



January 18, 2002

SENATE BILL No. 29

DIGEST OF SB 29 (Updated January 16, 2002 2:57 pm - DI jhm)

Citations Affected: IC 8-1.

Synopsis: Proposed amendment to SB 29. Utility generation and clean coal technology. Encourages construction of new electric generating facilities in Indiana to be fueled utilizing the Illinois Basin coal resources. Directs the IURC to encourage clean coal and energy projects through financial incentives. Directs the state utility forecasting group to conduct an annual study on the use, availability, and economics of using renewable energy resources in Indiana and to submit a report of its findings to the IURC.

Effective: Upon passage.

**Weatherwax, Lanane, Server,
Waterman, Blade**

November 20, 2001, read first time and referred to Committee on Rules and Legislative Procedure.
January 17, 2002, amended; reassigned to Committee on Energy and Economic Development.

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SB 29—LS 6216/DI 13+



January 18, 2002

Second Regular Session 112th General Assembly (2002)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2001 General Assembly.

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SENATE BILL No. 29

A BILL FOR AN ACT to amend the Indiana Code concerning utilities and transportation.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 8-1-8.8 IS ADDED TO THE INDIANA CODE AS
2 A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE UPON
3 PASSAGE]:

4 **Chapter 8.8. Utility Generation and Clean Coal Technology**

5 **Sec. 1. (a) The general assembly makes the following findings:**

- 6 (1) **Growth of Indiana's population and economic base has**
7 **created a need for new electric generating capacity in Indiana.**
8 (2) **The development of a robust and diverse portfolio of**
9 **electric generating capacity is needed if Indiana is to continue**
10 **to be successful in attracting new businesses and jobs.**
11 (3) **Indiana has considerable natural resources that are**
12 **currently underutilized and could support development of**
13 **new electric power at an affordable price.**
14 (4) **Certain regions of the state, such as southern Indiana,**
15 **could benefit greatly from new employment opportunities**
16 **created by development of electric generating plants utilizing**
17 **the plentiful supply of Indiana coal.**

SB 29—LS 6216/DI 13+



1 (5) Technology can be deployed that allows high sulfur coal
 2 from the geological formation known as the Illinois Basin to
 3 be burned efficiently while meeting strict state and federal air
 4 quality limitations. Specifically, the state should encourage the
 5 use of advanced clean coal technology, such as coal
 6 gasification.

7 (6) It is in the public interest for the state to encourage the
 8 construction of new electric generating facilities that increase
 9 the in-state capacity to provide for current and anticipated
 10 electricity demand at a competitive price.

11 (b) The purpose of this chapter is to enhance Indiana's energy
 12 security by ensuring all of the following:

13 (1) Indiana's electric generating capacity continues to be
 14 adequate to provide for Indiana's current and future
 15 electricity needs, including the support of the state's economic
 16 development efforts.

17 (2) The vast and underutilized coal resources of the Illinois
 18 Basin are used as a fuel source for new electric plants.

19 (3) The electric transmission system within Indiana is
 20 upgraded to distribute additional amounts of electricity more
 21 efficiently.

22 (4) Jobs are created as new electric plants are built in regions
 23 throughout Indiana.

24 **Sec. 2.** As used in this chapter, "clean coal and energy projects"
 25 means new electric generating facilities that are fueled primarily
 26 by coal or gases derived from coal from the geological formation
 27 known as the Illinois Basin, including any of the following:

28 (1) Mine-mouth power plants.

29 (2) Projects that employ the use of clean coal technology.

30 (3) Projects to develop alternative energy sources, including
 31 renewable energy projects.

32 (4) Projects to provide scrubber technology for existing
 33 energy generating plants.

34 (5) Projects to provide electric transmission facilities.

35 **Sec. 3.** As used in this chapter, "costs associated with qualified
 36 utility system property" means capital, operation, maintenance,
 37 depreciation, tax costs, and financing costs of or for qualified
 38 utility system property.

39 **Sec. 4.** As used in this chapter, "eligible business" means an
 40 energy utility (as defined in IC 8-1-2.5-2) that proposes to
 41 construct, repower, or acquire a new electric generating facility.

42 **Sec. 5.** As used in this chapter, "group" refers to the forecasting

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1 group established by IC 8-1-8.5-3.5.

2 **Sec. 6. (a) As used in this chapter, "new electric generating**
3 **facility" refers to a facility that satisfies all of the following:**

4 **(1) The facility is a:**

5 **(A) newly constructed, newly repowered, or newly**
6 **acquired electric generation plant; or**

7 **(B) newly constructed generation capacity expansion at an**
8 **existing facility;**

9 **dedicated primarily to serving Indiana retail customers.**

10 **(2) The acquisition, repowering, or construction of the facility**
11 **was completed by an Indiana utility after July 1, 2001.**

12 **(3) The facility has an aggregate rated generating capacity of**
13 **at least one hundred (100) megawatts for all units at one (1)**
14 **site.**

15 **(b) The term includes the transmission lines and associated**
16 **equipment that transfers electricity from points of supply to points**
17 **of delivery.**

