

Municipal electric communities threatened by Senate Bill 309

Of the 569 municipalities in Indiana, only 72 communities are fortunate to have a municipally-owned electric utility, the benefits of which are numerous. Electric rates are set locally, utility leadership is local and the power lines are serviced locally by employees that live and work in the community. Even more, if customers have concerns or just want to pay their bill, they don't have far to go for assistance. Municipal electric service is cost-effective, reliable and something these communities are deservedly proud of.

Under current law, municipal electric utilities have the ability to seek to extend their electric service territory into newly annexed areas. However, Senate Bill 309, an effort led by the state's rural electric cooperatives (REMCs) and investor-owned utilities (IOUs), seeks to prohibit municipal electric communities from extending this necessary service to newly annexed citizens. If Senate Bill 309 moves forward, it will have detrimental effects on municipal electric communities, will threaten job growth and will block a community's ability to provide its own services to its own citizens.

THE ISSUE

The current law and its history

The Indiana Service Territory law, enacted in 1980, designates the area in which each utility has the exclusive right to serve retail electric customers. The assigned service areas can only be changed in three limited ways, one of which is through municipal annexation. Of the 569 municipalities in Indiana, only 72 own their local electric utility. When a municipal electric community annexes, it may seek to change its electric service territory in order to provide electric service to residents in the newly annexed area. However, doing so comes at a cost. Municipal electric communities must purchase the other utility's electric equipment in the annexed area and pay the utility an amount equal to the previous year's revenues for the existing customers in the newly annexed area and pay the other utility for any new development in the area over the next five years. After years of working well, the REMCs and the IOUs have decided the law is unfair.

Senate Bill 309 and the effects on Indiana municipal electric communities

Senate Bill 309, an effort led by the REMCs and IOUs will eliminate the ability for municipal electric communities to extend their electric service into newly annexed areas unless the incumbent utility and municipal electric utility agree otherwise. If SB309 moves forward, Indiana's 72 municipal electric communities will be prohibited from providing all of their citizens and businesses with the essential municipal service of electricity.

The impact of this single bill is potentially higher electric rates, job losses and a restriction on future community growth. Furthermore, if municipal electric communities cannot extend their electric service, should the community annex new area, citizens in those areas will not benefit from their community's locally-controlled municipal electric utility, reliable service, low-cost rates and neighborly service. Indiana's municipal electric utilities cannot stand idly by as their ability to provide necessary services to their citizens is jeopardized.

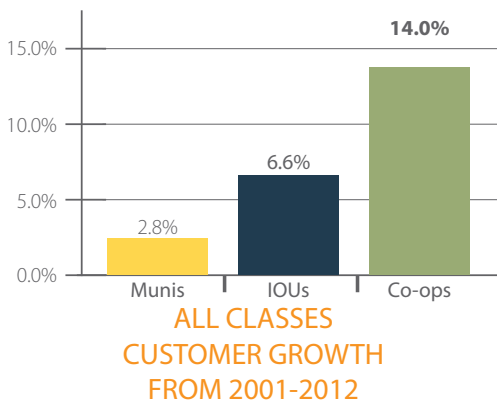
THE FACTS

Less than a 1% change

The REMCs and IOUs claim that the state's municipal electric communities are aggressively annexing into their service territories. Yet, over the past 25 years, municipal annexations have resulted in less than a 1% geographic change in service territory.

Rise in REMCs and IOUs' customers

Over the past decade, the REMCs and IOUs have gained customers at a much faster pace than municipal electric utilities. The chart below shows how much the REMCs and IOUs have grown comparably.

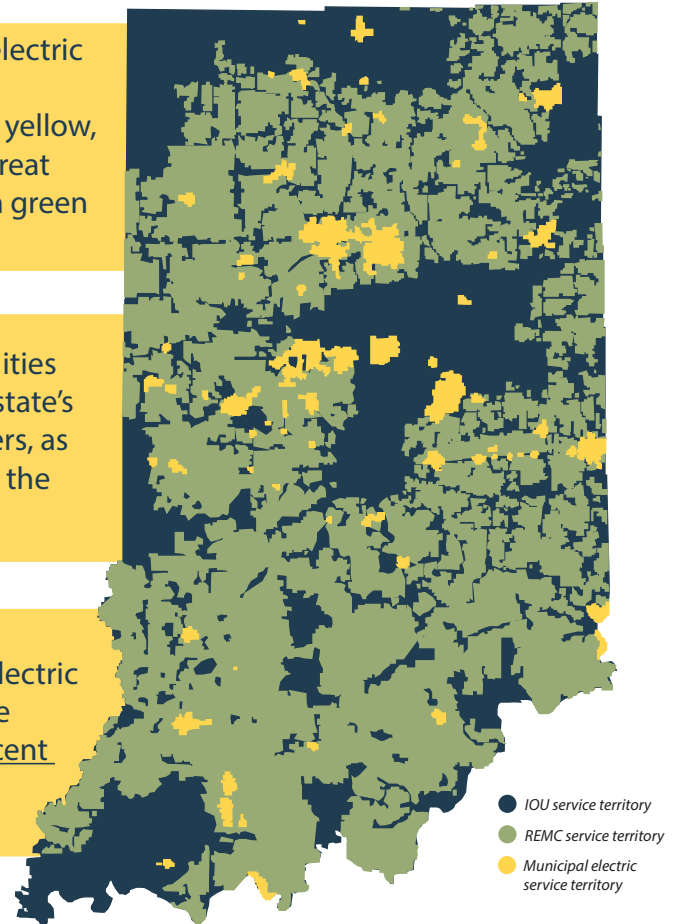


Source: Energy Information Administration

This map shows the electric service territories of municipal electrics in yellow, as compared to the great reach of the REMCs in green and IOUs in blue.

Municipal electric utilities only serve 7% of the state's total electric customers, as compared to 93% for the REMCs and IOUs.

Geographically, the electric service territory of the REMCs covers 80 percent of the state.



Property tax caps have NOT resulted in more territory changes

It is simply not true that there has been a sharp rise in requests by municipal electric utilities to change the electric service territories since the property tax caps were implemented in 2010. In fact, there is a downward trend.

In short, if SB309 as proposed by the REMCs and IOUs succeeds...

1. A municipal electric community will not be able to serve newly annexed citizens with its own municipal electric service.
2. A municipal electric community's ability to attract more jobs could suffer.
3. Newly annexed citizens of a municipal electric community would not be able to enjoy the benefits of having a locally-owned, controlled and serviced electric provider.