

COMMITTEE REPORT

MADAM PRESIDENT:

The Senate Committee on Utilities and Regulatory Affairs, to which was referred House Bill No. 1117, 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:

- 1 Page 3, delete lines 3 through 42, begin a new paragraph and insert:
2 "SECTION 2. IC 8-1-2-6.1 IS AMENDED TO READ AS
3 FOLLOWS [EFFECTIVE JULY 1, 2008]: Sec. 6.1. (a) As used in this
4 section, "airborne emissions" means air emissions of greenhouse
5 gases, sulfur, mercury, nitrogen based pollutants, or particulate
6 matter that are:
7 (1) emitted from an electric or a steam generating facility;
8 (2) associated with the combustion or use of coal or natural
9 gas; and
10 (3) regulated, or found by the commission to be reasonably
11 certain to be regulated, by:
12 (A) the federal government;
13 (B) the state;
14 (C) a political subdivision of the state; or
15 (D) any agency of a unit of government described in
16 clauses (A) through (C).
17 ~~(a)~~ (b) As used in this section, "clean coal technology" means a
18 technology (including precombustion treatment of coal):
19 (1) that is used at a new or existing electric **or steam** generating
20 facility and directly or indirectly reduces **or avoids** airborne
21 emissions; ~~of sulfur or nitrogen based pollutants associated with~~

- 1 ~~the combustion or use of coal~~; and
 2 (2) that either:
 3 (A) is not in general commercial use at the same or greater
 4 scale in new or existing facilities in the United States as of
 5 January 1, 1989; or
 6 (B) has been selected by the United States Department of
 7 Energy for funding under its Innovative Clean Coal
 8 Technology program and is finally approved for such funding
 9 on or after January 1, 1989.

10 ~~(b)~~ (c) As used in this section, "Indiana coal" means coal from a
 11 mine whose coal deposits are located in the ground wholly or partially
 12 in Indiana regardless of the location of the mine's tipple.

13 ~~(c)~~ (d) Except as provided in subsection ~~(d)~~; (e), the commission
 14 shall allow a utility to recover as operating expenses those expenses
 15 associated with:

16 (1) research and development designed to increase use of Indiana
 17 coal; and

18 (2) preconstruction costs (including design and engineering costs)
 19 associated with employing clean coal technology at a new or
 20 existing coal burning electric **or steam** generating facility if the
 21 commission finds that the facility:

22 (A) utilizes and will continue to utilize (as its primary fuel
 23 source) Indiana coal; or

24 (B) is justified, because of economic considerations or
 25 governmental requirements, in utilizing non-Indiana coal;
 26 after the technology is in place.

27 ~~(d)~~ (e) The commission may only allow a utility to recover
 28 preconstruction costs as operating expenses on a particular project if
 29 the commission awarded a certificate under IC 8-1-8.7 for that project.

30 ~~(e)~~ (f) The commission shall establish guidelines for determining
 31 recoverable expenses.

32 SECTION 3. IC 8-1-2-6.6 IS AMENDED TO READ AS
 33 FOLLOWS [EFFECTIVE JULY 1, 2008]: Sec. 6.6. (a) As used in this
 34 section:

35 "Clean coal technology" means a technology (including
 36 precombustion treatment of coal):

37 (1) that is used at a new or existing electric **or steam** generating
 38 facility and directly or indirectly reduces **or avoids** airborne
 39 emissions ~~of sulfur or nitrogen based pollutants associated with~~
 40 ~~combustion or use of coal~~; **(as defined in section 6.1(a) of this**
 41 **chapter)**; and

42 (2) that either:

1 (A) is not in general commercial use at the same or greater
2 scale in new or existing facilities in the United States as of
3 January 1, 1989; or

4 (B) has been selected by the United States Department of
5 Energy for funding under its Innovative Clean Coal
6 Technology program and is finally approved for such funding
7 on or after January 1, 1989.

8 "Indiana coal" means coal from a mine whose coal deposits are
9 located in the ground wholly or partially in Indiana regardless of the
10 location of the mine's tittle.

