

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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FISCAL IMPACT STATEMENT

LS 6357

BILL NUMBER: SB 147

NOTE PREPARED: Feb 28, 2022

BILL AMENDED:

SUBJECT: Underground Pumped Storage Hydropower.

FIRST AUTHOR: Sen. Koch

FIRST SPONSOR: Rep. Soliday

BILL STATUS: Enrolled

FUNDS AFFECTED: GENERAL
 DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: The bill adds underground pumped storage hydropower using: (1) abandoned coal mines; (2) abandoned quarries; or (3) other suitable sites; located in Indiana to the list of sources and technologies that qualify as "clean energy resources" for purposes of the statute governing the Indiana Voluntary Clean Energy Portfolio Standard Program.

The bill provides that this technology qualifies as a "renewable energy resource" for purposes of the statute providing certain financial incentives for energy utilities to invest in clean energy projects.

It also requires the State Utility Forecasting Group to include this technology in its annual study on the use, availability, and economics of clean energy resources in Indiana.

Effective Date: July 1, 2022.

Explanation of State Expenditures: *State Utility Forecasting Group (SUFG):* The bill expands the criteria for what clean energy resources must be in the SUFG's annual study to include underground pumped storage hydropower. The SUFG's current level of resources should be sufficient to implement the requirements of the bill.

Indiana Utility Regulatory Commission (IURC): To the extent that utilities apply to the IURC for financial incentives in connection with this added category of renewable energy resource, there could be additional workload for the agency. This represents an expansion of current procedures and would likely be accomplished within existing resources.

Additional Information - IURC: The operating budget of the IURC is funded by regulated utilities operating in Indiana. The rate at which to bill the utilities is based on the agencies' budgets, less reversions, divided by the total amount of gross intrastate operating revenue received by the regulated utilities for the previous fiscal year. Based on this formula, utilities are currently billed approximately 0.12% of their gross intrastate operating revenues to fund the IURC.

SUFG: The SUFG was established by the IURC to develop and implement forecasting methodology to meet the electricity forecasting requirements established by IC 8-1-8.5-3. The permanent forecasting group is located at Purdue University, and is financially supported by the IURC.

Explanation of State Revenues: The inclusion of underground pumped storage hydropower in the list of renewable energy resources means that utility companies may petition the IURC to recover certain costs associated with implementing this technology. To the extent that customer rates increase as a result of that cost recovery, there could be an increase in Sales Tax, Utility Receipts Tax (URT), and Utility Services Use Tax (USUT) collections.

Additional Information - Utility Rates: 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 (99.838%), Commuter Rail Service Fund (0.131%), and Industrial Rail Service Fund (0.031%).

Voluntary Clean Energy Portfolio Standard Program: This program is established in IC 8-1-37 and provides incentives to participating electricity suppliers that supply specified percentages of clean energy to their Indiana retail electric customers. As of the IURC's 2021 Annual Report, no utilities have sought to participate in the program.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Indiana Utility Regulatory Commission; State Utility Forecasting Group.

Local Agencies Affected:

Information Sources: 2021 Annual Report, Indiana Utility Regulatory Commission.

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