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FISCAL IMPACT STATEMENT

LS 7046
BILL NUMBER: SB 453

NOTE PREPARED: Dec 29, 2010
BILL AMENDED:

SUBJECT: Renewable Energy Development.

FIRST AUTHOR: Sen. Breaux
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill requires an electricity supplier to supply a certain percentage of its total electricity supply from renewable energy resources. It establishes the Renewable Energy Resources Fund (RERF) to receive penalties paid by electricity suppliers that fail to supply electricity from renewable energy resources. The bill also requires the Indiana Utility Regulatory Commission (IURC) to report not later than April 1, 2016, to the General Assembly on the effectiveness of and industry compliance with the renewable energy standard. It appropriates money in the fund.

Effective Date: Upon passage.

Explanation of State Expenditures: *IURC:* This bill will increase the administrative expenditures of the IURC. The amount of the increase is indeterminable and will ultimately depend on administrative decisions made by the IURC in implementing the renewable energy resource requirements in this bill. There could also be an increase in IURC 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.

Indiana Economic Development Corporation (IEDC): The bill provides that the IEDC must administer the Renewable Energy Resources Fund (established in this bill). The increase in expenditures to the IEDC from this provision may be totally offset by the required reimbursement from the RERF. The bill provides that the cost of administering the fund may not exceed 10% of the balance in the fund.

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

Explanation of State Revenues: *RERF:* The bill requires electricity suppliers that do not meet the renewable energy resource requirements in the bill to pay a penalty equal to the number of megawatt hours of renewable energy that the electricity supplier was required but failed to supply multiplied by \$50. The penalties are required to be deposited in the RERF. The amount of penalties that may be collected is indeterminable. The amount of the penalty collections will depend on the number of electricity suppliers: (1) that fail to meet the bill's requirements; and (2) that were prevented from meeting these requirements due to events out of the control of the supplier. If the electricity supplier failed due to events out of the supplier's control, the IURC may reduce the electricity supplier's renewable energy obligations.

The bill defines electricity supplier as a public utility that furnishes retail electric service to the public, not including rural electric membership cooperatives (REMCs) or municipally owned utilities.

Utility Rates: To the extent that utility rates are affected by the renewable energy resource requirements in this bill, there will be an impact on Sales Tax, Utility Receipts Tax (URT), and Utility Services Use Tax (USUT) collections. 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: (1) constructing, operating, or maintaining facilities to comply with this chapter; or (2) generating electricity from, or purchasing electricity generated from, a renewable energy resource; by a periodic rate adjustment mechanism. The amount of any increase in rates will ultimately be determined by the costs incurred by suppliers in complying with the renewable energy resource requirements in this bill.

*Background Information-*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 (0.67%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: IURC; IEDC; All.

Local Agencies Affected: All.

Information Sources:

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