11 "Qualified pollution control property" means an air pollution control
12 device on a coal burning electric **or steam** generating facility or any
13 equipment that constitutes clean coal technology that has been
14 approved for use by the commission, that meets applicable state or
15 federal requirements, and that is designed to accommodate the burning
16 of coal from the geological formation known as the Illinois Basin.

17 "Utility" refers to any electric **or steam** generating utility allowed
18 by law to earn a return on its investment.

19 (b) Upon the request of a utility that began construction after
20 October 1, 1985, and before March 31, 2002, of qualified pollution
21 control property that is to be used and useful for the public
22 convenience, the commission shall for ratemaking purposes add to the
23 value of that utility's property the value of the qualified pollution
24 control property under construction, but only if at the time of the
25 application and thereafter:

26 (1) the facility burns only Indiana coal as its primary fuel source
27 once the air pollution control device is fully operational; or

28 (2) the utility can prove to the commission that the utility is
29 justified because of economic considerations or governmental
30 requirements in utilizing some non-Indiana coal.

31 (c) The commission shall adopt rules under IC 4-22-2 to implement
32 this section.

33 SECTION 4. IC 8-1-2-6.7 IS AMENDED TO READ AS
34 FOLLOWS [EFFECTIVE JULY 1, 2008]: Sec. 6.7. (a) As used in this
35 section, "clean coal technology" means a technology (including
36 precombustion treatment of coal):

37 (1) that is used in a new or existing electric **or stream** generating
38 facility and directly or indirectly reduces **or avoids** airborne
39 emissions ~~of sulfur or nitrogen based pollutants associated with~~
40 ~~the combustion or use of coal; (as defined in section 6.1(a) of~~
41 **this chapter); and**

42 (2) that either:

1 (A) is not in general commercial use at the same or greater
2 scale in new or existing facilities in the United States as of
3 January 1, 1989; or

4 (B) has been selected by the United States Department of
5 Energy for funding under its Innovative Clean Coal
6 Technology program and is finally approved for such funding
7 on or after January 1, 1989.

8 (b) The commission shall allow a public or municipally owned
9 electric utility that incorporates clean coal technology to depreciate that
10 technology over a period of not less than ten (10) years or the useful
11 economic life of the technology, whichever is less and not more than
12 twenty (20) years if it finds that the facility where the clean coal
13 technology is employed:

14 (1) utilizes and will continue to utilize (as its primary fuel source)
15 Indiana coal; or

16 (2) is justified, because of economic considerations or
17 governmental requirements, in utilizing non-Indiana coal;
18 after the technology is in place.

19 SECTION 5. IC 8-1-2-6.8 IS AMENDED TO READ AS
20 FOLLOWS [EFFECTIVE JULY 1, 2008]: Sec. 6.8. (a) This section
21 applies to a utility that begins construction of qualified pollution
22 control property after March 31, 2002.

23 (b) As used in this section, "clean coal technology" means a
24 technology (including precombustion treatment of coal):

25 (1) that is used in a new or existing energy **or steam** generating
26 facility and directly or indirectly reduces **or avoids** airborne
27 emissions ~~of sulfur, mercury, or nitrogen oxides or other regulated~~
28 ~~air emissions associated with the combustion or use of coal;~~ **(as**
29 **defined in section 6.1(a) of this chapter);** and

30 (2) that either:

31 (A) was not in general commercial use at the same or greater
32 scale in new or existing facilities in the United States at the
33 time of enactment of the federal Clean Air Act Amendments
34 of 1990 (P.L.101-549); or

35 (B) has been selected by the United States Department of
36 Energy for funding under its Innovative Clean Coal
37 Technology program and is finally approved for such funding
38 on or after the date of enactment of the federal Clean Air Act
39 Amendments of 1990 (P.L.101-549).

40 (c) As used in this section, "qualified pollution control property"
41 means an air pollution control device on a coal burning energy **or**
42 **steam** generating facility or any equipment that constitutes clean coal

1 technology that has been approved for use by the commission and that
2 meets applicable state or federal requirements.