18 **Sec. 7. As used in this chapter, "qualified utility system**
19 **property" means any new electric generating facility used, or to be**
20 **used, in whole or in part, on a utility system to generate electricity**
21 **to provide retail energy service (as defined in IC 8-1-2.5-3)**
22 **regardless of whether that service is provided under IC 8-1-2.5 or**
23 **another provision of this article.**

24 **Sec. 8. (a) As used in this chapter, "renewable energy resources"**
25 **means alternative sources of renewable energy, including the**
26 **following:**

27 **(1) Energy from wind.**

28 **(2) Solar energy.**

29 **(3) Thermal energy.**

30 **(4) Photovoltaic cells and panels.**

31 **(5) Dedicated crops grown for energy production.**

32 **(6) Organic waste biomass.**

33 **(7) Hydropower.**

34 **(b) The term does not include energy from the incinerations,**
35 **burning, or heating of any of the following:**

36 **(1) Waste wood.**

37 **(2) Tires.**

38 **(3) General household, institutional, commercial, industrial**
39 **lunchroom, office, or landscape waste.**

40 **(4) Construction or demolition debris.**

41 **Sec. 9. (a) The commission shall encourage clean coal and**
42 **energy projects by creating the following financial incentives for**

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1 the construction and operation of projects:

2 (1) The timely recovery of costs incurred during construction
3 and operation.

4 (2) The authorization of up to three hundred (300) basis
5 points on the overall rate of return that would otherwise be
6 allowed to be earned on such projects.

7 (3) Other financial incentives the commission considers
8 appropriate.

9 (b) An eligible business must file an application to the
10 commission for approval of a clean coal and energy project under
11 this section.

12 (c) The commission shall promptly review an application filed
13 under this section for completeness. The commission may request
14 additional information the commission considers necessary to aid
15 in its review.

16 Sec. 10. (a) The commission shall provide financial incentives to
17 eligible businesses for new electric generating facilities in the form
18 of timely recovery of the costs incurred in connection with the
19 construction, acquisition, repowering, operation, or maintenance
20 of the facilities.

21 (b) An eligible business seeking authority to timely recover the
22 costs described in subsection (a) must apply to the commission for
23 approval of a rate adjustment mechanism in the manner
24 determined by the commission.

25 (c) An application must include the following:

26 (1) A schedule for the completion of construction, repowering,
27 or acquisition of the new electric generating facility for which
28 rate relief is sought.

29 (2) Copies of the most recent integrated resource plan filed
30 with the commission.

31 (3) The amount of capital investment by the eligible business
32 in the new electric generating facility.

33 (4) Other information the commission considers necessary.

34 (d) The commission shall allow an eligible business to recover
35 the costs associated with qualified utility system property if the
36 eligible business provides substantial documentation of the
37 expected costs associated with qualified utility system property and
38 the schedule for incurring those costs.

39 (e) A retail rate adjustment mechanism proposed by an eligible
40 business under this section may be based on actual or forecasted
41 data.

42 (f) The commission may consider approving a retail rate

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1 adjustment mechanism that complies with the provisions of this
2 section. If forecast data is utilized, the retail rate adjustment
3 mechanism must contain a reconciliation mechanism to correct for
4 any variance between the forecasted costs and the actual costs.

5 (g) An eligible business shall file a monthly report with the
6 department of commerce stating the following information:

7 (1) The amount of Illinois Basin coal, if any, purchased during
8 the previous month for use in the new electric generating
9 facility.

10 (2) The purchase price of the coal described in subdivision (1).

11 (3) The amount of Indiana occupation and use taxes paid on
12 the coal described in subdivision (1) to the seller of that coal.

13 (4) Such other information as the department of commerce
14 may reasonably require.

15 Sec. 11. The group shall conduct an annual study on the use,
16 availability, and economics of using renewable energy resources in
17 Indiana. Each year, the group shall submit a report on the study to
18 the commission for inclusion in the commission's annual report to
19 the regulatory flexibility committee described in IC 8-1-25-9 and
20 IC 8-1-2.6-4. The report must include suggestions from the group
21 to encourage the development and use of renewable energy
22 resources and technologies appropriate for use in Indiana.

23 SECTION 2. An emergency is declared for this act.

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SENATE MOTION

Mr. President: I move that Senator Garton be removed as author of Senate Bill 29 and that Senator Weatherwax be substituted therefor.

GARTON

SENATE MOTION

Mr. President: I move that Senator Lanane be added as second author and Senators Server and Waterman be added as coauthors of Senate Bill 29.

WEATHERWAX

SENATE MOTION

Mr. President: I move that Senator Blade be added as coauthor of Senate Bill 29.

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COMMITTEE REPORT

Mr. President: The Senate Committee on Rules and Legislative Procedure, to which was referred Senate Bill No. 29, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill be AMENDED as follows:

Delete everything after the enacting clause and insert the following:

(SEE TEXT OF BILL)

and when so amended that said bill be reassigned to the Senate Committee on Energy and Economic Development.

(Reference is to SB 29 as introduced.)

GARTON, Chairperson

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