

SENATE BILL No. 453

DIGEST OF INTRODUCED BILL

Citations Affected: IC 8-1-35.

Synopsis: Renewable energy development. Requires an electricity supplier to supply a certain percentage of its total electricity supply from renewable energy resources. Establishes the renewable energy resources fund to receive penalties paid by electricity suppliers that fail to supply electricity from renewable energy resources. Requires the utility regulatory commission to report not later than April 1, 2016, to the general assembly on the effectiveness of and industry compliance with the renewable energy standard. Appropriates money in the fund.

Effective: Upon passage.

Breaux

January 12, 2011, read first time and referred to Committee on Utilities & Technology.

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First Regular Session 117th General Assembly (2011)

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 2010 Regular Session of the General Assembly.

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SENATE BILL No. 453



A BILL FOR AN ACT to amend the Indiana Code concerning utilities and to make an appropriation.

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

1 SECTION 1. IC 8-1-35 IS ADDED TO THE INDIANA CODE AS
2 A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE UPON
3 PASSAGE]:

4 **Chapter 35. Renewable Energy Development**

5 **Sec. 1. As used in this chapter, "electricity supplier" means a**
6 **public utility (as defined in IC 8-1-2-1) that furnishes retail electric**
7 **service to the public. The term does not include a public utility that**
8 **is:**

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

14 **Sec. 2. (a) As used in this chapter, "energy efficiency measures"**
15 **means:**

- 16 (1) the installation and use of a device; or
- 17 (2) the use of a method or project implemented by an



1 electricity consumer;
2 that reduces electrical energy usage.

3 (b) The term includes the following:

- 4 (1) Home weatherization.
- 5 (2) Appliance efficiency modifications or replacements.
- 6 (3) Motor efficiency modifications or replacements.
- 7 (4) Lighting efficiency modifications.
- 8 (5) Heating or air conditioning modifications or replacements.
- 9 (6) Building designs with the purpose of achieving end use
- 10 energy reductions.
- 11 (7) Improvements that:

12 (A) increase the efficiency of transmission and distribution
13 systems used to transmit electricity from the source to the
14 end user; and

15 (B) reduce the loss of electricity during transmission.

16 Sec. 3. As used in this chapter, "fund" refers to the renewable
17 energy resources fund established by section 11 of this chapter.

18 Sec. 4. As used in this chapter, "regional transmission
19 organization" refers to a regional transmission organization
20 approved by the Federal Energy Regulatory Commission that
21 serves a region that includes all or part of Indiana.

22 Sec. 5. As used in this chapter, "renewable energy credit", or
23 "REC", means a tradable commodity equivalent to one (1)
24 megawatt hour of electricity generated by renewable energy
25 resources.

26 Sec. 6. (a) As used in this chapter, "renewable energy resources"
27 includes the following sources for the production of electricity:

- 28 (1) Methane systems that convert waste products, including
- 29 animal, food, and plant waste, into electricity.
- 30 (2) Methane recovered from landfills.
- 31 (3) Wind.
- 32 (4) Hydropower, other than hydropower involving the
- 33 construction of new dams or the expansion of existing dams.
- 34 (5) Solar energy technologies, including:
- 35 (A) photovoltaic cells and panels; and
- 36 (B) solar thermal energy.
- 37 (6) Fuel cells that directly convert chemical energy in a
- 38 hydrogen rich fuel into electricity.
- 39 (7) Combined heat and power systems that:
- 40 (A) use natural gas or renewable energy resources as
- 41 feedstock;
- 42 (B) achieve at least seventy percent (70%) overall

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- 1 **efficiency; and**
- 2 **(C) are constructed after January 1, 2011.**
- 3 **(8) Energy efficiency measures installed after January 1,**
- 4 **2011, that reduce electrical energy usage.**
- 5 **(9) Geothermal hot water district heating systems.**
- 6 **(10) Electricity generated through net metering.**
- 7 **(b) The term does not include energy from the incineration,**
- 8 **burning, or heating of the following:**
- 9 **(1) Tires.**
- 10 **(2) Garbage, including municipal solid waste burned as fuel**
- 11 **to generate electricity.**
- 12 **(3) General household, institutional, or commercial waste.**
- 13 **(4) Industrial lunchroom or office waste.**
- 14 **(5) Landscape waste.**
- 15 **(6) Construction or demolition debris.**
- 16 **(7) Feedstock that is municipal, food, plant, industrial, or**
- 17 **animal waste from outside Indiana.**
- 18 **Sec. 7. Each electricity supplier shall supply electricity**
- 19 **generated or reduced by renewable energy resources to Indiana**
- 20 **customers as a percentage of the total electricity supplied by the**
- 21 **electricity supplier to Indiana customers as follows:**
- 22 **(1) Not later than December 31, 2011, at least one percent**
- 23 **(1%).**
- 24 **(2) Not later than December 31, 2012, at least two percent**
- 25 **(2%).**
- 26 **(3) Not later than December 31, 2013, at least three percent**
- 27 **(3%).**
- 28 **(4) Not later than December 31, 2014, at least four percent**
- 29 **(4%).**
- 30 **(5) Not later than December 31, 2015, at least six percent**
- 31 **(6%).**
- 32 **(6) Not later than December 31, 2016, at least seven percent**
- 33 **(7%).**
- 34 **(7) Not later than December 31, 2017, at least eight percent**
- 35 **(8%).**
- 36 **(8) Not later than December 31, 2018, at least nine percent**
- 37 **(9%).**
- 38 **(9) Not later than December 31, 2019, at least ten percent**
- 39 **(10%).**
- 40 **(10) Not later than December 31, 2020, at least twelve percent**
- 41 **(12%).**
- 42 **(11) Not later than December 31, 2021, at least fourteen**

