

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

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FISCAL IMPACT STATEMENT

LS 7332

BILL NUMBER: HB 1173

NOTE PREPARED: Mar 23, 2023

BILL AMENDED: Mar 23, 2023

SUBJECT: Utility Scale Battery Energy Storage Systems.

FIRST AUTHOR: Rep. Pressel

FIRST SPONSOR: Sen. Koch

BILL STATUS: CR Adopted - 2nd House

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill has the following provisions:

- (1) Provides that a person may not: (A) construct a new utility scale battery energy storage (BES) system; or (B) expand the capacity of an existing BES system by more than 10% of the system's existing capacity; without the prior approval of the Department of Homeland Security (DHS).
- (2) Sets forth information that must be included in an application to the DHS for approval of the construction or expansion of a BES system.
- (3) Provides that a new BES system, or an expansion of an existing BES system, must comply with the National Fire Protection Association's standard concerning stationary energy storage systems (NFPA 855).
- (4) Provides that if a BES system is located less than 1/2 mile from the nearest 100 year flood plain, all of the system's equipment must be located at least two feet above the 100 year frequency flood elevation.
- (5) Requires the operator of a BES system to provide a copy of the operator's emergency response plan for the BES system to the fire department responsible for providing fire protection services in the area in which the BES system is located.
- (6) Authorizes the Fire Prevention and Building Safety Commission (Commission) to adopt rules to specify standards for the installation and operation of a BES system.
- (7) Provides that the Commission's rules must be consistent with NFPA 855.
- (8) Provides that the Commission's rules must include standards for: (a) chemical spill prevention and control; and (b) appropriate setbacks from surface water resources; for the installation and expansion of a BES system.
- (9) Requires the DHS to issue to the Interim Study Committee on Energy, Utilities, and Telecommunication, not later than July 31, 2023, a report regarding the progress of the Commission in adopting rules addressing the installation and operation of a BES system.

Effective Date: (Amended) Upon Passage; July 1, 2023.

Explanation of State Expenditures: (Revised) This bill could increase the workload of the Department of Homeland Security (DHS) to ensure requirements related to battery energy storage (BES) systems in the bill are satisfied as well as provide the report required during the 2023 interim. The bill's requirements would become effective for new and expanded BES systems during FY 2024. The DHS would have authority over BES systems in operation before the bill's provisions go into effect. Increases in workload and/or expenditures to administer the bill's requirements could be offset with the collection of application fees collected by the DHS.

(Revised) *Fire Prevention and Building Safety Commission:* The bill could increase the workload of the Fire Prevention and Building Safety Commission to adopt rules concerning the installation and operation of a utility scale battery energy storage system. In creating these rules, the Commission would consult with the Indiana Department of Environmental Management and the Indiana Department of Natural Resources. Increases in workload are within the routine administrative function of the agency and are expected to be accomplished within existing resource and funding levels.

Explanation of State Revenues: *Summary* - The bill could increase revenue to the DHS Fire and Building Service Fund from application fees collected from utility scale battery energy storage systems. The application fee is expected to increase state revenue by approximately \$1,000 during FY 2024. Increases in revenue in subsequent years would depend on how many BES system locations either come online or expand capacity after the bill's effective date.

Additional Information - The bill establishes a maximum application fee of \$250 for BES system locations in the state. The fee would apply to new locations as well as capacity expansions of currently existing locations. The IURC reports there are nine BES system locations in operation, in development, or under construction in the state. Of these nine locations, five are already operational and may not be subject to the application fees created by the bill. The remaining four locations could generate a maximum of \$1,000 for the DHS Fire and Building Service Fund during FY 2024. The total number of (1) BES system locations that will come online in subsequent years or (2) existing BES system locations that may elect to expand capacity, are currently indeterminable.

For FY 2023, the Fire and Building Services Fund was appropriated approximately \$14.3 M in dedicated funds. The Fire and Building Services Fund consists of fines and fees collected by the Indiana Department of Homeland Security from a number of sources including fireworks permits, filing fees, and inspection fees.

Explanation of Local Expenditures: Depending on the rules adopted by the Fire Prevention and Building Safety Commission concerning how to respond to an emergency at a utility scale battery energy storage system, training requirements for first responders in areas where a system is in operation could change.

Explanation of Local Revenues:

State Agencies Affected: Indiana Department of Homeland Security; Board of Firefighting Personnel Standards and Education.

Local Agencies Affected: First responders.

Information Sources: Auditor of State data.

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