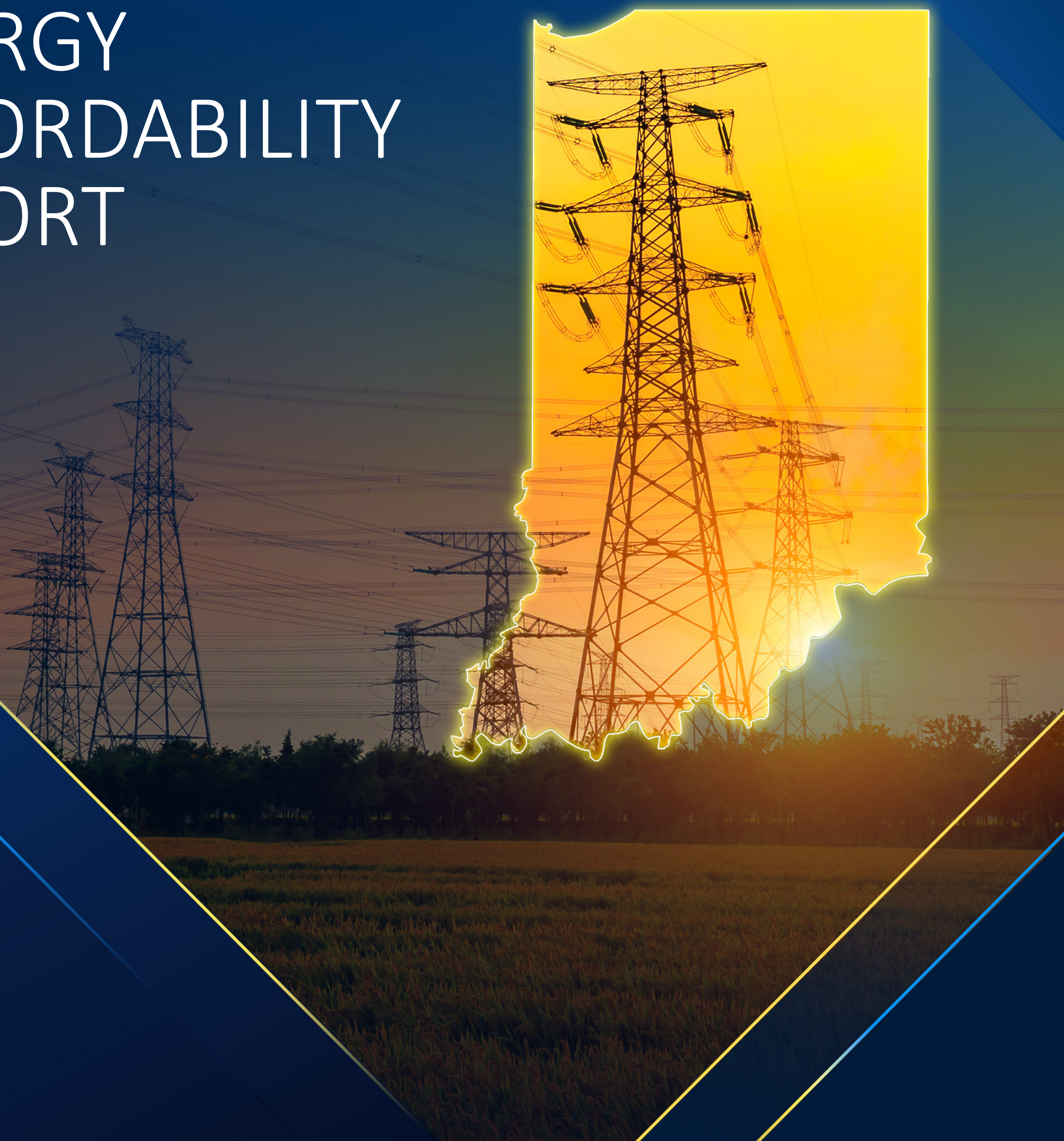
ENERGY AFFORDABILITY REPORT

JULY 2026



Working toward a more affordable energy future

TABLE OF CONTENTS

INTRODUCTION

The role of the Indiana Utility Regulatory Commission (IURC) is to examine evidence in each specific proceeding before it to ensure utilities under the agency's jurisdiction are making prudent decisions as they meet their obligation to provide safe and reliable service. When adjudicating cases, this includes weighing the evidence and following all applicable laws, while adhering to the policy directives set by the Indiana General Assembly. In certain electric cases, this includes the state's "Five Pillars" energy policy (*Ind. Code § 8-1-2-0.6*), which requires the IURC to consider and balance reliability, affordability, resiliency, stability, and environmental sustainability in the dockets before it.