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1 percent (14%).
2 (12) Not later than December 31, 2022, at least fifteen percent
3 (15%).
4 For purposes of this section, electricity is measured in megawatt
5 hours.
6 Sec. 8. (a) An electricity supplier may use a renewable energy
7 resource described in section 6(a)(7) of this chapter to generate not
8 more than ten percent (10%) of the electricity that the electricity
9 supplier is required to supply under section 7 of this chapter.
10 (b) An electricity supplier may use a renewable energy resource
11 described in section 6(a)(8) of this chapter to generate not more
12 than twenty-five percent (25%) of the electricity that the electricity
13 supplier is required to supply under section 7 of this chapter.
14 (c) An electricity supplier may own, generate, purchase, or trade
15 RECs to comply with section 7 of this chapter.
16 (d) Not later than December 31, 2022, an electricity supplier
17 shall use a renewable energy resource described in section 6(a)(5)
18 of this chapter to generate at least one percent (1%) of the
19 electricity that the electricity supplier is required to supply under
20 section 7 of this chapter.
21 (e) An electricity supplier is responsible for conducting
22 sufficient advance planning to acquire its allotment of RECs.
23 (f) An electricity supplier that is required, and fails, to comply
24 with section 7 of this chapter shall deposit in the renewable energy
25 resources fund established under section 11 of this chapter an
26 amount equal to:
27 (1) the number of megawatt hours of electricity that the
28 electricity supplier was required to but failed to supply under
29 section 7 of this chapter; multiplied by
30 (2) fifty dollars (\$50).
31 An electricity supplier may not recover from its customers a cost
32 incurred under this subsection.
33 Sec. 9. (a) An electricity supplier is not required to comply with
34 section 7 of this chapter if the commission determines that events
35 beyond the reasonable control of the electricity supplier prevent it
36 from meeting its renewable energy resources or REC
37 requirements. For purposes of this section, "events beyond the
38 reasonable control of the electricity supplier" include only the
39 following:
40 (1) Weather related damage.
41 (2) Mechanical failure.
42 (3) Lack of transmission capacity or availability.

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- 1 **(4) Strikes or lockouts.**
- 2 **(5) Actions of a governmental authority that adversely affect**
- 3 **the generation, transmission, or distribution of energy from**
- 4 **renewable energy resources under contract to a purchaser.**
- 5 **(6) An emergency as found by the commission under**
- 6 **IC 8-1-2-113.**

7 **The term does not include failure of the spot or short term market**
 8 **to supply an electricity supplier with the allocated number of**
 9 **RECs.**

10 **(b) The commission shall conduct a public hearing before**
 11 **making a determination under subsection (a).**

12 **(c) If the commission determines under subsection (a) that**
 13 **events beyond the reasonable control of the electricity supplier**
 14 **prevent it from meeting its renewable energy resources or REC**
 15 **requirements, the commission shall:**

- 16 **(1) reduce the affected electricity supplier's obligations under**
- 17 **section 7 of this chapter as appropriate; and**
- 18 **(2) review its determination not more than six (6) months**
- 19 **after the reduction under subdivision (1) takes effect.**

20 **Sec. 10. (a) For purposes of calculating RECs to determine an**
 21 **electricity supplier's compliance with section 7 of this chapter, the**
 22 **following apply:**