3 (d) As used in this section, "utility" refers to any energy **or steam**
4 generating utility allowed by law to earn a return on its investment.

5 (e) Upon the request of a utility that begins construction after March
6 31, 2002, of qualified pollution control property that is to be used and
7 useful for the public convenience, the commission shall for ratemaking
8 purposes add to the value of that utility's property the value of the
9 qualified pollution control property under construction.

10 (f) The commission shall adopt rules under IC 4-22-2 to implement
11 this section.

12 SECTION 6. IC 8-1-2-6.9 IS ADDED TO THE INDIANA CODE
13 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY
14 1, 2008]: **Sec. 6.9. (a) As used in this section, "airborne emissions"**
15 **has the meaning set forth in section 6.1(a) of this chapter.**

16 (b) As used in this section, "airborne emissions project" means
17 a project designed to reduce or avoid airborne emissions or
18 improve efficiency from an existing electric generating facility. The
19 term includes offset programs, such as agricultural and forestry
20 activities that reduce the level of greenhouse gases in the
21 atmosphere.

22 (c) As used in this section, "existing electric generating facility"
23 means a facility that:

24 (1) is used to generate electricity or steam;

25 (2) is associated with the combustion or use of coal or natural
26 gas; and

27 (3) either:

28 (A) commenced commercial operation; or

29 (B) was certified by the commission under IC 8-1-8.5-2;

30 before July 1, 2008.

31 (d) An energy utility (as defined in IC 8-1-2.5-2) may petition
32 the commission for approval of the construction, installation, and
33 operation or an airborne emissions project. If the commission
34 finds, after notice and hearing, the proposed airborne emissions
35 project to be reasonable and necessary, the commission shall
36 approve the project and provide the following incentives:

37 (1) The timely recovery of costs associated with the airborne
38 emissions project, including capital, operating, maintenance,
39 depreciation, tax, research and development, and financing
40 costs incurred during the construction and operation of the
41 airborne emissions project.

42 (2) The recovery of costs associated with:

- 1 **(A) the purchase of emissions allowances; or**
 2 **(B) the payment of emissions taxes arising from**
 3 **compliance with air emissions regulations.**

4 **(e) In addition to the incentives described in subsection (d), the**
 5 **commission may provide any other financial incentives the**
 6 **commission considers appropriate."**

7 Page 4, delete lines 1 through 15.

8 Page 5, delete lines 37 through 39, begin a new paragraph and
 9 insert:

10 "SECTION 8. IC 8-1-8.4 IS ADDED TO THE INDIANA CODE AS
 11 A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY
 12 1, 2008]:

13 **Chapter 8.4. Electric Line Facilities Projects**

14 **Sec. 1. The general assembly finds that it is in the public interest**
 15 **for the state to encourage:**

16 **(1) investment in electric transmission and distribution**
 17 **infrastructure; and**

18 **(2) electricity suppliers' participation in a regional**
 19 **transmission organization;**

20 **to ensure a reliable and economic electricity supply to Indiana**
 21 **consumers.**

22 **Sec. 2. As used in this chapter, "commission" refers to the**
 23 **Indiana utility regulatory commission created by IC 8-1-1-2.**

24 **Sec. 3. As used in this chapter, "electric line facilities" means**
 25 **the following:**

26 **(1) Overhead or underground electric transmission lines and**
 27 **related equipment.**

28 **(2) Overhead or underground electric distribution lines and**
 29 **related equipment.**

30 **(3) Electric substations and related equipment, including**
 31 **transformers, circuit breakers, and protection equipment.**

32 **Sec. 4. As used in this chapter, "electric line facilities project"**
 33 **means the construction, operation, maintenance, reconstruction,**
 34 **relocation, addition to, upgrading of, or removal of electric line**
 35 **facilities.**

36 **Sec. 5. As used in this chapter, "electricity supplier" means a**
 37 **public utility that furnishes retail electric service to the public.**

38 **Sec. 6. As used in this chapter, "public utility" has the meaning**
 39 **set forth in IC 8-1-2-1.**

40 **Sec. 7. As used in this chapter, "regional transmission**
 41 **organization" refers to the regional transmission organization**
 42 **approved by the Federal Energy Regulatory Commission for the**

1 control area in which an electricity supplier owns electric line
2 facilities.