> "Hundreds of Hoosiers have spoken out, both at the listening sessions and through written comments they have submitted to the Commission regarding energy affordability. Based on that input, we are focusing on practical solutions for Indiana ratepayers as outlined in the report we are releasing today."
>
> – IURC Chairman Anthony Swinger

ABOUT THE REPORT

This report follows several months of review led by the Commission to better understand some of the underlying drivers behind energy affordability with the goal of exploring short- and long-term actions. On March 24, 2026, the Commission conducted an Investigative Inquiry on Energy Affordability concerning the state's five largest electric investor-owned utilities. Through March and April, the Commission hosted 10 listening sessions around the state to hear from Hoosiers; more than 700 people attended at least one session. The Commission also received nearly 2,200 comments in its dedicated email inbox. This feedback was invaluable and helped shape the actions outlined in this report.

The action items on the following pages represent formal and informal actions to be taken by the IURC, directives to the large investor-owned electric utilities, and considerations for the Indiana Office of Energy Development (OED) and the Indiana General Assembly to evaluate when contemplating future affordability measures.

10

Number of listening sessions held throughout the state in March and April 2026.

2,170

Number of comments received by the IURC regarding energy affordability.

16

Energy affordability action items identified in this report.

ACTION ITEMS

The following are four action items to be taken by the Indiana Utility Regulatory Commission.

01

Launch Return on Equity Investigation

As a result of House Enrolled Act (HEA) 1002, multi-year rate plans are to be filed by each investor-owned electric utility on a three-year cadence in which the Commission sets base rates for each year of the period. The General Assembly recognized that this change in regulatory administration requires the consideration of the risk balance between the utility and its customers. The increased stability and cadence of filings and multi-year planning lend themselves to a new approach to return on equity (ROE) and trackers.

The IURC launched a formal investigation on July 15, 2026, to consider reasonable risk adjustments to a utility's authorized profit opportunity that may result from the implementation of the multi-year rate plan structure created by HEA 1002. Specifically, this investigation focuses on the authorized ROE the Commission sets for each investor-owned utility.

02

Launch Tracker Investigation

The IURC also launched a formal investigation on July 15, 2026, to evaluate how the use of periodic rate adjustment mechanisms – also known as trackers – may be impacted through HEA 1002's new regulatory structure. Currently, Indiana statutes allow these trackers to recover specific cost types, both expenses and capital investments, allowing for the flow-through of the specifically defined costs to retail rates between base rate cases. Capital trackers enable a utility to recover statutorily defined capital investments it makes in its system, while expense trackers enable retail rates to be adjusted to reflect changes in a utility's operating expenses. The change in base rate case cadence with the transition to multi-year rate plans presents an opportunity to optimize the value of trackers in this new structure.

The goal of the tracker investigation is to explore how capital trackers are most efficiently worked into future multi-year rate plans as directed by statute. Further, the investigation will offer stakeholders the opportunity to weigh in on Commission-established reasonable and quantifiable criteria that may justify the continued use of expense trackers in the new paradigm.

03

Develop Recommended Future Performance Incentive Mechanisms

Additionally, IURC staff will initiate a stakeholder process to develop and expand a list of performance incentive mechanisms (PIMs) to hold utilities accountable, standardizing these metrics where possible. PIMs provide financial incentives in the form of either penalties or rewards (or both) to utilities for meeting specified performance objectives. Regulators may use PIMs to encourage utilities to direct resources toward achieving specified goals. As part of HEA 1002, PIMs were created as a first step toward enhanced utility performance accountability to link a utility's earnings to performance as it relates to the Five Pillars prescribed by state statute. Utility performance can be measured by a wide spectrum of metrics, and this next step will look to build upon the foundation the General Assembly has provided.

