

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

LS 7032

BILL NUMBER: HB 1002

NOTE PREPARED: Jan 9, 2026

BILL AMENDED: Jan 9, 2026

SUBJECT: Electric Utility Affordability.

FIRST AUTHOR: Rep. Shonkwiler

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: *Budget Billing Automatic Opt-In:* This bill requires an electricity supplier that is under the jurisdiction of the Indiana Utility Regulatory Commission (IURC) to do the following:

- (1) Apply a budget billing plan (plan) to all active residential customer accounts.
- (2) Offer each customer a mechanism by which the customer may opt out of a plan at any time without penalty.
- (3) Amend or design the plan so that plan's reconciliation mechanism is applied at least two times during a calendar year.

The bill also authorizes the IURC to adopt rules to implement these provisions.

Disconnection Prohibition During Extreme Heat: The bill provides that on any day for which an extreme heat warning issued by the National Weather Service, the electric utility may not terminate residential electric service for a customer who: (1) receives residential electric service; and (2) has been determined to be eligible for assistance under the state's energy assistance program. It also provides that if electric service is terminated for such a customer, the electric utility shall restore the terminated service as soon as practicable.

Multi-Year Rate Plans: The bill provides that an investor owned electricity supplier must petition the IURC for approval of any change in its basic rates and charges through the submission of a three year, multi-year rate plan (MYRP). Beginning in 2027, the bill requires each electricity supplier to file its first petition with the IURC for approval of an MYRP according to a prescribed schedule.

The bill provides that the base rates: (1) for the first year shall be established by the IURC in the same manner as base rates; and (2) for the second and third rate years, shall be established using current or forward looking data that reflects an electricity supplier's actual Indiana financial performance results.

It also provides that for each rate year in an electricity supplier's MYRP, the following apply:

- (1) A customer affordability performance metric and an associated customer affordability performance incentive mechanism (PIM) that:
 - (A) is based on the electricity supplier's performance in meeting the customer affordability performance metric; and
 - (B) provides financial rewards or penalties to the electricity supplier based on that performance.
- (2) Two service restoration performance metrics and two associated PIMs that:
 - (A) are based on the electricity supplier's performance in meeting the service restoration performance metrics; and
 - (B) provide financial rewards or penalties to the electricity supplier based on that performance.

It also sets forth the methods by which the IURC must calculate the prescribed performance metrics and determine the associated PIMs. The bill sets forth specified findings the IURC must make in approving an electricity supplier's MYRP.

The bill provides that at any time before the expiration of an electricity supplier's approved MYRP, the IURC may, upon its own motion, or at the request of the electricity supplier, do any of the following:

- (1) Examine the reasonableness of the electricity supplier's rates under the MYRP.
- (2) Conduct periodic reviews with opportunities for public hearings and comments.
- (3) Adjust the base rates or PIMs under the MYRP as necessary to ensure that the MYRP continues to satisfy specified criteria.

Beginning in 2029, the bill requires the IURC to include in its annual report certain information about: (1) the status of electricity suppliers' MYRP filings and current MYRPs; (2) electricity suppliers' calculated performance metrics for the current rate year; and (3) the impact of all applicable PIMs on customer rates. It also requires the IURC to adopt rules to implement these provisions. Beginning in 2027, the bill also requires the IURC to include each year in its annual report specified information concerning each electricity supplier's program with respect to the most recently concluded state fiscal year. Requires the IURC to adopt rules to implement these provisions.

Low-Income Customer Assistance Programs: The bill requires an electricity supplier that is under the jurisdiction of the IURC to offer, not later than July 1, 2026, a low income customer assistance program (program) that provides financial assistance to low income residential customers for the payment of monthly bills for utility service. To the extent applicable, The bill requires an electricity supplier to annually allocate to the electricity supplier's program an amount equal to at least 50% of the amount of lost revenues recovered by the electricity supplier during the most recently concluded calendar year as approved program costs associated with an energy efficiency program offered by the electricity supplier.

It provides that if a customer who applies for assistance is eligible for assistance under the program, the electricity supplier shall enroll the customer in the program. It also provides that an electricity supplier may, but is not required to, petition the IURC for approval to recover eligible program costs. The bill provides that "eligible program costs" do not include costs recovered through program contributions that are provided at no cost to the electricity supplier by or through any governmental agency or program or other third party.

Effective Date: Upon passage.

Explanation of State Expenditures: Budget Billing Automatic Opt-In: This bill increases the IURC's

workload to oversee the creation of budget billing plans and create rules for its implementation.