3 **Sec. 8. The commission shall encourage electric line facilities**
4 **projects and participation in regional transmission organizations**
5 **by creating the following financial incentives that the commission**
6 **finds to be reasonable and necessary:**

7 (1) The timely recovery, by means of a periodic rate
8 adjustment mechanism, of costs incurred by an electricity
9 supplier taking service under a tariff of, or being assessed
10 costs by, a regional transmission organization.

11 (2) The timely recovery, by means of a periodic rate
12 adjustment mechanism, of costs incurred by an electricity
13 supplier for an electric line facilities project.

14 (3) Other financial incentives the commission considers
15 appropriate.

16 **Sec. 9. (a) An electricity supplier that seeks to receive one (1) or**
17 **more financial incentives created under section 8 of this chapter**
18 **must submit an application to the commission.**

19 (b) Upon receipt of an application under subsection (a), the
20 commission shall review the application for completeness. The
21 commission may request additional information from an applicant
22 as needed.

23 (c) The commission shall, after notice and hearing, issue a
24 determination of an electricity supplier's eligibility for the financial
25 incentives described in section 8 of this chapter not later than one
26 hundred eighty (180) days after the date of the application.

27 (d) The commission shall approve an electricity supplier's
28 application under this section if the electricity supplier's electric
29 line facilities project is reasonable and necessary. An electric line
30 facilities project is presumed to be reasonable and necessary if the
31 electric line facilities project is consistent with, or part of, a plan
32 developed by the regional transmission organization.

33 SECTION 9. IC 8-1-8.7-1 IS AMENDED TO READ AS
34 FOLLOWS [EFFECTIVE JULY 1, 2008]: Sec. 1. As used in this
35 chapter, "clean coal technology" means a technology (including
36 precombustion treatment of coal):

37 (1) that is used in a new or existing electric **or steam** generating
38 facility and directly or indirectly reduces **or avoids** airborne
39 emissions of sulfur or nitrogen based pollutants associated with
40 the combustion or use of coal; (as defined in IC 8-1-2-6.1(a));
41 and

42 (2) that either:

1 (A) is not in general commercial use at the same or greater
2 scale in new or existing facilities in the United States as of
3 January 1, 1989; or

4 (B) has been selected by the United States Department of
5 Energy for funding under its Innovative Clean Coal
6 Technology program and is finally approved for such funding
7 on or after January 1, 1989.

8 SECTION 10. IC 8-1-8.7-3 IS AMENDED TO READ AS
9 FOLLOWS [EFFECTIVE JULY 1, 2008]: Sec. 3. (a) Except as
10 provided in subsection (c), a public utility may not use clean coal
11 technology at a new or existing electric generating facility without first
12 applying for and obtaining from the commission a certificate that states
13 that public convenience and necessity will be served by the use of clean
14 coal technology.

15 (b) The commission shall issue a certificate of public convenience
16 and necessity under subsection (a) if the commission finds that a clean
17 coal technology project offers substantial potential of reducing **or**
18 **avoiding sulfur or nitrogen based pollutants airborne emissions (as**
19 **defined in IC 8-1-2-6.1(a))** in a more efficient manner than
20 conventional technologies in general use as of January 1, 1989. For
21 purposes of this chapter, a project that the United States Department of
22 Energy has selected for funding under its Innovative Clean Coal
23 Technology program and is finally approved for funding after
24 December 31, 1988, is not considered a conventional technology in
25 general use as of January 1, 1989. When determining whether to grant
26 a certificate under this section, the commission shall examine the
27 following factors:

28 (1) The costs for constructing, implementing, and using clean coal
29 technology compared to the costs for conventional emission
30 reduction facilities.

31 (2) Whether a clean coal technology project will also extend the
32 useful life of an existing electric generating facility and the value
33 of that extension.

