

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

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FISCAL IMPACT STATEMENT

LS 6936
BILL NUMBER: SB 334

NOTE PREPARED: Dec 31, 2021
BILL AMENDED:

SUBJECT: Mandatory Utility Base Rate Cases.

FIRST AUTHOR: Sen. Breaux
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: The bill requires a public utility that is under the jurisdiction of the Indiana Utility Regulatory Commission (IURC) for the approval of rates and charges to file a base rate case with the IURC at least once every five years. It makes conforming amendments to the statute authorizing cost recovery for utilities for certain transmission, distribution, and storage system improvements.

Effective Date: July 1, 2022.

Explanation of State Expenditures: *Indiana Utility Regulatory Commission (IURC):* The bill's requirement of more frequent base rate cases for public utilities represents an additional workload and expenditure on the IURC at a greater volume than agency's routine administrative functions, and existing staffing and resource levels, if currently being used to capacity, may be insufficient for full implementation. The additional funds and resources required could be supplied through existing staff and resources currently being used in another program or with new appropriations. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend on legislative and administrative actions.

Additional Information - The operating budget of the IURC is funded by regulated utilities operating in Indiana. The IURC determines the rate at which to bill the utilities based on the agency's budget, 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.

Explanation of State Revenues: To the extent that the bill results in more frequent base rate cases for public utilities, there could be resulting impacts on customer utility rates. To the extent that utility rates are affected

as a result of this bill, there would be an impact on Sales Tax, Utility Receipts Tax (URT), and Utility Services Use Tax (USUT) collections.

Additional 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 (99.838%), Commuter Rail Service Fund (0.131%), and Industrial Rail Service Fund (0.031%).

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Indiana Utility Regulatory Commission.

Local Agencies Affected:

Information Sources:

Fiscal Analyst: Olivia Smith, 317-232-9869.