

SENATE BILL No. 241

DIGEST OF INTRODUCED BILL

Citations Affected: IC 8-1-31.7.

Synopsis: Utility service enhancement improvement costs. Authorizes a water or wastewater utility that is eligible under existing law to recover costs for service enhancement improvements (eligible utility) to adjust the statutory adjustment tracker to reflect certain chemical and power costs if those costs have increased or decreased by more than 3% over the two most recent years. Provides that if the costs: (1) have increased by more than 3% over the two year period, the amount of the adjustment shall be included in the adjustment rider as an expense; or (2) have decreased by more than 3% over the two year period, the amount of the adjustment shall be included in the adjustment rider as a credit. Provides that an eligible utility is not required to seek preapproval of a plan from the Indiana utility regulatory commission in order to seek recovery of the costs of chemicals and power. Specifies that the costs of chemicals and power may be recovered in full and without deferring 20% of the costs for recovery as part of the eligible utility's next general rate case.

Effective: July 1, 2026.

Koch

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



Introduced

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. 241

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 8-1-31.7-7, AS ADDED BY P.L.137-2020,
2 SECTION 15, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
3 JULY 1, 2026]: Sec. 7. As used in this chapter, "service enhancement
4 improvement" means an expenditure that is either of the following:

5 (1) Made, or to be made, by an eligible utility and related to:
6 (A) direct or indirect compliance with one (1) or more
7 requirements; or
8 (B) installation of a new plant or equipment:
9 (i) that is not a replacement plant or equipment; and
10 (ii) that the commission determines is reasonable and
11 appropriate to further health, safety, or environmental
12 protection for the eligible utility's customers, employees, or
13 the public.
14 (2) **Replacement of a plant or equipment Any of the following**
15 **that are made, or to be made, or incurred, or to be incurred,**
16 to maintain existing health, safety, or environmental protection for
17 the eligible utility's customers, employees, or the public:



(A) Replacement of a plant or equipment.

(B) Subject to section 9.1 of this chapter, chemical costs recorded in:

- (i) Account 618; or**
- (ii) Account 718;**

of the National Association of Regulatory Utility Commissioners Uniform System of Accounts as adopted by the commission under 170 IAC 6-2-2.

(C) Subject to section 9.1 of this chapter, power costs recorded in:

- (i) Account 615; or**
- (ii) Account 715;**

of the National Association of Regulatory Utility Commissioners Uniform System of Accounts as adopted by the commission under 170 IAC 6-2-2.

SECTION 2. IC 8-1-31.7-9, AS AMENDED BY P.L.100-2023, SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2026]: Sec. 9. (a) Except as provided in subsection (e), before an eligible utility may seek to recover its service enhancement improvement costs through a periodic rate adjustment under section 12 of this chapter, it must first obtain preapproval from the commission of its plan for the proposed service enhancement improvement or improvements. The eligible utility must file with the commission a petition and a case in chief, including supporting information described in section 10 or 11 of this chapter, as applicable. If the petition includes a request for an allocation of costs under IC 8-1-30.3-6.5, the eligible utility shall provide a copy of:

(1) the petition; and
(2) the eligible utility's case in chief;
to each intervenor in the eligible utility's last general rate case.

(b) After holding a public hearing for which proper notice is given under IC 8-1-1-8, the commission shall preapprove the eligible utility's plan under this section if the commission makes the required findings under section 10 or 11 of this chapter, as applicable. If the service enhancement improvement is not described in section 7(1)(A) of this chapter, the commission shall preapprove the eligible utility's plan under this section if the commission makes the required finding under section 7(1)(B)(ii) of this chapter.

(c) The commission shall issue its final order on the petition not later than two hundred ten (210) days after the filing of the eligible utility's case in chief.

(d) An eligible utility may have more than one (1) plan, and an



1 eligible utility may file separate petitions for separate plans.

2 (e) An eligible utility is not required to seek preapproval of a plan
3 in order to seek recovery under section 12 of this chapter for:

4 **(1) eligible additions service enhancement improvements** that
5 are described in section 7(2) 7(2)(A) of this chapter; **or**
6 **(2) costs that are described in section 7(2)(B) or 7(2)(C) of this**
7 **chapter.**

8 **(f) This subsection does not apply to an adjustment rider under**
9 **section 12 of this chapter for the recovery of costs described in**
10 **section 7(2)(B) or 7(2)(C) of this chapter.** If the commission approves
11 an eligible utility's plan under this section, or if approval is otherwise
12 not required, the commission shall approve a rider authorizing timely
13 recovery of the eligible utility's service enhancement improvement
14 costs under section 12 of this chapter. The following apply to the
15 utility's timely recovery:

16 (1) Eighty percent (80%) of the eligible utility's service
17 enhancement improvement costs shall be recovered by the
18 eligible utility through a periodic rate adjustment mechanism that
19 allows the timely recovery of the approved service enhancement
20 improvement costs.