34 (3) The potential reduction of ~~sulfur and nitrogen based pollutants~~
35 **airborne emissions (as defined in IC 8-1-2-6.1(a))** achieved by
36 the proposed clean coal technology system.

37 (4) The reduction of ~~sulfur nitrogen based pollutants~~ **airborne**
38 **emissions (as defined in IC 8-1-2-6.1(a))** that can be achieved by
39 conventional pollution control equipment.

40 (5) Federal ~~sulfur and nitrogen based~~ pollutant emission
41 standards.

42 (6) The likelihood of success of the proposed project.

1 (7) The cost and feasibility of the retirement of an existing electric
2 generating facility.

3 (8) The dispatching priority for the facility utilizing clean coal
4 technology, considering direct fuel costs, revenues and expenses
5 of the utility, and environmental factors associated with
6 byproducts resulting from the utilization of the clean coal
7 technology.

8 (9) Any other factors the commission considers relevant,
9 including whether the construction, implementation, and use of
10 clean coal technology is in the public's interest.

11 (c) A public utility is not required to obtain a certificate under this
12 chapter for a clean coal technology project that constitutes a research
13 and development project that may be expensed under IC 8-1-2-6.1.

14 SECTION 11. IC 8-1-8.8-3, AS AMENDED BY P.L.175-2007,
15 SECTION 13, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
16 JULY 1, 2008]: Sec. 3. As used in this chapter, "clean coal technology"
17 means a technology (including precombustion treatment of coal):

18 (1) that is used in a new or existing energy production or
19 generating facility and directly or indirectly reduces or avoids
20 airborne emissions of sulfur, mercury, or nitrogen oxides or other
21 regulated air emissions associated with the combustion or use of
22 coal; (as defined in IC 8-1-2-6.1(a)); and

23 (2) that either:

24 (A) was not in general commercial use at the same or greater
25 scale in new or existing facilities in the United States at the
26 time of enactment of the federal Clean Air Act Amendments
27 of 1990 (P.L.101-549); or

28 (B) has been selected by the United States Department of
29 Energy for funding or loan guaranty under an Innovative Clean
30 Coal Technology or loan guaranty program under the Energy
31 Policy Act of 2005, or any successor program, and is finally
32 approved for such funding or loan guaranty on or after the date
33 of enactment of the federal Clean Air Act Amendments of
34 1990 (P.L.101-549).

35 SECTION 12. IC 8-1-37 IS ADDED TO THE INDIANA CODE AS
36 A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY
37 1, 2008]:

38 **Chapter 37. Renewable Energy Development**

39 **Sec. 1. The general assembly finds that it is in the public interest**
40 **for the state to promote the development and use of renewable**
41 **energy resources and advanced energy resources in Indiana in**
42 **order to:**

- 1 **(1) diversify the resources used to reliably meet the energy**
 2 **needs of Indiana citizens;**
 3 **(2) encourage private investment in renewable energy**
 4 **resources and advanced energy resources in Indiana;**
 5 **(3) reduce greenhouse gas and other air emissions; and**
 6 **(4) promote other environmentally sound and sustainable**
 7 **practices by electricity suppliers.**

8 **Sec. 2. (a) As used in this chapter, "advanced energy resources"**
 9 **includes the following sources and programs for the production or**
 10 **conservation of electricity:**

- 11 **(1) Combined heat and power systems that:**
 12 **(A) use natural gas or renewable energy resources as**
 13 **feedstock; and**
 14 **(B) achieve at least seventy percent (70%) overall**
 15 **efficiency.**
 16 **(2) Demand side management or energy efficiency programs**
 17 **that:**
 18 **(A) reduce electricity consumption; or**
 19 **(B) implement load management or demand response**
 20 **technologies that shift customers' electric load from**
 21 **periods of higher demand to periods of lower demand.**
 22 **(3) Waste coal.**
 23 **(4) Clean coal and energy projects (as defined in IC 8-1-8.8-2).**
 24 **(5) Other non-carbon dioxide emitting or low carbon dioxide**
 25 **emitting electricity generating technologies, including**
 26 **integrated gasification combined cycle generation with the**
 27 **capability for carbon capture and sequestration through:**
 28 **(A) storage; or**
 29 **(B) enhanced oil recovery.**

