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**FISCAL IMPACT STATEMENT**

**LS 6800**

**BILL NUMBER:** HB 1181

**NOTE PREPARED:** Dec 31, 2007

**BILL AMENDED:**

**SUBJECT:** Rate Adjustment Mechanisms for Utilities.

**FIRST AUTHOR:** Rep. Moses

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:**  GENERAL  
 DEDICATED  
 FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** This bill provides that not later than four years after the effective date of an order of the Indiana Utility Regulatory Commission (IURC) approving a rate adjustment mechanism for an energy utility, the Office of Utility Consumer Counselor (OUCC) may file a petition requesting that the IURC review, and revise as necessary, the utility's basic rates and charges. It requires the IURC to use the procedures governing a general rate case in conducting the review.

**Effective Date:** January 1, 2008 (retroactive).

**Explanation of State Expenditures:** This bill may cause an indeterminable increase in administrative costs of the IURC should the OUCC file a petition with the IURC to review, and revise as necessary, a utility's basic rates and charges.

If a petition is filed by the OUCC, the bill requires the IURC to do the following:

- (1) Develop a method to review, and revise as necessary, the utility's basic rates and charges, regardless of whether the utility has filed a request for a general increase. The review is to take place not later than four years after the effective date of a rate adjustment mechanism ordered by the commission.
- (2) Combine the review of a new rate adjustment mechanism requested by the utility with the review required by this bill's provisions.

State governmental entities would be subject to any changes in utility costs caused by the provisions in this bill. Depending on the cost recovery incentives implemented by the IURC, there could be an increase or

decrease in utility rates.

*Background on IURC Funding:* The operating budget of the IURC is funded by regulated utilities operating in Indiana. The IURC determines the rate at which to bill the utilities based on the agency's budget, 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.

**Explanation of State Revenues:** To the extent that the cost recovery incentives developed by the IURC allow for a rate change, there could be a change in Utility Receipts Tax and Utility Services Use Tax.

**Explanation of Local Expenditures:** Local governmental entities, including schools, would be subject to any changes in utility costs caused by the provisions in this bill.

**Explanation of Local Revenues:** The provisions of this bill could affect the rates (either an increase or a decrease in rates) public, municipally owned, or cooperatively owned utilities charge.

**State Agencies Affected:** All.

**Local Agencies Affected:** All.

**Information Sources:**

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