

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

LS 7078

BILL NUMBER: SB 272

NOTE PREPARED: Jan 6, 2026

BILL AMENDED:

SUBJECT: Competitive Electric Supply Service.

FIRST AUTHOR: Sen. Donato

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: *Competitive Electricity Service:* This bill provides that beginning July 1, 2027, an eligible customer of an incumbent electricity supplier may elect to receive: (1) electric supply service directly from a competitive electricity supplier; and (2) transmission and distribution service from the incumbent electricity supplier. It defines for these purposes an "eligible customer" as a new or existing nonresidential customer of the incumbent electricity supplier, or an aggregation of two or more such customers, whose aggregate electricity demand during the most recently concluded calendar year exceeded one megawatt. It also defines for these purposes an "incumbent electricity supplier", with respect to an eligible customer, as an investor owned utility that is under the jurisdiction of the Indiana Utility Regulatory Commission (IURC) and whose assigned service area includes the eligible customer.

Competitive Electricity Cap and Queue: This bill requires the IURC to establish by rule the following: (1) A system for establishing and periodically adjusting a cap on an incumbent electricity supplier's eligible customers receiving electric supply service from a competitive electricity supplier. (2) A queue process by which eligible customers of an incumbent electricity supplier that elect to receive electric supply service from a competitive electricity supplier are authorized to begin receiving that service as the incumbent electricity supplier's cap allows. The bill specifies the methods by which the IURC must establish and adjust an incumbent electricity supplier's cap and sets forth requirements for advance notice that an eligible customer must provide to an incumbent electricity supplier before: (1) receiving electric supply service from a competitive electricity supplier; or (2) resuming electric supply service under the incumbent electricity supplier's applicable tariff upon discontinuing electric supply service from a competitive electricity supplier.

Bill Breakdown: The bill provides that on any customer bill issued by an incumbent electricity supplier after June 30, 2027, the incumbent electricity supplier must include a breakdown of the charges and fees that make up the total amount owed, including a description of the service or cost associated with each charge or fee. Sets forth certain charges and fees that must be delineated as specific line items on each customer bill.

Data Transfer: This bill requires the IURC to establish by rule requirements for an incumbent electricity supplier to provide to a competitive electricity supplier historical usage data for an eligible customer that seeks to receive electric supply service from the competitive electricity supplier. Sets forth certain metrics

that the customer usage data must include.

Competitive Electric Generation Licensing: This bill also requires the IURC to establish by rule a licensing process for competitive electricity suppliers that seek to provide electric supply service to eligible customers of incumbent electricity suppliers in Indiana and sets forth certain requirements that a competitive electricity supplier must meet as a condition of receiving and maintaining a license. Provides that an incumbent electricity supplier that seeks to provide electric supply service outside its assigned service area must do so through a functionally separate, nonutility affiliate that is subject to the bill's licensing requirements.

Competitive Supply Entrance: This bill requires the IURC to establish by rule a procedure by which a: (1) municipally owned utility; or (2) rural electric corporation; may elect to become subject to the bill's provisions so as to enable its eligible customers to receive electric supply service from a competitive electricity supplier.

Incumbent Supplier Base Rate Cases: This bill provides that in any base rate case for an incumbent electricity supplier, the IURC shall: (1) ensure that electric supply service received by eligible customers from a competitive electricity supplier will not result in unreasonable cost shifting to other nonparticipating eligible customers or to other customer classes; and (2) consider the avoided generation and purchased power costs inuring to the benefit of the incumbent electricity supplier's ratepayers as a result of eligible customers receiving electric supply service from competitive electricity suppliers.

IURC Annual Report: Beginning in 2028, this bill requires the IURC to include each year in its annual report specified information concerning the provision of electric supply service by competitive electricity suppliers to eligible customers of incumbent electricity suppliers.

The bill requires the IURC to adopt rules to implement the bill's provisions.

Effective Date: Upon passage.

Explanation of State Expenditures: Competitive Electricity Cap and Queue: The workload of the IURC will increase significantly in (1) establishing a system for adjusting the cap on the number of customers that can opt for competitive electricity service and (2) creating a queue and ranking system of customers approved and awaiting to receive competitive service. The first cap must represent at least 20% of an incumbent supplier's total retail sales normalized for weather, excluding sales to eligible customers demanding more than 75 megawatts. The cap will be adjusted as necessitated in the bill's provisions. The IURC must also develop on its website a list and rank of the customers waiting to receive competitive electricity.

Bill Breakdown: The IURC's workload will increase reviewing and approving utilities' amended tariffs with desegregated costs and billing.

Data Transfer: The IURC's workload will increase in establishing rules by which incumbent electricity suppliers transfer historical usage data to a competitive electricity supplier.

Competitive Electric Generation Licensing: The bill requires that the IURC to create a licensing process for competitive electricity suppliers. Before issuing a license the IURC must determine that the suppliers has the financial, managerial, and technical ability to provide adequate service. The workload of the IURC will increase in reviewing applications and it must issue an approval or denial within 90 days of receiving an application. The workload increase to the commission will depend on the number of applications received.

Incumbent Supplier Base Rate Cases: The IURC's workload will increase in ensuring that costs for customers participating in competitive electricity service are not shifted over to nonparticipants during base rate cases. The IURC will also consider the reduced electricity generation on incumbent suppliers as a result of customers opting for competitive service.

IURC Annual Report: The IURC's workload will also increase in providing information on competitive electricity providers its annual report which include, but is not limited to, the total number of licenced providers, the number of their customers, and the amount of licencing fees collected.

Additional Information - This bill defines "incumbent electricity suppliers" as existing investor owned, cooperative, and municipal electricity utilities that are under the IURC's jurisdiction for rate setting. It defines "competitive electricity suppliers" as a person that is licensed by the IURC to provide competitive electric generation service.

The operating budget of the IURC is funded by regulated utilities operating in Indiana. The rate at which to bill the utilities is based on the agencies' budgets, less reversions, divided by the total amount of gross intrastate operating revenue received by the regulated utilities for the previous fiscal year. Based on this formula, utilities are currently billed approximately 0.15% of their gross intrastate operating revenues to fund the IURC.

Explanation of State Revenues: *Competitive Electric Generation Licensing:* The bill requires that each competitive electricity supplier must pay a \$10,000 licensing fee. The total amount of revenue collected in fees will depend on the number of individuals that seek to create such a company in Indiana.

Explanation of Local Expenditures: *Bill Breakdown:* The bill requires that municipal utilities with eligible customers for competitive electricity supply must before FY 2028 must take measures to separate their costs so that they can provide itemized electricity billing on each customer's bill and file amended tariffs with the IURC. The specific items on a bill must include, but is not limited to distribution, transmission, program charges, billing fees, and taxes. By FY 2028 customer bills must include these specific line items and their respective charges. The workload of municipal utilities will increase to separate costs and make changes in the format of their billing.

Data Transfer: Municipal utilities with customers switching to competitive electricity suppliers must provide at least 24 months of customer usage or metering data to the competitive electricity supplier. The workload of municipal utilities will increase in providing this information.

Explanation of Local Revenues: *Competitive Electricity Service:* Municipal utilities with eligible customers for competitive service may face reduced revenues as a result of customers opting for competitive electricity service. The amount of the reduction will likely depend on the difference in the price of electricity service and the quality of service being offered.

State Agencies Affected: IURC.

Local Agencies Affected: Municipal electric utilities.

Information Sources:

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