04

Guidance on Transmission, Distribution, and Storage System Improvement Charge Implementation Standards

Finally, given the status of pending cases, in the coming weeks, the IURC will be providing additional guidance on Transmission, Distribution, and Storage System Improvement Charge (TDSIC) plan benefits and cost justification. For more than 10 years, most of Indiana's large investor-owned electric and natural gas utilities have used TDSIC plans and trackers to recover costs for ongoing infrastructure projects.

ACTION ITEMS

The following are five directives to Indiana's large investor-owned electric utilities.

01

Double Customer Assistance Programs

Indiana's investor-owned utilities commit millions of shareholder dollars to ratepayer assistance programs, weatherization programs, and economic development incentives annually. A utility's financial strength is inherently connected to its service area strength. Accordingly, given the financial stress being experienced by a utility's customers, a doubling of ratepayer assistance commitments using shareholder dollars is a reasonable step we ask the utilities to take that would serve both the utility and the increased need its customers are currently facing.

02

Evaluate Energy Efficiency Programs

Federal LIHEAP (Low-Income Home Energy Assistance Program) and the state-managed Indiana Energy Saver Program (IESP) – including its HOMES and HEAR initiatives – are not enough to meet present demand for low-income assistance and energy efficiency. Indiana's utilities need to evaluate their current energy efficiency programs for effectiveness. Further and better coordination by the utilities needs to occur with the HOMES and HEAR programs to bridge more impactful investment. Collectively, a pathway needs to be built for private investment and donations to support energy efficiency programs that are working.

03

Meet Local Economic Development Needs

Indiana utilities must continue to improve their cost-effective planning to ensure all Hoosier communities are given fair consideration of their local economic development needs so that no Hoosier communities are left behind. This needs to involve both reasonable infrastructure development and timely access to engineering planning and preparation.

04

Improve Customer Care

Customer service begins with communication and flows through to transparency. Customers deserve accurate information from their utilities and timely and clear answers to their questions and complaints. Hoosier ratepayers deserve to know what costs go into fixed charges, usage charges, and "delivery charges" so they can make simple calculations on their own to compute their bills. The IURC remains committed to improving its communications around utility rates, docketed case processes, customer bills, and the process in working with the Commission's Consumer Affairs Division (CAD). The agency will evaluate its website's ease of use for customers and will make changes as appropriate by the end of the year. We urge utilities to take similar steps.

When utilities fail to provide accurate and timely information, those complaints come to the IURC CAD. As of July 1, 2026, CAD has received nearly 2,500 complaints/inquiries this year, putting it on track to far-exceed its previous annual record of 3,150 complaints/inquiries. This is unsustainable and indicates a strong need for Hoosier utilities to communicate more effectively with their customers. With increased investment in generation, transmission and distribution, Indiana's investor-owned utilities must also cost-effectively invest proportionally in customer service.

05

Communicate Ratepayer Relief

Huge investments are happening in Indiana right now to serve new large customers. It is paramount that Hoosier utilities share how those investments can benefit existing customers, both in customer communications and regulatory filings. There have been multiple announcements of planned savings, and it is important that customers can understand how those flow through to them in tangible ways.

ACTION ITEMS FOR CONSIDERATION

The following are four considerations for the Indiana Office of Energy Development.

01

Coordinate and Evaluate Affordability and Energy Efficiency Programs

The Indiana OED has done an excellent job of implementing valuable energy programs and leveraging the use of federal funding. Under the OED, energy efficiency programs are both meaningful and impactful in terms of increasing energy affordability and enhancing energy reliability by reducing demand placed on the grid. The coordination of all energy efficiency programs under the umbrella of the OED would allow programs to work in synergy and avoid duplication. Indiana utilities and consumers would have a single point of contact for coordination and collaboration for their internal programs. Synchronization of these programs would increase the effectiveness for all Hoosiers in need.