21 (2) Twenty percent (20%) of the eligible utility's service
22 enhancement improvement costs, including depreciation,
23 allowance for funds used during construction, and post in service
24 carrying costs, compounded monthly and based on the overall
25 cost of capital most recently approved by the commission, shall
26 be deferred and recovered by the eligible utility as part of its next
27 general rate case filed by the eligible utility with the commission.

28 (3) Actual costs that exceed by more than twenty-five percent
29 (25%) the projected costs set forth in the eligible utility's plan
30 approved under this section require specific justification by the
31 eligible utility and specific approval by the commission before
32 being authorized in the next general rate case filed by the eligible
33 utility with the commission.

34 SECTION 3. IC 8-1-31.7-9.1 IS ADDED TO THE INDIANA
35 CODE AS A NEW SECTION TO READ AS FOLLOWS
36 [EFFECTIVE JULY 1, 2026]: **Sec. 9.1. (a) This section applies to the**
37 **recalculation of costs described in section 7(2)(B) and 7(2)(C) of**
38 **this chapter for purposes of an adjustment rider under section 12**
39 **of this chapter.**

40 **(b) Chemical costs described in section 7(2)(B) of this chapter**
41 **may be recalculated as follows:**

42 **(1) If:**



(A) at least two (2) years have elapsed since the date of the commission's most recent order adjusting the basic rates and charges of an eligible utility; and

(B) the average actual annual cost of chemicals has increased or decreased by at least three percent (3%) over the course of the two (2) year period described in subdivision (2);

the eligible utility may submit for the commission's review supporting documentation of the average actual annual cost of chemicals for the two (2) year period described in subdivision (2), as calculated under subdivision (2), along with documentation of how the average annual cost of chemicals over that period differs from the amount currently being collected for chemicals through the eligible utility's rates. However, if the average actual annual cost of chemicals has not changed or has increased or decreased by less than three percent (3%) over the course of the two (2) year period described in subdivision (2), an eligible utility may not seek an adjustment to the eligible utility's recovery of chemical costs under this section.

(2) If the eligible utility has determined that the average actual annual cost of chemicals has increased or decreased by at least three percent (3%) over the course of the two (2) year period described in this subdivision, the eligible utility shall include in its submission under this subsection a calculation of the average actual annual cost of chemicals for the two (2) year period described in this subdivision, along with a comparison of that cost to the amount currently being collected for chemicals through the eligible utility's rates, as follows:

STEP ONE: Calculate the actual cost of chemicals during the two (2) year period immediately preceding the date of the eligible utility's submission under this subsection by adding together the actual annual cost of chemicals in each year of the two (2) year period.

STEP TWO: Calculate the quotient of the STEP ONE amount divided by two (2). This quotient is the average actual annual cost of chemicals for the two (2) years immediately preceding the eligible utility's submission under this subsection.

STEP THREE: Calculate the difference between:

STEP THREE: Calculate the difference.



(ii) the amount currently being collected for chemicals through the eligible utility's rates on an annual basis.

(3) If the STEP THREE result under subdivision (2) is a positive number, the amount of the STEP THREE result shall be included in the adjustment rider under section 12 of this chapter as an expense in calculating an adjustment to the rider.

(4) If the STEP THREE result under subdivision (2) is a negative number, the amount of the STEP THREE result shall be included in the adjustment rider under section 12 of this chapter as a credit in calculating an adjustment to the rider.

(c) Power costs described in section 7(2)(C) of this chapter may be recalculated as follows:

(1) If:

(A) at least two (2) years have elapsed since the date of the commission's most recent order adjusting the basic rates and charges of an eligible utility; and

(B) the average actual annual cost of power has increased or decreased by at least three percent (3%) over the course of the two (2) year period described in subdivision (2);

the eligible utility may submit for the commission's review supporting documentation of the average actual annual cost of power for the two (2) year period described in subdivision (2), as calculated under subdivision (2), along with documentation of how the average annual cost of power over that period differs from the amount currently being collected for power through the eligible utility's rates. However, if the average actual annual cost of power has not changed or has increased or decreased by less than three percent (3%) over the course of the two (2) year period described in subdivision (2), an eligible utility may not seek an adjustment to the eligible utility's recovery of power costs under this section.

