

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

LS 7304
BILL NUMBER: SB 421

NOTE PREPARED: Jan 31, 2025
BILL AMENDED: Jan 30, 2025

SUBJECT: IURC Matters.

FIRST AUTHOR: Sen. Koch
FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: (Amended) *IURC Hearing Notices:* This bill amends within the Indiana Code chapter governing publication procedures for political subdivisions the provision governing the publication of a notice of a hearing by the Indiana Utility Regulatory Commission (IURC) to reference the publication procedures for hearings set forth in the Indiana Code chapter governing the IURC. It also amends the publication procedures within the statute governing the IURC to provide that if any newspaper of general circulation in which the IURC publishes a notice does not publish a print edition at least three times a week, the IURC may publish the notice in either: (1) the print edition; or (2) an electronic edition; of the newspaper or a locality newspaper that circulates within the county.

Stenographer Definition: This bill adds a definition of "court reporter" to the Indiana Code chapter governing the regulation of utilities. It replaces references to a "stenographer" with references to a "court reporter" throughout that chapter and in other instances in the Indiana Code in which a "stenographer" or "reporter" is referenced in the context of an IURC proceeding.

Utility Fee and Fine Changes: It also amends the statute that establishes the amount of the public utility fee that is imposed on a regulated utility so that the fee is no longer calculated based on a specified percentage of the public utility's annual gross intrastate operating revenue and repeals all remaining provisions in the Indiana Code chapter concerning alternative energy projects by rural electric membership corporations following the repeal by the General Assembly in 2024 of other provisions in that chapter that established a fund to provide incentives under a program that is no longer operational. The bill increases the civil penalties for violations of the state statute or rules governing pipeline safety: (1) from \$25,000 to \$200,000 per violation per day; and (2) from \$1 M to \$2 M for the maximum civil penalty for a related series of violations; so as to conform Indiana's civil penalties with those prescribed by the federal Pipeline and Hazardous Materials Safety Administration.

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

Explanation of State Expenditures: *IURC Hearing Notices:* The workload of the IURC may increase negligibly in complying with new provisions governing the publication of hearing notices. The bill's

requirements are within the agency's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

Explanation of State Revenues: (Revised) *Summary* - This bill could increase General Fund revenue from civil penalties by approximately \$27.7 M per year starting in FY 2026. Collections from the Public Utility Fee would be approximately \$15.89 M in FY 2025.

By increasing the civil penalties for pipeline safety offenses, the bill could also increase federal reimbursement under the federal Pipeline Grants Program by making the state more competitive in the allocation formula used by the U.S. Department of Transportation. Increases in federal grant funding would offset IURC administrative costs of providing oversight of safety requirements.

Additional Information - Civil Penalties: The bill increases the maximum civil penalty per pipeline safety standard offenses from \$25,000 to \$200,000 per offense, and caps civil penalties for any series of violations at \$2 M as opposed to the current cap of \$1 M. During CY 2024, the IURC imposed civil penalties on Indiana natural gas operators totaling \$3.96 M for all violations affected by the bill. The funds collected for the penalties are deposited to Indiana's General Fund and are unrecoverable by the operators during a rate case. The bill increases the maximum civil penalty per offense to 8 times its current amount. Using the CY 2024 civil penalty collections as a basis, this bill could increase General Fund revenue by approximately \$27.7 M per year.

Federal Funding: The Pipeline Safety Division of the IURC is reimbursed up to 80% of its costs for personnel, equipment, and activities by the federal government. The allocation is determined by assigning point values to states based on certain levels of program participation, dividing this score by the sum of the states' point scores, and multiplying this ratio by the funding amount available for the distribution. In order to continue to receive all available federal funding, states must adopt civil penalty schedules that at least match the federal penalty schedule. Indiana received \$995,663 in federal funding (48.38% of actual approved year-end costs) for natural gas and \$25,291 (76.80% of actual approved year-end costs) for hazardous liquids in Pipeline Safety Base Grants in CY 2023.

(Revised) *Public Utility Fees:* The bill amends the public utility fee rate from 0.15% to a dynamic rate that will cover the expenditures of the IURC and the OUCC. Based on revenue collections of public utility fees between FY 2020 and FY 2024, the IURC is estimated to collect approximately \$15.89 M in fees in FY 2025.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: IURC.

Local Agencies Affected:

Information Sources: Legislative Services Agency, *Indiana Handbook of Taxes, Revenue, and Appropriations*, FY 2024; Luke Wilson, IURC; IURC 2024 Report to the Budget Committee; 2024 IURC Annual Report; <https://www.phmsa.dot.gov/grants/pipeline/pipeline-safety-base-grants>; <https://www.govinfo.gov/content/pkg/FR-2023-12-28/pdf/2023-28066.pdf>

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