

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

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7732

BILL NUMBER: HB 1572

DATE PREPARED: Feb 17, 1999

BILL AMENDED: Feb 16, 1999

SUBJECT: Indiana Utility Regulatory Commission procedures.

FISCAL ANALYST: Brian Tabor

PHONE NUMBER: 233-9456

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: (Amended) This bill contains several provisions regarding Indiana Utility Regulatory Commission (IURC) procedures:

- *Formal hearing requirement:* The bill gives the Indiana utility regulatory commission (IURC) discretion to require a formal public hearing on a petition or complaint filed concerning a rate change request by a utility. (Current law requires the IURC to hold a public hearing on any such petition or complaint.)
- *Regulation of smaller utilities:* It allows the IURC to adopt rules or issue orders that establish regulatory procedures or standards governing a public or municipally owned utility that:
 - (1) serves less than 5,000 customers;
 - (2) primarily provides retail service to customers;
 - (3) does not serve extensively another utility.
- *Fees for smaller utilities:* It prohibits the IURC from billing or collecting a public utility fee that equals \$50 or less under the current system that bases fees on a fraction of a public utility's gross revenue.
- *IURC jurisdiction:* This bill reconciles substantive and technical conflicts between statutes enacted by the 1997 General Assembly concerning the jurisdiction of the IURC over local water companies. The bill modifies terms used in the statute and elaborates on the process for contesting procedures for withdrawal from Commission jurisdiction and for petitioning to return to Commission jurisdiction. The bill also repeals obsolete definitions and makes conforming changes.

Effective Date: (Amended) Upon Passage; July 1, 1999.

Explanation of State Expenditures: (Revised) *Formal hearing requirement:* Under current law, the IURC must hold a formal public hearing on a petition or complaint concerning a rate change if a motion is made by the Office of the Utility Consumer Counselor (OUCC), a public or municipal corporation, or a group of ten individuals, firms, companies or other complainants. This bill would grant the IURC discretion by amending current law so that the IURC “may” hold such hearings. The IURC estimates that this provision may reduce the number of formal hearings by two or three each year. The potential savings associated with this reduction could be between \$5,000 and \$10,000.

Regulation of smaller utilities: This bill would allow the IURC to adopt a rules or issue orders related to the development, investigation, testing, and use of regulation regarding smaller utilities. These utilities are defined as public or municipally owned utilities providing primarily retail service to fewer than 5,000 customers while not extensively serving another utility. While there may be costs involved with the making of rules or establishment of new regulatory procedures, there may also be offsetting savings. The exact fiscal impact would vary with each case.

Under this bill, regulatory procedures or standards for smaller utilities may be initiated by the utilities themselves, the IURC, the OUCC, a group of ten individuals, firms, companies or other complainants. The number of utilities that would be affected cannot be estimated. Of the approximately 800 regulated utilities in Indiana, 510 serve fewer than 5,000 customers. The number of these 510 smaller utilities that would be affected by this provision cannot be estimated.

IURC jurisdiction: These provisions should not have a fiscal impact.

Explanation of State Revenues: *Fees for smaller utilities:* Each public utility is assessed the public utility fee based on 0.0015% of the previous year’s gross revenue. This bill would prohibit the IURC from collecting any fees not exceeding \$50. In 1998, about 180 utilities paid less than \$50 in public utility fees. The total amount collected from these 180 utilities was about \$3,000. Assuming this amount remains constant, the annual impact of this provision would be a \$3,000 reduction in public utility fee revenues. This revenue is deposited in the Public Utility Fund which provides for the expenses of the IURC, the OUCC, and a \$250,000 contingency fund.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: IURC.

Local Agencies Affected:

Information Sources: Mike Leppert, Director, Consumer Affairs, IURC, (317) 232-2714.