

**Economic Impact Statement**

LSA Document #11-426

**IC 4-22-2.1-5 Statement Concerning Rules Affecting Small Businesses**

**I. Estimate of Number of Small Businesses That Will Be Subject to this Rule.**

As required by IC 4-22-2.1-5(a)(1), the estimate of the number of small businesses, classified by industry sector, that will be subject to the proposed rule:

Three.

Participation in this regulation is voluntary. Not-for-profit utilities may elect to participate; however, none has done so since the distribution system improvement charge (DSIC) statute, IC 8-1-31, was passed in 2000. The rate setting statutes for not-for-profit utilities include a provision for extensions and replacements. This provision provides not-for-profit utilities with the ability to fund capital improvements, such as the ones intended to be recovered through the DSIC mechanism, with annual revenues. Since not-for-profit utilities have this regulatory mechanism available, it is unlikely they will utilize the DSIC process; therefore, they will not be affected.

The IURC regulates approximately 23 investor-owned utilities that may benefit from participating in the rule. However, many are very small and only four have participated since 2000. One of these four utilities does not meet the definition of small businesses. Therefore, the proposed rule is expected to affect approximately three small utility businesses.

As required by IC 4-22-2.1-5(a)(2), the estimate of the average annual reporting, record keeping, and other administrative costs that small businesses will incur to comply with the proposed rule:

None.

As required by IC 4-22-2.1-5(a)(3), the estimate of the total annual economic impact that compliance with the proposed rule will have on all small businesses subject to the rule:

None.

**II. Justification Statement.**

As required by IC 4-22-2.1-5(4), the following statement justifies any requirement or cost that is imposed on small businesses by the rule; and not expressly required by the statute authorizing the agency to adopt the rule; or any other state or federal law. The statement required by this subdivision must include a reference to any data, studies, or analyses relied upon by the agency in determining that the imposition of the requirement or cost is necessary.

There is no additional cost imposed on the three small businesses affected. The IURC currently requires, and the participating utilities agreed, to perform a reconciliation of DSIC revenue collection for all periods. The proposed rule formalizes the required reconciliation process and fills in gaps in the existing rule. There may be some additional costs relative to the required notice to wholesale customers when a DSIC filing is made; however, these costs should be de minimis, as the small utilities most likely affected do not sell water on a wholesale basis and thus would be exempt from the requirements.

**III. Regulatory Flexibility Analysis.**

As required by IC 4-22-2.1-5(5), this regulatory flexibility analysis considers any less intrusive or less costly alternative methods of achieving the purpose of the proposed rule. The analysis under this subdivision considers the following methods of minimizing the economic impact of the proposed rule on small businesses:

(A) The establishment of less stringent compliance or reporting requirements for small businesses.

The rule change only calls for the utility to begin providing notice to customers and filing a reconciliation report. There are no other less stringent methods to accomplish proper notice and reporting.

(B) The establishment of less stringent schedules or deadlines for compliance or reporting requirements for small businesses.

There are no stringent schedules or deadlines proposed.

(C) The consolidation or simplification of compliance or reporting requirements for small businesses.

The proposed rule does not add complication to compliance or reporting requirements; it simply codifies by rule the existing informal process.

(D) The establishment of performance standards for small businesses instead of design or operational standards imposed on other regulated entities by the rule.

Not applicable because a performance standard cannot accomplish the same goals as the reconciliation process outlined in the proposed rule.

(E) The exemption of small businesses from part or all of the requirements or costs imposed by the rule.

Exemption from the reconciliation portion of the proposed rule may be detrimental to the small businesses affected because, often times, the results of the reconciliation process reveal an under-collection of revenues and provides the utility with the ability to recover that revenue in its next DSIC filing.

*Posted: 09/14/2011 by Legislative Services Agency*  
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