30 **(b) The term includes transmission and distribution system**
 31 **extensions or upgrades necessary to accommodate the use of**
 32 **advanced energy resources.**

33 **(c) The term does not include energy from the incineration,**
 34 **burning, or heating of the following:**

- 35 **(1) Tires.**
 36 **(2) Garbage.**
 37 **(3) General household, institutional, or commercial waste.**
 38 **(4) Industrial lunchroom or office waste.**
 39 **(5) Construction or demolition debris.**
 40 **(6) Feedstock that is municipal, food, plant, industrial, or**
 41 **animal waste from outside Indiana.**

42 **Sec. 3. As used in this chapter, "carbon offset" means the act of**

1 **reducing or avoiding greenhouse gas emissions in one (1) place**
 2 **through means:**

- 3 (1) **other than the production of electricity; and**
 4 (2) **not related to the use of electricity;**

5 **in order to offset greenhouse gas emissions occurring at another**
 6 **place.**

7 **Sec. 4. As used in this chapter, "carbon offset equivalents"**
 8 **means the number of carbon offsets necessary to offset one (1)**
 9 **megawatt hour of electricity produced by a traditional coal fired**
 10 **power plant.**

11 **Sec. 5. (a) As used in this chapter, "electricity supplier" means**
 12 **a public utility (as defined in IC 8-1-2-1) that furnishes retail**
 13 **electric service to the public.**

14 **(b) The term does not include a utility that is:**

- 15 (1) **a municipally owned utility (as defined in IC 8-1-2-1(h));**
 16 (2) **a corporation organized under IC 8-1-13; or**
 17 (3) **a corporation organized under IC 23-17 that is an electric**
 18 **cooperative and that has at least one (1) member that is a**
 19 **corporation organized under IC 8-1-13.**

20 **Sec. 6. As used in this chapter, "fund" refers to the advanced**
 21 **and renewable energy resources fund established by section 11 of**
 22 **this chapter.**

23 **Sec. 7. As used in this chapter, "renewable energy credit", or**
 24 **"REC", means one (1) megawatt hour of electricity that:**

25 **(1) is:**

- 26 **(A) generated from a renewable energy resource described**
 27 **in section 8(a) of this chapter; or**
 28 **(B) conserved through the use of an advanced energy**
 29 **resource described in section 2(a)(2) of this chapter;**

