities, and rate adjustments for cost recovery for clean coal and energy projects. The bill amends these statutes to require the IURC to consider the ability of a facility to sell or export electricity that is generated at the facility and not otherwise needed to meet the needs of Indiana customers. The amount of the increase in costs is indeterminable, but it is estimated that the IURC could implement these provisions through the use of existing staff and resources.

Background on IURC Funding: The operating budgets of the IURC and OUCC are funded by regulated utilities operating in Indiana. The IURC determines the rate at which to bill the utilities based on the two agencies' budgets, less reversions, divided by the total amount of gross intra-state operating revenue received by the regulated utilities for the previous fiscal year. Based on this formula, utilities are currently billed approximately 0.15% of their gross intra-state operating revenues to fund the IURC and OUCC. In FY 2006, fees from the utilities and fines generated approximately \$11.8 M.

All State and Local Units: This bill adds facilities that sell or export electricity that is generated at the facility

and not otherwise needed to meet the needs of Indiana customers to the definition of eligible business in IC 8-1-8.8-6 and the definition of new generating facility under IC 8-1-8.8-8. The bill, by adding these facilities to these definitions, is allowing these facilities to seek rate adjustments for cost recovery and financial incentives from the IURC currently provided by statute to clean coal and energy projects, construction or repower of a new energy generating facility, and development of alternative and renewable energy resources.

By allowing these rate adjustments for cost recovery this bill will impact any state or local unit of government which purchases utility service from a facility that sell or export electricity that is generated at the facility and not otherwise needed to meet the needs of Indiana customers. The amount of the increase in costs is indeterminable, and could be offset by the possible increase in Utility Receipts Tax (URT) and Utility Services Use Tax collections (USUT) from the increase in receipts by utilities increasing rates.

Background: The rate for both the URT and USUT is 1.4%. The URT is calculated on the gross receipts of all entities providing the retail sale of utility services in Indiana. The USUT is imposed on the retail consumption of utility services in Indiana.

Explanation of State Revenues: By allowing rate adjustments for more facilities to recover costs this bill could increase URT and USUT collections. Any increase in collections will ultimately be determined by the increase in receipts for a utility that is permitted the IURC to adjust their rates for cost recover under the bill.

Explanation of Local Expenditures: By allowing these rate adjustments for cost recovery this bill will impact any state or local unit of government which purchases utility service from a facility that sell or export electricity that is generated at the facility and not otherwise needed to meet the needs of Indiana customers. The amount of the increase in costs is indeterminable, and could be offset by the possible increase in Utility Receipts Tax (URT) and Utility Services Use Tax collections (USUT) from the increase in receipts by utilities increasing rates.

Explanation of Local Revenues:

State Agencies Affected: All; Utility Regulatory Commission.

Local Agencies Affected: All.

Information Sources:

Fiscal Analyst: Adam Brown, 317-232-9854.