

SENATE BILL No. 240

DIGEST OF INTRODUCED BILL

Citations Affected: IC 8-1-8.5.

Synopsis: Surplus interconnection service. Defines "surplus interconnection service" (SIS), with respect to established interconnection service connecting an electric generating facility with an electric transmission system, as any unneeded portion of that service the use of which would result in the total amount of interconnection service at the point of interconnection remaining the same. Provides that an electric utility that is required to file integrated resource plans (IRPs) with the Indiana utility regulatory commission (IURC) must include in any IRP filed after December 31, 2026, an analysis of the potential for SIS to meet immediate needs for capacity and energy at both utility owned facilities and third party facilities. Sets forth specified factors that the analysis must address. Provides that in any IRP filed with the IURC after December 31, 2029, an electric utility must include a plan to develop or procure cost effective SIS projects. Requires the plan to identify opportunities: (1) for utility owned self-build projects or third party projects; and (2) to extend existing contracts with third parties to allow for the use or provision of SIS. Provides that with respect to any petition filed with the IURC after December 31, 2026, for a certificate of public convenience and necessity for the construction, purchase, or lease of an electric generation facility, the IURC shall consider whether: (1) the petitioner has conducted an analysis of the use of SIS as an alternative to, or in conjunction with, the proposed construction, purchase, or lease of the facility; and (2) the proposed construction, use, or lease of the facility will make use of or, allow for the use of, SIS. Requires the IURC to conduct a study to evaluate the potential use of SIS by electric utilities.

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Effective: July 1, 2026.

Koch

January 8, 2026, read first time and referred to Committee on Utilities.



Digest Continued

Sets forth specific topics that the IURC must evaluate as part of the study. Requires the IURC to include in its 2027 annual report its findings with respect to the topics evaluated in the study.



Second Regular Session of the 124th General Assembly (2026)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2025 Regular Session of the General Assembly.

SENATE BILL No. 240

A BILL FOR AN ACT to amend the Indiana Code concerning utilities.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 8-1-8.5-3.6 IS ADDED TO THE INDIANA CODE
2 AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY
3 1, 2026]: **Sec. 3.6. (a) As used in this section, "electric utility" refers**
4 **to an electric utility listed in 170 IAC 4-7-2(a).**

5 **(b) As used in this section, "interconnection service" refers to a**
6 **service that is:**

7 **(1) established in a standard large generator interconnection**
8 **agreement, as defined in the Federal Energy Regulatory**
9 **Commission's pro forma Large Generator Interconnection**
10 **Procedures for electric generating facilities having a**
11 **generating facility capacity of more than twenty (20)**
12 **megawatts;**

13 **(2) provided by an electric transmission provider; and**

14 **(3) associated with interconnecting a generating facility with**
15 **the transmission provider's transmission system and enabling**



the transmission system to receive electric energy and capacity from the generating facility at the point of interconnection.

(c) As used in this section, "surplus interconnection service" means any unneeded portion of interconnection service the use of which would result in the total amount of interconnection service at the point of interconnection remaining the same.

(d) As used in this section, "third party facility", with respect to an electric utility, means a generating facility that is not owned or operated by the electric utility or an affiliate of the electric utility.

(e) As used in this section, "third party project", with respect to an electric utility, means a project that:

- (1) involves the use of surplus interconnection service; and
- (2) is not constructed, owned, or operated by the electric utility or an affiliate of the electric utility.

(f) In any integrated resource plan filed with the commission under 170 IAC 4-7 after December 31, 2026, an electric utility must include an analysis of the potential for surplus interconnection service to meet immediate needs for capacity and energy at both utility owned facilities and third party facilities. The analysis required by this subsection must include the following:

(1) An assessment of:

- (A) utility owned facilities; and
- (B) third party facilities;

with surplus interconnection service greater than twenty-five (25) megawatts. In performing the assessment required under this subdivision, the electric utility shall solicit from the owners or operators of third party facilities information concerning the potential use of surplus interconnection service at those facilities.

(2) A description of any site characteristics or potential contractual terms that affect the viability of surplus interconnection service at the identified facilities.

(3) An assessment of any facilities planned for retirement with respect to which surplus interconnection service could be used:

- (A) during a transition to full facility repowering; or
- (B) for an initial period, followed by interconnection of another facility through the generator replacement process.

(g) In any integrated resource plan filed with the commission under 170 IAC 4-7 after December 31, 2029, an electric utility must



1 include a plan to develop or procure cost effective surplus
 2 interconnection service projects. The plan required by this
 3 subsection must include the following:

4 (1) An identification of opportunities for:

5 (A) utility owned self-build projects; or

6 (B) third party projects.

7 (2) An evaluation of potential opportunities to extend existing
 8 contracts with the owners or operators of third party facilities
 9 to allow for the use of surplus interconnection service.

10 An electric utility may include in a plan under this subsection a
 11 project that proposes the use of more than one hundred percent
 12 (100%) of the surplus interconnection service at a utility owned
 13 facility or a third party facility so as to ensure that the entire
 14 interconnection service established for the facility in a standard
 15 large generator interconnection agreement is used, so long as the
 16 use of the proposed surplus interconnection service when combined
 17 with the existing used capacity does not exceed the total
 18 interconnection service established for the facility in the standard
 19 large generator interconnection agreement.

