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**FISCAL IMPACT STATEMENT**

**LS 6107**

**BILL NUMBER:** HB 1128

**NOTE PREPARED:** Apr 8, 2011

**BILL AMENDED:** Apr 7, 2011

**SUBJECT:** Renewable Energy Resources

**FIRST AUTHOR:** Rep. Koch

**FIRST SPONSOR:** Sen. Merritt

**BILL STATUS:** CR Adopted - 2<sup>nd</sup> House

**FUNDS AFFECTED:**  **GENERAL**  
 **DEDICATED**  
 **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) *Renewable Energy Resources*: This bill provides that the following qualify as a renewable energy resources for purposes of the statute that provides financial incentives for clean coal and energy projects: (1) Hydrogen. (2) Coal bed methane derived from a naturally occurring biogenic process. (3) Low temperature, oxygen starved gasification of municipal solid waste. (4) Methane recovered from landfills for the production of electricity.

*Emergency Rules.* This bill allows the Department of Natural Resources to adopt emergency rules for most aspects of oil and gas and other petroleum regulation.

*Regulation of Coal Bed Methane Wells.* It provides that oil and gas statutes do not apply to methane ventilation governed under an approved federal Mine Safety and Health Administration coal mine ventilation plan. The bill modifies the definition of "waste" to include the reduction on commercially minable resources of certain coal bed methane activities. It allows the director to review certain activities that may result in waste or endangerment of the health and safety of miners. The bill also requires the Natural Resources Commission to regulate various aspects of coal bed methane wells. It provides for regulation of coal bed methane wells and other gas wells in a similar manner. It requires coal bed methane well permit applicants to disclose products to be used in the stimulation process of coal seams. It also terminates the restriction on the extraction of coal bed methane from a well for oil and gas purposes.

*Division of Oil and Gas:* This bill requires the Division of Oil and Gas (Division) to give notice to certain persons of applications for coal bed methane permits, prohibits issuance of a permit less than 30 days after the posting, and establishes other permit issuance criteria. It requires the Division of Oil and Gas to act on a permit application within thirty (30) days after the elapse of the notice period to parties interested in developing commercially minable coal resources. It requires the director of the Division of Oil and Gas to

hold, within 30 days after a request, an informal hearing when there is a dispute regarding well locations. It also allows the Division to require an owner or operator to modify the location for the drilling of a well for oil and gas purposes, and requires an owner or operator to provide notice of the intent to drill under certain circumstances.

This bill establishes coal seam protection requirements with respect to producing vertical oil and gas wells. It adjusts the requirements for an affidavit and map used to determine if a commercially minable coal resource is present in an area for which a permit application has been filed. The bill allows the Division to release information regarding the presence of commercially minable coal seams to a person with an interest only in oil and gas explorations in addition for a well applicant.

This bill adjusts the requirements for plugging wells. It allows the director of the Division of Oil and Gas to approve alternative plugging methods. The bill allows an owner or operator of a coal mine to burn by flares coal bed methane under certain circumstances. It also limits the exercise of rights in certain circumstances under a coal bed methane estate if the exercise affects miner safety or coal resources. It repeals provisions concerning requirements for coal seam protection and for plugging of wells.

**Effective Date:** July 1, 2011.

**Explanation of State Expenditures:** *Indiana Utility Regulatory Commission (IURC):* This bill will increase administrative expenditures of the IURC by requiring the IURC to evaluate applications to determine eligibility for financial incentives. It is estimated that the IURC will be able implement this provision with its existing level of resources.

*(Revised) State and Local Government Utility Expenditures:* This bill could increase expenditures by state and local governments for utilities. It is estimated that the amendment to the definition of renewable energy resources will increase the number of utilities that are eligible for the incentives provided for implementing that type of technology, and therefore allow more utilities to adjust rates and recover costs for such technology.

*(Revised) Department of Natural Resources (DNR):* The bill will require the adoption of rules and posting of information on the DNR website. The Division must maintain a list of certain interested parties and give written notice of each complete permit application to each party on the list. The division may not issue a permit until it follows certain guidelines. The bill's requirements are within the DNR's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

**Background.** The Division of Oil & Gas does not receive funding from the state General Fund, but is funded by a dedicated fund and federal funds. The dedicated fund--the Oil & Gas Fund--receives 70% to 80% of its revenue from the Petroleum Severance Tax. Other sources of revenue for the fund include permit fees assessed when applying for a permit to drill for oil and/or gas. The Division operates on a budget of approximately \$1.3 M.

**Explanation of State Revenues:** *Utility Rate Increases:* To the extent that this bill increases 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 ultimately depend on rate adjustments allowed by the IURC for cost recovery.

**Explanation of Local Expenditures:** See *Explanation of State Expenditures*.

**Explanation of Local Revenues:**

**State Agencies Affected:** IURC; DNR; All.

**Local Agencies Affected:** All.

**Information Sources:** Chris Smith, DNR.

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