30 **(2) is quantifiable; and**

31 **(3) is possessed by not more than one (1) entity at a time.**

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

35 **(1) Wind energy.**

36 **(2) Solar energy.**

37 **(3) Photovoltaic cells and panels.**

38 **(4) Dedicated crops grown for energy production and used as:**

39 **(A) the sole fuel; or**

40 **(B) part of a co-firing application;**

41 **in an energy generating facility.**

42 **(5) Organic waste biomass, including any of the following**

- 1 **organic matter that is available on a renewable basis:**
- 2 **(A) Agricultural crops.**
- 3 **(B) Agricultural wastes and residues.**
- 4 **(C) Wood and wood wastes (other than treated or painted**
- 5 **lumber) including the following:**
- 6 **(i) Wood residues.**
- 7 **(ii) Forest thinnings.**
- 8 **(iii) Mill residue wood.**
- 9 **(iv) Waste from construction and demolition.**
- 10 **(D) Animal wastes.**
- 11 **(E) Aquatic plants.**
- 12 **(6) Hydropower from existing dams.**
- 13 **(7) Fuel cells.**
- 14 **(8) Energy from waste to energy facilities that produce steam**
- 15 **that is not used for the production of electricity.**
- 16 **(9) Methane systems that convert waste products, including**
- 17 **animal, food, and plant waste, into electricity.**
- 18 **(10) Methane recovered from landfills or underground coal**
- 19 **mines.**
- 20 **(11) Ocean current or wave energy.**
- 21 **(12) Any other sources that:**
- 22 **(A) are included in any applicable federal renewable**
- 23 **resource portfolio standard; or**
- 24 **(B) become available through future developments in**
- 25 **renewable energy technologies.**
- 26 **(b) The term includes transmission and distribution system**
- 27 **extensions or upgrades necessary to accommodate the use of**
- 28 **renewable energy resources.**
- 29 **(c) Except for a renewable energy resource described in**
- 30 **subsection (a)(8), the term does not include energy from the**
- 31 **incineration, burning, or heating of the following:**
- 32 **(1) Tires.**
- 33 **(2) Garbage.**
- 34 **(3) General household, institutional, or commercial waste.**
- 35 **(4) Industrial lunchroom or office waste.**
- 36 **(5) Feedstock that is municipal, food, plant, industrial, or**
- 37 **animal waste from outside Indiana.**
- 38 **Sec. 9. (a) Subject to subsection (b), each electricity supplier**
- 39 **shall supply electricity that is generated from, or otherwise**
- 40 **qualifies as, a renewable energy resource or an advanced energy**
- 41 **resource to Indiana retail customers as a percentage of the total**
- 42 **electricity supplied by the electricity supplier to Indiana retail**

1 customers during a calendar year as follows:

2 (1) Not later than the calendar year ending December 31,
3 2012, at least two percent (2%) of the electricity supplier's
4 Indiana retail sales for the calendar year ending December 31,
5 2011.

6 (2) Not later than the calendar year ending December 31,
7 2016, at least four percent (4%) of the electricity supplier's
8 Indiana retail sales for the calendar year ending December 31,
9 2011.

10 (3) Not later than the calendar year ending December 31,
11 2020, and for all years thereafter, at least six percent (6%) of
12 the electricity supplier's Indiana retail sales for the
13 immediately preceding calendar year.

14 For purposes of this subsection, electricity is measured in
15 megawatt hours.

16 (b) An electricity supplier may not use an advanced energy
17 resource to supply more than fifty percent (50%) of the electricity
18 that the electricity supplier is required to supply under subsection
19 (a).

20 (c) An electricity supplier may own or purchase RECs or carbon
21 offset equivalents to comply with subsection (a).

22 (d) If an electricity supplier exceeds the applicable percentage
23 under subsection (a) in a compliance year, the electricity supplier
24 may carry forward the amount of electricity that:

25 (1) exceeds the applicable percentage under subsection (a);
26 and

27 (2) is generated from, or otherwise qualifies as, a renewable
28 energy resource or an advanced energy resource;

29 to comply with the requirement under subsection (a) for either or
30 both of the two (2) immediately succeeding compliance years.

31 (e) An electricity supplier that fails to comply with subsection
32 (a) shall deposit in the fund an amount equal to:

33 (1) the number of megawatt hours of electricity that the
34 electricity supplier was required to but failed to supply under
35 subsection (a); multiplied by

36 (2) twenty dollars (\$20).

37 (f) An electricity supplier is not required to comply with
38 subsection (a) if the commission determines that the electricity
39 supplier has demonstrated that:

40 (1) advanced energy resources, renewable energy resources,
41 RECs, or carbon offset equivalents are not available to the
42 electricity supplier in sufficient quantities to allow the

1 electricity supplier to comply with subsection (a); or
 2 (2) the cost of compliance with subsection (a) using the
 3 advanced energy resources, renewable energy resources,
 4 RECs, or carbon offset equivalents available to the electricity
 5 supplier would result in an unreasonable increase in the basic
 6 rates and charges for electricity supplied to retail customers
 7 of the electricity supplier.

8 The commission shall conduct a public hearing to make a
 9 determination under this subsection.

10 (g) The commission shall allow an electricity supplier to recover,
 11 through a periodic rate adjustment mechanism, reasonable and
 12 necessary costs incurred in:

- 13 (1) constructing, operating, or maintaining facilities to comply
 14 with this chapter;
- 15 (2) generating electricity from, or purchasing electricity
 16 generated from, an advanced energy resource or renewable
 17 energy resource;
- 18 (3) purchasing RECs or carbon offset equivalents; or
- 19 (4) complying with any applicable federal renewable resource
 20 portfolio requirements.