20 SECTION 2. IC 8-1-8.5-4, AS AMENDED BY P.L.55-2023,
 21 SECTION 4, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 22 JULY 1, 2026]: Sec. 4. (a) As used in this section, "federal phaseout
 23 mandate" means any federal statutory or regulatory requirement that:

24 (1) is established after April 20, 2021, by the Congress of the
 25 United States, a federal regulatory agency, or a federal executive
 26 order; and

27 (2) requires the phaseout or discontinuance of a particular type of
 28 electric generating facility, technology, or fuel source.

29 (b) As used in this section, "surplus interconnection service" has
 30 the meaning set forth in section 3.6 of this chapter.

31 ~~(b)~~ (c) In acting upon any petition for the construction, purchase, or
 32 lease of any facility for the generation of electricity, the commission
 33 shall take into account the following:

34 (1) The applicant's current and potential arrangement with other
 35 electric utilities for:

36 (A) the interchange of power;

37 (B) the pooling of facilities;

38 (C) the purchase of power; and

39 (D) joint ownership of facilities.

40 (2) Other methods for providing reliable, efficient, and
 41 economical electric service, including the refurbishment of
 42 existing facilities, conservation, load management, cogeneration,



and renewable energy sources.

(3) With respect to a petition that:

(A) is for the construction of a new generating facility; and

(B) is submitted to the commission after June 30, 2021, and before January 1, 2025;

the impact of federal phaseout mandates on the estimated useful life of each proposed generating facility included in the petition, including depreciation expense associated with each facility.

(4) With respect to a petition that is submitted to the commission after June 30, 2023, whether the proposed construction, purchase, or lease of the facility will result in the provision of electric utility service with the attributes set forth in IC 8-1-2-0.6, including:

(A) reliability;

(B) affordability;

(C) resiliency;

(D) stability; and

(E) environmental sustainability;

as described in IC 8-1-2-0.6.

(5) With respect to a petition that is submitted to the commission after December 31, 2026, whether:

(A) the petitioner has conducted an analysis, as part of an integrated resource plan in accordance with section 3.6 of this chapter or otherwise, of the use of surplus interconnection service as an alternative to, or in conjunction with, the proposed construction, purchase, or lease of the facility; and

(B) the proposed construction, use, or lease of the facility will make use of or, allow for the use of, surplus interconnection service.

SECTION 3. IC 8-1-8.5-15 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2026]: **Sec. 15. (a) The definitions in section 3.6 of this chapter apply throughout this section.**

(b) The commission shall conduct a study to evaluate the potential use of surplus interconnection service by electric utilities to enable electric utilities to:

(1) safely, reliably, efficiently, and cost effectively meet electric system demand; and

(2) provide safe, reliable, and affordable electric utility service to customers.

(c) In conducting the study, the commission shall evaluate the following:



- (1) Subject to subsection (d), the potential costs and benefits of the use of surplus interconnection service by electric utilities at both utility owned facilities and third party facilities, including a consideration of the extent to which the use of service interconnection service would do the following:
 - (A) Avoid the need to construct or deploy additional transmission infrastructure.
 - (B) Enable new electric generating or storage facilities to avoid the:
 - (i) costs; and
 - (ii) time frames for approval;
 associated with the appropriate regional transmission organization's interconnection queue.
 - (C) Provide energy value to existing thermal facilities, such as peaker plants and other underutilized facilities.
 - (D) Provide capacity value to existing alternative energy facilities by shifting generation to high-value peak hours.
 - (E) Reduce transmission congestion.
 - (F) Increase system reliability.
- (2) The potential use of surplus interconnection service to enable electric utilities to provide safe, reliable, and affordable electric utility service to customers in Indiana, considering existing and planned transmission infrastructure and projected demand growth.
- (3) Potential ways to encourage the use of surplus interconnection service at sites where its use would be advantageous, including policies that would:
 - (A) address barriers to co-locating electric generating or storage facilities by allowing expedited siting and permitting rules for surplus interconnection service projects; or
 - (B) incorporate surplus interconnection service into the state's:
 - (i) economic development efforts, such as site selection and incentive programs; or
 - (ii) energy planning and workforce initiatives.
- (4) Any other aspect of surplus interconnection service that the commission determines will assist policymakers, electric utilities, ratepayers, and other stakeholders in understanding the potential role of surplus interconnection service in the transmission system serving Indiana and the region.
- (d) An electric utility shall provide the commission, at the time



1 and in the manner prescribed by the commission, any information
 2 or related materials required by the commission to perform the
 3 evaluation described in subsection (c). However, upon request by
 4 an electric utility, the commission shall determine whether any
 5 information or related materials requested by the commission:

- 6 (1) are confidential under IC 5-14-3-4;
- 7 (2) are exempt from public access and disclosure by Indiana
 8 law; and
- 9 (3) must be treated as confidential and protected from public
 10 access and disclosure by the commission.

11 (e) In conducting the study required by this section, the
 12 commission may consult with or invite comments from:

- 13 (1) regional transmission organizations;
- 14 (2) the Federal Energy Regulatory Commission or other
 15 federal regulators;
- 16 (3) electric utilities;
- 17 (4) the office of utility consumer counselor;
- 18 (5) associations or organizations representing utility
 19 ratepayers;
- 20 (6) regulatory commissions in other states;
- 21 (7) engineers or other experts; or
- 22 (8) other stakeholders.

23 The commission may incorporate any information or comments
 24 received under this subsection in its report under subsection (f).

25 (f) The commission shall include in the annual report that the
 26 commission is required to submit under IC 8-1-1-14 before
 27 October 1, 2027, a report that includes the commission's findings
 28 with respect to the topics outlined in subsection (c).