Disconnection Prohibition During Extreme Heat: The workload of the IURC will increase to adopt rules to implement this bill. Currently, the state only has a utility disconnection moratorium during winter months. The state does prohibit utility disconnection for individuals who participate in the state's low income home energy assistance program (LIHEAP) during the current disconnection moratorium in the winter. The bill could decrease the number of utility disconnections in the state, which could decrease reconnection fees.

Multi-Year Rate Plans: The workload of the IURC will increase in reviewing public utilities' customer affordability performance reports, service restoration performance reports, and MYRPs. These reports will include information such as percentage changes in residential bills and electricity prices measured by the Consumer Price Index (CPI), electricity service reliability metrics (SAIDI, CAIDI, and SAIFI), and operational cost information justifying revenue requirements. The customer affordability metric provided in this bill can result in the IURC adjusting the authorized rate of return upward or downward a percentage point depending on whether average residential bills exceed or fall behind CPI.

Low-Income Customer Assistance Programs: The bill increases the workload of the IURC to (1) review the creation of electricity utilities' low income customer assistance programs, (2) ensure at least 50% of recovered costs from energy efficiency programs are allocated to low income customer assistance programs, (3) ensure that rate schedules from a base rate case or a periodic adjustment mechanism for eligible program recovery costs do not lead to more than a 2% increase in total revenues in a 12 month period, (4) to include low income customer counts and assistance amounts from the program from every electric utility into the IURC's Annual Reports starting in 2027, and (5) adopt rules to implement the bill's provisions.

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: Budget Billing Automatic Opt-In: This bill makes it so that electric utilities under the IURC's jurisdiction must provide the option of a budget billing plan for their residential customers. The sales tax incurred from residential utility bills may be less seasonal and more similar on a month-to-month basis because of this policy. All else being equal, the overall sales tax bill on electric utility bills should remain about the same due to the biannual reconciliation process. [The estimated sales tax on residential electricity is between \$290.0 M and \$396.8 M for FY 2027 and between \$299.9 M and \$414.2 M for FY 2028.]

Multi-Year Rate Plans: This bill includes a performance incentive metrics for electricity affordability and reliability. Public utilities may have their authorized returns adjusted depending on how they perform in these metrics. These utilities may have their authorized returns increased or decreased by as much as a 1 percentage point for the affordability metric, and by as much as 0.50 for the reliability metrics. Depending on how well utilities perform, the sales taxes on utility bills may increase or decrease. [The estimated sales tax on all electricity is between \$580.5 M and \$624.2 M for FY 2027 and between \$597.7 M and \$642.7 M for FY 2028.]

Low-Income Customer Assistance Programs: The bill's provisions state that electric utilities must create a low-income assistance program. Assuming that individuals in the program receive discounted rates, the sales tax on bills from customers in the program will decrease. However, the bill also allows utilities to recover their costs through rate cases and adjustment mechanisms. This may mean that total sales tax revenue from residential customer should remain approximately the same all else being equal.

Explanation of Local Expenditures: *Budget Billing Automatic Opt-In:* This bill creates an increased workload for municipal utilities under the IURC's jurisdiction to notify their customers regarding budget billing plans by April 1, 2026, to create a budget billing plan for their residential customers, to explain in plain terms how the billing reconciliation works, and also to create an opt-out mechanism for customers who do not want a billing plan.

Disconnection Prohibition During Extreme Heat: The bill will increase the workload of municipal electric and gas utilities to reconnect residential customers whose service has been terminated prior to an extreme heat warning issuance. The workload of municipal utilities will also increase in providing information on their website regarding the heating assistance program. The bill's requirements are within municipal utilities' normal functions and should be able to be implemented with no additional appropriations, assuming near customary staffing and resource levels.

Low-Income Customer Assistance Programs: The bill will increase the workload of municipal utilities within the IURC's jurisdiction to create a low income customer assistance program by July 1, 2026. Their workload will also increase in including information regarding the low income customer assistance program on residential bills and on their website. These municipal utilities will also face an increased workload from review applicant documentation and eligibility for low income assistance and filing petitions with the IURC to recover associated costs of the program.

Explanation of Local Revenues: *Budget Billing Automatic Opt-In:* The revenues municipal utilities under the IURC's jurisdiction would receive may become less seasonal as a result of budget billing applied to residential customers. The overall revenues collected should remain about the same due to the biannual reconciliation process.

Low-Income Customer Assistance Programs: The total revenues received by municipal utilities in the IURC's jurisdiction should be approximately the same if they recover program costs through adjustment mechanisms.

State Agencies Affected: IURC

Local Agencies Affected: Municipal Electric Utilities

Information Sources: Department of State Revenue, Sales tax by NAICS code, 2019-2025; Energy Information Administration, Form 861

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