21 Sec. 10. (a) The commission shall encourage electricity suppliers
 22 to meet or exceed the requirements set forth in section 9(a) of this
 23 chapter by:

- 24 (1) providing additional financial incentives for electricity
 25 suppliers to use advanced energy resources and renewable
 26 energy resources in their resource portfolios; and
- 27 (2) authorizing electricity suppliers to use alternative
 28 regulatory plans under IC 8-1-2.5.

29 (b) The financial incentives authorized by subsection (a) may
 30 include one (1) or more of the following:

- 31 (1) Enhanced returns on equity.
- 32 (2) Capitalization of and returns for program expenses.
- 33 (3) Incentives based on the sharing of achieved program
 34 savings.
- 35 (4) Incentives based on avoided costs resulting from achieved
 36 program results.

37 (c) The commission shall also encourage the research,
 38 development, and implementation of additional environmentally
 39 sound and sustainable projects and practices by electricity
 40 suppliers, including projects and practices that exceed applicable
 41 federal and state environmental requirements, by means of:

- 42 (1) timely cost recovery through periodic rate adjustment

- 1 **mechanisms;**
 2 **(2) the authorization to use alternative regulatory plans under**
 3 **IC 8-1-2.5; and**
 4 **(3) other financial incentives the commission considers**
 5 **appropriate;**

6 **if the commission determines that the projects or practices**
 7 **proposed by an electricity supplier are reasonable.**

8 **Sec. 11. (a) The advanced and renewable energy resources fund**
 9 **is established to:**

- 10 **(1) support the development, construction, and use of**
 11 **advanced energy resources and renewable energy resources,**
 12 **including small scale advanced energy resources and**
 13 **renewable energy resources, in rural and urban Indiana; and**
 14 **(2) reimburse the Indiana economic development corporation**
 15 **and the commission for expenses incurred under section 12 of**
 16 **this chapter.**

17 **(b) The fund consists of the following:**

- 18 **(1) Money deposited under section 9(e) of this chapter.**
 19 **(2) Money from any other source that is deposited in the fund.**

20 **(c) The Indiana economic development corporation shall**
 21 **administer the fund.**

22 **(d) The expenses of administering the fund shall be paid from**
 23 **money in the fund.**

24 **(e) The treasurer of state shall invest the money in the fund not**
 25 **currently needed to meet the obligations of the fund in the same**
 26 **manner as other public money may be invested. Interest that**
 27 **accrues from these investments shall be deposited in the fund.**

28 **(f) Money in the fund at the end of a state fiscal year does not**
 29 **revert to the state general fund.**

30 **Sec. 12. (a) This section applies if there is sufficient money in the**
 31 **fund to reimburse the Indiana economic development corporation**
 32 **and the commission for expenses incurred under subsection (b).**

33 **(b) The Indiana economic development corporation, in**
 34 **consultation with the commission, shall develop a strategy to**
 35 **attract renewable energy manufacturing facilities, including wind**
 36 **turbine component manufacturers, to Indiana.**

37 **Sec. 13. Beginning in 2013, not later than April 30 of each year,**
 38 **an electricity supplier shall file with the commission a report of the**
 39 **electricity supplier's compliance with this chapter for the**
 40 **preceding calendar year, along with the estimated impact on the**
 41 **electricity supplier's revenues from residential, commercial, and**
 42 **industrial customers as a result of the electricity supplier's**

1 **compliance with this chapter.**

2 **Sec. 14. The commission shall adopt rules under IC 4-22-2 to**
3 **implement this chapter."**

4 Renumber all SECTIONS consecutively.

(Reference is to HB 1117 as reprinted January 29, 2008.)

and when so amended that said bill do pass .

Committee Vote: Yeas 6, Nays 5.

Senator Hershman, Chairperson