

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6552

BILL NUMBER: SB 300

NOTE PREPARED: Apr 9, 2009

BILL AMENDED: Apr 9, 2009

SUBJECT: Net Metering; Renewable Energy

FIRST AUTHOR: Sen. Merritt

FIRST SPONSOR: Rep. Moses

BILL STATUS: 2nd Reading - 2nd House

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) *Net Metering* :This bill requires the Indiana Utility Regulatory Commission (IURC) to adopt emergency rules amending the IURC's net metering and interconnection rules for electric utilities. It provides that the amended rules must: (1) make net metering available to certain specified customer classes; (2) allow a net metering customer to interconnect a generating facility with a nameplate capacity of one megawatt or less to the distribution facility of an electric utility; and (3) allow a net metering customer to interconnect a generating facility that makes use of certain specified technologies. It provides that the existing rules are void to the extent they do not comply with the requirements for the amended rules. It also provides that the amended rules do not apply to Rural Electric Membership Corporations (REMCs) or municipal utilities. It requires the IURC to report to the Regulatory Flexibility Committee on the IURC's progress in adopting the amended rules.

Renewable Energy Development: This bill requires an electricity supplier to supply a certain percentage of its total electricity supply from renewable energy resources. It requires the IURC to report to the Regulatory Flexibility Committee on industry compliance with the renewable energy standard.

Effective Date: Upon Passage; July 1, 2009.

Explanation of State Expenditures: *IURC:* This bill requires the IURC to adopt rules on net metering and interconnection of electric utilities and report to the Regulatory Flexibility Committee on its progress in adopting the rules. The bill also requires the IURC to monitor compliance with the renewable energy standard established in the bill and impose penalties for noncompliance. There could be an increase in IURC's expenditures to the extent that the IURC conducts public hearings required for making a determination that an event beyond the reasonable control of an electricity supplier prevented that supplier from fulfilling the supplier's renewable energy resource requirements. It is estimated that the IURC could

implement these provisions with its existing level of resources.

State and Local Utility Expenditures: The bill includes state and local governments in the class of electricity consumers which must be offered net metering services. Under current IURC rules (170 IAC 4-4.2) investor-owned electric utilities (IOEU) must offer net metering to residential customers and K-12 schools that install a net metering facility. Currently, IOEUs may, but are not required, to offer net metering to state and local governments. The bill would require all electric utilities to offer net metering to state and local governments, as well as other customer classes as listed in the bill.

To the extent that any governmental entity chooses to utilize net metering, there could be a decrease in that entity's electric utility expenditures. The net impact will ultimately depend on the amount of revenue the state or local agency can generate through the sale of renewable energy back to an electric utility versus the rate increases charged by the utility due to cost recovery provisions (See *Utility Rates* section under Explanation of State Revenues)

Explanation of State Revenues: *Utility Rates:* It is estimated that utility rates could increase under the bill due to the provision allowing for cost recovery associated with purchase of energy, capacity, or renewable energy credits by electricity suppliers. The bill specifically lists energy that is defined as renewable energy. The bill requires an electricity supplier to gradually supply a certain percentage of its total electricity supply from renewable energy resources, so that by the calendar year ending December 31, 2025, the electricity supplier must supply 15% of its total electricity from renewable energy resources.

The bill provides that the IURC shall limit the increase in a consumer's utility expenditure to 1%. To the extent that any of the provisions of this bill increase utility rates, there could be an increase in Utility Receipts Tax (URT), Utility Services Use Tax (USUT), and Sales Tax collections. The amount of any increase is indeterminable and will depend on rate adjustments allowed by the IURC for cost recovery.

Explanation of Local Expenditures: See *State and Local Government Utility Expenditures* section under *Explanation of State Expenditures*.

Background Information on Net Metering - As stated by the U.S. Department of Energy, "net metering allows consumers to offset the cost of electricity they buy from a utility by selling renewable electric power generated at their homes or businesses back to the utility. In essence, a customer's electric meter can run both forward and backward in the same metering period, and the customer is charged only for the net amount of power used."

As used in this bill, the term "electricity supplier" does not include REMCs or municipally owned utilities.

Explanation of Local Revenues:

State Agencies Affected: All.

Local Agencies Affected: All.

Information Sources: United States Department of Energy website;
http://www.eere.energy.gov/states/alternatives/net_metering.cfm

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