02

Expand use of the Indiana Energy Saver Program

The Indiana Energy Saver Program is relatively new, which has attracted both public and private investment. Existing utility programs now have an opportunity to be integrated with the OED's efforts. Combining existing government and utility-led programs, these should offer every Hoosier a path forward to energy savings. The public-private investment in the Indiana Energy Saver Program alone is anticipated to bring annual recurring energy savings of at least $2.5 million to Hoosiers in greatest need.

03

Build Capacity and Enable Efficiencies to Move at the Pace of Business

Utility infrastructure needs are increasing and development is happening fast. The demand for energy is increasing faster than at any time in the history of the United States. The OED, the IURC, the Indiana Office of Utility Consumer Counselor (OUCC), investor-owned utilities, consumer advocates, and all other stakeholders need to continue to work collaboratively to serve this moment in history. Indiana cannot afford to miss the mark in bringing the next generation of jobs and economic development to our state. It is important that these efforts yield tangible utility cost relief and quality of life benefits for all Hoosiers, so that no one is left out. The cost of growth cannot be detrimental to any one customer class over another, and this growth must be for the benefit of all Hoosiers. As such, OED capacity must be built appropriately and administrative efficiencies enabled to match the speed of business and to meet the needs of the public.

04

Secure Federal Funding for Energy Infrastructure, including Investing in Existing and New Generation, Transmission, and Distribution Resources

A key component to energy affordability is to leverage and maximize new federal funding opportunities. Securing additional federal grant dollars necessary for energy infrastructure reduces the costs borne by customers, utilities, and the state. In this quickly changing economy, Indiana and the OED can maintain and strengthen the strong standing with federal partners to ensure the state remains competitive and at the front of the line for funding opportunities. Further, the OED is well positioned to enhance Indiana's status on the national stage as thought leaders and collaborators to drive more successes in the state.

ACTION ITEMS FOR CONSIDERATION

The following are three considerations for the Indiana General Assembly.

01

Evaluate Sales Tax on Utility Bills

Based on the comments received at the Listening Sessions, it is time that Indiana continues the conversation and evaluates whether to join 40 other states in repealing the sales tax on utility bills. In terms of affordability, nothing could have a more immediate, direct, and measurable impact than a 7% reduction through the removal of sales tax.

02

Oversight on Utility Ownership

Current state law allows the IURC to review ownership mergers involving asset purchases by regulated utilities. The law does not, however, extend this oversight to utility mergers and acquisitions at the holding company level. Changing this would allow the IURC to engage more fully in the process, allowing the Commission to study the impacts such transactions may have on utility customers.

03

Mandatory Regional Transmission Organization Participation

The Federal Energy Regulatory Commission (FERC) regulates the high voltage transmission system and establishes the authorized return on equity for investments made in the bulk transmission system. To encourage participation in regional transmission organizations (RTOs) by transmission owners, FERC provides for a 50-basis point (0.50%) adder to a utility's return on equity when that participation is voluntary.

Indiana's electric utilities were granted authority by the Commission to operate in the RTO structure, and that jurisdictional grant is governed under various Commission orders. This participation level has not been considered a mandate, and therefore, while the Indiana electric utilities participation is not fully optional, customers are paying an incented profit level as if it were. In states where utility participation is mandated, this adder would not be applicable consistent with previous FERC decisions. The Indiana General Assembly could consider legislation requiring utilities to participate in RTOs, which should lead to lower authorized utility profit on transmission investments and put downward pressure on Hoosier retail rates.

CONCLUSION

The Five Pillar construct enacted by the Indiana General Assembly in 2023 recognizes that a balance must be put into place to ensure the public service that Hoosiers need to succeed and thrive is there when needed and available at a cost that is just and reasonable.

The increasing cost environment, while a reality, must not be an excuse to avoid reasonable work to ensure the Five Pillars do not fall out of balance. The perspectives heard during our Listening Sessions challenge each stakeholder in Indiana's electric utility ecosystem to step up and do its part.

This report seeks to address the various avenues and actions the Commission can use regarding affordability. In presenting these action steps and recommendations, we recognize there is no proverbial 'magic bullet' or simple solution; rather, it is a guiding document that provides transparency into the Commission's intent to continue leaning into the affordability pillar. We look forward to partnering with other stakeholders to continue these conversations.

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