

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

**LS 7547**  
**BILL NUMBER: HB 1007**

**NOTE PREPARED: Jan 9, 2025**  
**BILL AMENDED:**

**SUBJECT:** Energy Generation Resources.

**FIRST AUTHOR:** Rep. Soliday  
**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:**  **GENERAL**  
 **DEDICATED**  
 **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** *Small Modular Nuclear Reactor Credits:* This bill provides a state tax credit for expenses in manufacturing small modular nuclear reactors in Indiana and establishes procedures for energy utilities to request approval from the Indiana Utility Regulatory Commission (IURC) for: (1) expedited generation resource (EGR) plans to meet customer load growth; (2) generation resource submittals under approved EGR plans; and (3) projects serving large load customers. It also sets requirements for request approvals, financial assurances, and cost recovery for utilities and allows public utilities to seek IURC approval to incur and recover project development costs for small modular nuclear reactors.

*Small Modular Nuclear Reactor Cost Recovery:* This bill also authorizes rate adjustments for timely recovery of 80% of approved costs, with 20% deferred to the next general rate case and permits the IURC to approve cost deferral for utilities opting out of recovery provisions.

*ERP Requirements:* This bill updates electric resource planning (ERP) report requirements post-2025 for utilities retiring or refueling generation resources of 100 megawatts or more, specifying replacement or refueling capacity details and requires IURC staff reports on planned retirements and mandates investigations if reliability concerns arise. It also empowers the IURC to direct construction, acquisition, or delay of resource retirements to maintain service reliability and makes technical amendments to related Indiana Code provisions.

**Effective Date:** Upon passage; January 1, 2025 (retroactive); July 1, 2025.

**Explanation of State Expenditures:** *Summary* - The bill could increase the workload of the IURC, Office of Energy Development (OED), the Indiana Economic Development Corporation (IEDC), and the Office of the Utility Consumer Counselor (OUCC). Increases in workload are expected to be accomplished within existing resource and funding levels.

*Additional Information* - The bill could increase the workload of the IURC to consider and approve generational resource plans and EGR plan requests submitted by utilities. The bill would also increase IURC workload to receive and review progress reports submitted by utilities that receive approval for a generational

resource plan or EGR plan.

Additionally, the bill could increase the workload of the IURC to (1) process requests to recover small modular nuclear reactor planning costs through utility rate increases and (2) include additional information concerning utility retirement or refueling in the IURC's annual report starting in 2026.

The bill could also increase the workload of the OED, the IEDC, and the OUCC to meet with utilities as a condition of a utility's generation resource plan application to have each agency review the proposed plan.

The operating budget of the IURC is funded by regulated utilities operating in Indiana. The rate at which to bill the utilities is based on the agencies' budgets, less reversions, divided by the total amount of gross intrastate operating revenue received by the regulated utilities for the previous fiscal year. Based on this formula, utilities are currently billed approximately 0.12% of their gross intrastate operating revenues to fund the IURC.

**Explanation of State Revenues: Summary** - The bill could impact utility rates paid in the state to the extent utilities petition the IURC to recover planning costs or other specified cost allowances. Changes to utility rates paid in the state would increase revenue the state receives from sales tax collections.

Additionally, the bill could reduce state revenue from tax credits afforded to the development small modular nuclear reactors. The IURC has no information on planned small modular nuclear reactors in the immediate future.

**Additional Information** -

***Cost Recovery:*** Generational resource plans and EGRs could (1) increase utility efficiencies resulting in lower energy production costs and (2) increase utility rates to the extent the IURC approves recovery of acquisition and project costs. In the event a generational resource plan is not approved by the IURC, the utility is still authorized to recover planning costs through rate increases. Additionally, the bill allows a utility to petition the IURC to recover small modular nuclear reactor planning costs.

Changes to utility rates paid in the state would increase revenue the state receives from sales tax collections. Sales Tax revenue is deposited in the state General Fund (99.838%), Commuter Rail Service Fund (0.131%), and Industrial Rail Service Fund (0.031%).

***Tax Credit for Small Modular Nuclear Reactors:*** The bill allows a tax credit for the manufacturing costs of small modular nuclear reactors. Manufacturing costs range based on the number of kilowatts generated in the facility, anywhere from \$3,000 to \$8,000 per kilowatt. The tax credit is available for small modular nuclear reactors with a minimum capacity of 470 MW (470,000 kW conversion), so minimum manufacturing costs for eligible small modular nuclear reactors is expected to be approximately \$1.4 B.

The bill allows a taxpayer to claim 10% of a taxpayer's expenditures incurred in the manufacture of a small modular nuclear reactor in Indiana as tax credit against an individual's tax liability for Adjusted Gross Income Tax, Financial Institutions Tax, or Insurance Premiums Tax. The minimum credit that is estimated to be claimed by any taxpayer is about \$140 M. Since this provision is effective tax year 2025, the fiscal impact could begin in FY 2026. Any unused amount of this credit can be carried over into subsequent years and the credit is non-refundable.

**Explanation of Local Expenditures:** The bill could affect municipally-owned utilities. To the extent a municipally-owned utility is absorbed through a generational resource plan, municipally-owned utility operations could cease. Additionally, to the extent a municipally-owned utility elects to plan for small modular nuclear reactor utilization, workload would increase to petition the IURC for recovery of planning costs through rate increases. Further, municipally-owned utilities would be required to report any retirement or refueling plans to the IURC.

**Explanation of Local Revenues:** To the extent a municipally-owned utility successfully petitions the IURC for recovery of small modular nuclear reactor planning costs or generational resource planning costs, utility rates would increase.

**State Agencies Affected:** IURC, IEDC, OUCC, OED.

**Local Agencies Affected:** Municipally-owned utilities.

**Information Sources:**

<https://www.cleantech.com/will-small-modular-reactors-surpass-regulatory-and-supply-chain-hurdles-to-fill-the-need-for-stable-baseload-power/#:~:text=Costs%20for%20SMRs%20vary%2C%20but,%243B%20for%20larger%20units;>

[https://www.in.gov/oed/resources-and-information-center/about-indiana-resources/technologies/small-modular-reactors/;](https://www.in.gov/oed/resources-and-information-center/about-indiana-resources/technologies/small-modular-reactors/)

[https://pubs.naruc.org/pub/7CE3939B-F659-0270-21D7-7456B16F6F2E#:~:text=An%20Integrated%20Resource%20Plan%20\(IRP,economic%20development%2C%20and%20other%20factors.](https://pubs.naruc.org/pub/7CE3939B-F659-0270-21D7-7456B16F6F2E#:~:text=An%20Integrated%20Resource%20Plan%20(IRP,economic%20development%2C%20and%20other%20factors.)

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