(2) If the eligible utility has determined that the average actual annual cost of power has increased or decreased by at least three percent (3%) over the course of the two (2) year period described in this subdivision, the eligible utility shall include in its submission under this subsection a calculation of the average actual annual cost of power for the two (2) year period described in this subdivision, along with a comparison of that cost to the amount currently being collected for power through the eligible utility's rates, as follows:

STEP ONE: Calculate the actual cost of power during the



two (2) year period immediately preceding the date of the eligible utility's submission under this subsection by adding together the actual annual cost of power in each year of the two (2) year period.

STEP TWO: Calculate the quotient of the STEP ONE amount divided by two (2). This quotient is the average actual annual cost of power for the two (2) years immediately preceding the eligible utility's submission under this subsection.

STEP THREE: Calculate the difference between:

- (i) the STEP TWO result; minus
- (ii) the amount currently being collected for power through the eligible utility's rates on an annual basis.

(3) If the STEP THREE result under subdivision (2) is a positive number, the amount of the STEP THREE result shall be included in the adjustment rider under section 12 of this chapter as an expense in calculating an adjustment to the rider.

(4) If the STEP THREE result under subdivision (2) is a negative number, the amount of the STEP THREE result shall be included in the adjustment rider under section 12 of this chapter as a credit in calculating an adjustment to the rider.

SECTION 4. IC 8-1-31.7-12, AS ADDED BY P.L.137-2020,

SECTION 15, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2026]: Sec. 12. (a) If the commission approves an eligible utility's plan under section 9 of this chapter, or if commission approval of the plan is otherwise not required, the eligible utility may file a petition to establish or adjust an adjustment rider to its rate schedules under this section so as to allow timely recovery of the eligible utility's service enhancement improvement costs. The following shall apply:

- (1) The adjustment rider shall be calculated as a fixed charge based upon equivalent meter size.
- (2) Publication of notice of the filing is not required.

For purposes of this section, the timely recovery of costs for a municipally owned utility or a not-for-profit utility shall be in a manner consistent with IC 8-1-31-8(a)(3).

(b) **Except as provided in subsection (i),** the adjustment rider shall provide for the timely recovery of eighty percent (80%) of the service enhancement improvement costs. The remaining twenty percent (20%) of the service enhancement improvement costs shall be deferred under section 9(f)(2) of this chapter.

(c) The commission shall conduct a hearing.



1 (d) The office of the utility consumer counselor may:

2 (1) examine information of the eligible utility to confirm:

3 (A) that the eligible additions are in accordance with sections

4 2 and 8 of this chapter, **as applicable**; and

5 (B) the proper calculation of the adjustment amount proposed

6 under this section **or section 9.1 of this chapter, as**

7 **applicable**; and

8 (2) submit a report to the commission not later than thirty (30)

9 days after the petition is filed.

10 (e) Except as provided in subsection (h), the commission shall hold

11 the hearing and issue its order not later than sixty (60) days after the

12 petition is filed.

13 (f) Except as provided in subsection (h), the commission shall enter

14 an order approving a petition filed under this section to the extent the

15 commission finds that the petition complies with the requirements of

16 this chapter.

17 (g) A petition filed under this section may combine one (1) or more

18 of the following:

19 (1) Service enhancement improvement costs associated with one

20 (1) or more plans approved under section 9 of this chapter.

21 (2) Service enhancement improvement costs for which approval

22 of a plan is not required under this chapter.

23 (h) If a petition filed under this section seeks recovery of service

24 enhancement improvement costs associated with eligible additions

25 made in association with service enhancement improvements described

26 in section ~~7(2)~~ 7(2)(A) of this chapter:

27 (1) the commission shall create a sub-docket to consider the

28 service enhancement improvement costs if the petition combines

29 the service enhancement improvement costs with service

30 enhancement improvement costs associated with approved plans

31 under section 7(1)(A) or 7(1)(B) of this chapter;

32 (2) to approve recovery of the service enhancement improvement

33 costs associated with service enhancement improvements

34 described in section ~~7(2)~~ 7(2)(A) of this chapter, the commission

35 must find that the service enhancement improvements described

36 in section ~~7(2)~~ 7(2)(A) of this chapter are reasonable and

37 necessary; and

38 (3) the time period for issuance of an order under subsection (e)

39 is extended to one hundred twenty (120) days with respect to the

40 service enhancement improvement costs associated with service

41 enhancement improvements described in section ~~7(2)~~ 7(2)(A) of

42 this chapter.



1 **(i) An adjustment rider under this section for the recovery of**
2 **costs described in section 7(2)(B) or 7(2)(C) of this chapter shall**
3 **provide for the timely recovery of those costs in full and without**
4 **the deferral otherwise required under subsection (b).**

