

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

LS 7032

BILL NUMBER: HB 1002

NOTE PREPARED: Jan 28, 2026

BILL AMENDED: Jan 27, 2026

SUBJECT: Electric Utility Affordability.

FIRST AUTHOR: Rep. Shonkwiler

BILL STATUS: As Passed House

FIRST SPONSOR: Sen. Koch

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: *Levelized 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) Beginning with the first monthly billing cycle that begins after June 30, 2026, apply a levelized billing plan (plan) to all active residential customer accounts to which a plan does not already apply.
(2) Not later than April 1, 2026, offer each customer a mechanism by which the customer may opt out of a plan at any time without penalty.
(3) Not later than July 1, 2026, for any plan offered by the electricity supplier and applied to an active customer account, amend or design the plan so that plan's account reconciliation mechanism is applied at such times during a calendar year to reflect typical seasonal patterns of electricity usage by residential customers, but not more than two times during a calendar year.

It prohibits an electricity supplier from referring to or promoting a levelized billing plan as a "budget billing plan" unless the levelized billing plan also provides other specified forms of relief for customers. It authorizes the IURC to adopt rules to implement these provisions.

IURC Emergency Recommendations: The bill amends existing law granting the IURC the authority to take certain actions with respect to the rates and services of public utilities during emergency circumstances, as judged by the IURC, to provide instead that the IURC may recommend that the Governor declare a disaster emergency or proclaim a state of energy emergency during which the IURC may take such actions. It specifies that the emergency must result from: (1) a national economic depression;
(2) an act of war; or
(3) a disaster of unprecedented size and destructiveness.

Summer Disconnection Moratorium: The bill provides that an electric utility may not terminate residential electric to a customer on any day with respect to which the National Weather Service has forecast, not earlier than 48 hours in advance, a heat index of at least 95 degrees for the location where the customer receives service

Utility Reporting: The bill requires an electricity supplier that is under the jurisdiction of the IURC for the approval of rates and charges to report to the Office of Utility Consumer Counselor (OUCC) on a quarterly basis certain data concerning residential customer accounts. It requires the OUCC to annually compile and summarize the information contained in the reports and include the summary in the OUCC's annual report to the Interim Study Committee on Energy, Utilities, and Telecommunications.

Multi-Year Rate Plans: The bill provides that an investor owned electricity supplier that is under the jurisdiction of the IURC for the approval of rates and charges 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 2026, it requires each electricity supplier to file its first petition with the IURC for approval of an MYRP according to a prescribed schedule. It provides that the base rates for the first rate year of an MYRP shall be established by the IURC in the same manner that base rates would be established in a proceeding for a change in basic rates and charges that occurs outside an MYRP. It specifies that in a petition to the IURC for a multi-year plan, an electricity supplier must include certain information in its case in chief. It provides that for each rate year in an electricity supplier's MYRP, the following apply:

(1) A customer affordability performance metric and an associated 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) A service restoration performance metric and an associated PIM that:

- (A) is based on the electricity supplier's performance in meeting the service restoration performance metric; and
- (B) provides financial rewards or penalties to the electricity supplier based on that performance.

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

- (1) examine the electricity supplier's rates under the MYRP;
- (2) conduct periodic reviews with opportunities for public hearings and comments; and
- (3) adjust the base rates or (PIMs) under the MYRP.

Beginning in 2029, it 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 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. It requires an electricity supplier to annually fund its program in an amount equal to:

- (1) at least 0.2% of the electricity supplier's jurisdictional revenues for residential customers; plus
- (2) any contributions from governmental agencies or programs or from other third parties.

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 provides that an electricity supplier may, but

is not required to, petition the IURC for approval to recover eligible program costs. It provides that "eligible program costs" do not include costs recovered through program contributions that are provided at no cost to the electricity supplier. Beginning in 2027, it 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. It also requires the IURC to adopt rules to implement these provisions.

Effective Date: Upon passage.

Explanation of State Expenditures: *Levelized Billing Automatic Opt-In:* This bill increases the IURC's workload to oversee the creation of levelized billing plans and create rules for its implementation.

IURC Emergency Recommendations: The bill enables the IURC to recommend to the Governor that a disaster emergency should be declared in the event of economic depression, an act of war, or a disaster of unprecedented size and destructiveness. The workload of the IURC may increase in suspending rates, practices, and schedules or releasing orders during the state of emergency.

Summer Disconnection Moratorium: 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. This expansion of the disconnection moratorium period to include instances when a county or region has a heat index of at least 95 degrees Fahrenheit 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), 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: *Levelized 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.]

IURC Emergency Recommendations: In the event that rates are suspended during a state of emergency, the revenues from sales taxes would decrease.

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 metric. 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 and must fund this using 0.2% of their residential revenues. 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: *Levelized Billing Automatic Opt-In:* This bill creates an increased workload for municipal utilities under the IURC's jurisdiction to notify their customers regarding levelized 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.

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

IURC Announced Emergencies: In the event that rates are suspended during a state of emergency, the revenues of local utilities from providing utility service would be diminished.

Summer Disconnection Moratorium: The bill's expansion of the disconnection moratorium period to include periods above 95 degrees Fahrenheit may decrease the revenues municipal utilities receive in reconnection fees. [Municipal utilities in Indiana collected about \$829,000 in fees to restore terminated electric and natural gas service].

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, OUCC

Local Agencies Affected: Municipal Utilities

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

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