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FISCAL IMPACT STATEMENT

LS 7334 **NOTE PREPARED:** Jan 7, 2009
BILL NUMBER: HB 1306 **BILL AMENDED:**

SUBJECT: Voluntary Renewable Portfolio Standard Program.

FIRST AUTHOR: Rep. Koch **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: <u>X</u> **GENERAL** **IMPACT:** State
<u>X</u> **DEDICATED**
FEDERAL

<u>Summary of Legislation:</u> This bill requires the Indiana Utility Regulatory Commission (IURC) to adopt rules to establish the Renewable Energy Portfolio Standard Program . It provides that the program must be a voluntary program that provides incentives to participating electricity suppliers that undertake to supply specified percentages of the total electricity supplied to their Indiana retail electric customers from renewable energy.

It sets forth three renewable portfolio standard goals (RPS goals) that a participating electricity supplier must achieve during specified periods during the program to qualify for one or more of the financial incentives available under the program. The bill provides that a participating electricity supplier may own or purchase one or more renewable energy credits to meet any of the RPS goals.

It provides that the financial incentives under the program must include: (1) a shareholder incentive consisting of an increased overall rate of return on equity, not to exceed 50 basis points over the authorized rate of return, whenever a participating electricity supplier attains an RPS goal; and (2) the recovery, by means of a period rate adjustment mechanism, of reasonable and necessary program costs incurred by an electricity supplier in participating in the program.

Beginning in 2012, requires each participating electricity supplier to report to the IURC before March 1 of each year on the participating electricity supplier's efforts to meet the RPS goals included in the program. Beginning in 2012, requires the IURC to include in its annual energy report to the Regulatory Flexibility Committee a summary of the information reported by the participating electricity suppliers.

<u>Effective Date:</u> Upon passage.

<u>Explanation of State Expenditures:</u> *IURC* - This bill will increase administrative costs for the IURC. The IURC is required to establish the Renewable Energy Portfolio Standard Program and monitor participating electric utilities' progress in meeting the RPS goals. It is estimated that the IURC will be able to implement these provisions within its existing level of resources.

State and Local Utility Expenditures: This bill could also increase expenditures by state agencies and local units for utilities to the extent that the provisions allowing for cost recovery would increase utility rates. The overall impact on expenditures is indeterminable.

<u>Explanation of State Revenues:</u> *Utility Rates:* It is estimated that utility rates will increase under the bill due to the provision requiring the IURC to allow an electricity supplier to recover reasonable and necessary costs incurred in participating in the program. To the extent that utility rates are affected by the provisions in this bill, there will be an impact on Sales Tax, Utility Receipts Tax (URT), and Utility Services Use Tax (USUT) collections. The amount of any increase in rates will be determined by the rate adjustments allowed for cost recovery.

As used in the bill, "electricity supplier" means a public utility that furnishes retail electric service to the public, but does not include municipally owned utilities.

<u>Background Information</u> - The Renewable Energy Portfolio Standard Program (established in this bill) is an incentive program for supplying electricity generated from renewable energy resources. An electricity supplier that seeks to participate in the program must submit an application showing a reasonable expectation of being able to supply 12% of its electricity from renewable energy by December 31, 2023.

The bill specifically lists energy included in the definition of renewable energy resource. As used in this bill, renewable energy resource means any of the following : methane systems that convert waste products including animal, food, and plant waste into electricity; methane recovered from landfills; wind, solar photovoltaic cells and panels; geothermal energy; hydropower (other than hydropower involving the construction of new dams or expansion of existing dams); dedicated crops grown for energy production; agricultural crop waste; sawmill or timber waster (other than waste derived from commercial grade timber); fuel cells that directly convert chemical energy in a hydrogen-rich fuel into electricity; clean coal and energy projects described in IC 8-1-8.8-2(1)(D); carbon capture and storage products; nuclear energy; coal bed methane; and electricity generated from a customer owned distributed generation facility that is interconnected to the electricity supplier's distribution system in accordance with the commission's interconnection standards set forth in 170 IAC 4-4.3 and supplied back to the electricity supplier for use in meeting the electricity supplier's electricity demand requirements.

Taxes: 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. Both the URT and USUT are deposited in the state General Fund.

Sales Tax revenue is deposited in the state General Fund (99.178%), the Public Mass Transportation Fund (0.670%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%

<u>Explanation of Local Expenditures:</u> See *Explanation of State Expenditures*.

<u>Explanation of Local Revenues:</u>

State Agencies Affected: IURC, All.

Local Agencies Affected: All.

Information Sources:

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