- 23 **(1) One (1) megawatt hour of electricity generated by**
- 24 **renewable energy resources in an Indiana facility equals one**
- 25 **(1) REC.**
- 26 **(2) One (1) megawatt hour of electricity generated by a**
- 27 **renewable energy resource described in section 6(a)(1) or**
- 28 **6(a)(5) of this chapter that originates in Indiana equals two (2)**
- 29 **RECs.**
- 30 **(3) One (1) megawatt hour of electricity that is generated by**
- 31 **a renewable energy resource in the territory of a regional**
- 32 **transmission organization and imported into Indiana equals**
- 33 **the following:**
- 34 **(A) For the period beginning July 1, 2011, and ending**
- 35 **December 31, 2013, one (1) REC.**
- 36 **(B) For the period beginning January 1, 2014, and ending**
- 37 **December 31, 2017, five-tenths (0.5) REC.**

38 **(b) An electricity supplier may satisfy not more than ten percent**
 39 **(10%) of the electricity supplier's requirement under section 7 of**
 40 **this chapter by owning or purchasing RECs generated by a**
 41 **renewable energy resource described in section 6(a)(7) of this**
 42 **chapter.**

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1 (c) An REC calculated under this section shall be increased as
2 follows:

3 (1) An REC that is:

4 (A) generated by a renewable energy resource other than
5 a renewable energy resource described in section 6(a)(3) of
6 this chapter; and

7 (B) available during periods of peak demand;

8 is increased by two-tenths (0.2) REC.

9 (2) An REC that is:

10 (A) generated during periods of nonpeak demand; and

11 (B) stored and made available during periods of peak
12 demand;

13 is increased by two-tenths (0.2) REC.

14 (3) An REC that is generated using equipment made in
15 Indiana, as determined by the commission, is increased by
16 one-tenth (0.1) REC.

17 (4) An REC that is generated in a facility constructed by
18 Indiana workers, as determined by the commission, is
19 increased by one-tenth (0.1) REC.

20 Sec. 11. (a) The renewable energy resources fund is established
21 to provide funding for the following:

22 (1) Renewable energy technology research at state supported
23 colleges and universities.

24 (2) Grants or other financial incentives for renewable energy
25 manufacturing projects.

26 (3) Education and technical assistance projects that encourage
27 businesses and industries to install energy efficient and
28 renewable energy technologies.

29 (4) The design, planning, construction, and use of renewable
30 energy resources in Indiana, including facilities with a
31 nameplate capacity of five (5) megawatts or less that generate
32 electricity from renewable energy resources.

33 (b) The fund consists of the following:

34 (1) Money deposited under section 8(f) of this chapter.

35 (2) Money from any other source that is deposited in the fund.

36 (c) The Indiana economic development corporation shall
37 administer the fund.

38 (d) The expenses of administering the fund shall be paid from
39 money in the fund but may not exceed ten percent (10%) of the
40 balance in the fund.

41 (e) The treasurer of state shall invest the money in the fund not
42 currently needed to meet the obligations of the fund in the same

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manner as other public money may be invested. Interest that accrues from these investments shall be deposited in the fund.

(f) Money in the fund at the end of a state fiscal year does not revert to the state general fund. Money in the fund is continuously appropriated for purposes of the fund.

Sec. 12. Not later than March 1, 2013, and each year thereafter, a utility shall file with the commission a report of the utility's compliance with this chapter for the preceding calendar year.

Sec. 13. (a) The commission shall allow an electricity supplier to recover the following costs under the schedule set forth in subsection (b):

(1) Reasonable and necessary costs incurred in:

(A) constructing, operating, or maintaining facilities to comply with this chapter; or

(B) generating electricity from, or purchasing electricity generated from, a renewable energy resource;

by a periodic rate adjustment mechanism.

(2) Up to one million dollars (\$1,000,000) each year for expenditures related to alternative or renewable energy research that is conducted in Indiana.

(b) The commission shall limit the total increase per customer account per billing cycle for costs recovered under subsection (a) as follows:

(1) For billing cycles between January 1, 2012, and December 31, 2014, two percent (2%) of a customer's overall electric bill.

(2) For billing cycles between January 1, 2015, and December 31, 2016, two and five-tenths percent (2.5%) of a customer's overall electric bill.

(3) For billing cycles between January 1, 2017, and December 31, 2018, three percent (3%) of a customer's overall electric bill.

(4) For billing cycles between January 1, 2019, and December 31, 2020, three and five-tenths percent (3.5%) of a customer's overall electric bill.

(5) For billing cycles beginning after December 31, 2020, four percent (4%) of a customer's overall electric bill.

Sec. 14. The commission shall adopt rules under IC 4-22-2 to implement this chapter, including rules to establish a program for the certification and trading of RECs to comply with section 7 of this chapter.

Sec. 15. Not later than April 1, 2016, the commission shall

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1 submit a report in an electronic format under IC 5-14-6 to the
2 general assembly. A report submitted under this section must
3 include:
4 (1) an analysis of; and
5 (2) any legislative proposals the commission believes would
6 increase;
7 the effectiveness of and industry compliance with this chapter.
8 SECTION 2. An emergency is declared for this act.

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